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CDS COMPLETES INDEPENDENT PROSPECTIVE RESOURCE VALUATION

LONDON, England: 21 November 2006 - CDS Oil & Gas Group plc ("CDS"), the AIM-listed oil and gas explorer (CDS.L), is pleased to report that it has received revised Prospective Resource valuation studies for two of its prospects - the Emilia Well Area on the Boqueron Block and the Gabino Mendoza Block - both located in north-west Paraguay.

The Company commissioned studies of the Emilia oil prospect and the Independencia deep gas prospect from CAS International LLC (Collarini) of Houston, Texas, to evaluate the extent of each target and its potential productivity. The expected resource potential in the area of the Emilia well is estimated at 729 MBbl/well (mean average). Although several other potential Emilia look-alike Prospective Resources are possible within the Boqueron block only the Emilia was studied by Collarini who have concluded that the reservoir is potentially more productive than originally thought. However, due to lack of data at this stage they can only map a restricted area and, accordingly, the Prospective Resources at Emilia are estimated (Best Estimate) at 27.2 MMBbl OOIP and 6.4 MMBbl recoverable. Collarini's Best Estimate of the Emilia Well Potential is focused on a prospective area of 143 hectares.

The Scott Pickford report based its analysis at the Emilia well from two seismic lines and the data from a Pennzoil well drilled in 1972. Collarini have used an industry standard approach, using the same basic data as Scott Pickford to derive a P50 risked resource over a smaller but more productive acreage.

For example, at Emilia, the Scott Pickford report indicated 12,000 Bbl per acre of mean recoverable reserves, while the Collarini report indicates 18,000 Bbl per acre of mean recoverable for the same reservoir, greatly improving the possible recoverable oil in place.

In the case of the Gabino Mendoza Block, the Collarini Best Estimate Prospective Resource potential is 142 BCFG (6.56 BCFG/well mean average) in a 1,401 hectare area around the CDS-GM-05-5001 well which was drilled in December 2005. The Gabino Mendoza Block covers an area of 40,000 hectares. Scott Pickford did not estimate any recoverable resources on this block in the Competent Persons report.

John Bentley, Chairman of CDS stated: "We are pleased with the results of the study as it enhances and confirms our confidence in the potential for the Paraguayan properties."

The Collarini report, with its methodology, gives validity to the productive qualities of the reservoir, both at Emilia for oil and for the deep gas case at Independencia. But, it also indicates that more work needs to be done by CDS to be able to analyse more fully the underlying stratigraphy and to resolve the lateral stratigraphic extent or structural trap for each case.

All estimates are probabilistic estimations using generally accepted industry "Monte Carlo" simulation method. The estimation should be viewed within context of the reports "Prospective Hydrocarbon Resource Evaluation in and related to Boqueron Block" and "Prospective Hydrocarbon Resource Evaluation in and related to Gabino Mendoza Block", both dated 1 September 2006. A copy of the complete report can be viewed on the CDS website www.cdsogg.com. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering data, and all conclusions represent only informed professional judgments.

The definition of Prospective Resources is as follows: The potential volume of hydrocarbon that could be commercially produced from an as yet undiscovered field.

The summary set out above of the results of the Collarini Associates study has been reviewed for CDS by Steven L. Veal,. Mr Veal is a petroleum geologist with more than 26 years experience in the petroleum and natural gas industries and is a member, and former Vice President and Treasurer, of the American Association of Petroleum Geologists and a Fellow of the Royal Geological Society, London.

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[See the following summary of the technical and financial analysis from the report]



Technical and financial analysis from Collarini Report

The following tables summarise the key technical and financial assumptions of the report.

Emilia Well Area on the Boqueron Block

The estimate for Emilia Well area on the Boqueron Block is:

Prospective Carboniferous Oil Resources-Emilia Well Area-Boqueron Block						
Parameter	Low Estimate (P90)	Medium Estimate (P50)	Best Estimate (Mean)	High Estimate (P10)		
Prospective Area (Hectares)	37	103	142	287		
Prospective OOIP (MMBbl)	4.9	16.3	27.3	59		
Probability of Success	32%	32%	32%	32%		
Risked OOIP (MMBbl)	1.6	5.3	8.9	19.1		
Recovery Efficiency	15%	23%	24%	27%		
Prospective EUR (MMBbl)	0.7	3.8	6.4	16.2		
Risk Adjusted EUR (MMBbl)	0.238	1.2	2.1	5.2		
Probability of Success: 32.4% ; Source Risk: .9; Trap Risk: .5; Reservoir Risk: .8; Timing Risk: .9						
Emilia Well Area-Boqueron Block NPV						
Emilia best estimate (mean) EUR = 6,426 MMBL oil						
Oil Price	NPV5	NPV10	NPV15	NPV20	EMV10*	
\$/BBL	\$ X 1,000,000					
40	92,	70	56	46	22	
50	124	95,	76	63	30	
60	156	120	97	80	38	
* EMV= The Expected Monetary Value (EMV), an industry standard measurement of value for oil and gas projects that takes into account both the Chance of Success (CoS) and the Cost of Failure (CoF) are calculated for all the economic outcomes.						

The economic analysis is performed on the best estimate of prospective Estimated Ultimate Recovery (EUR) should there be a discovery of Carboniferous oil of that magnitude. The oil price assumptions are US\$ 40, US\$ 50, and US\$ 60 per Bbl oil. The associated gas produced are assumed to be flared or re-injected therefore no monetary value is assumed. The cash flow forecasts included a gross capital cost of \$13,710,000 for drilling and completing nine oil wells. No abandonment cost is included. Gross operating expenses are \$48,871,770 including \$3,186,000 fixed cost and \$45,685,770 variable cost. The field productive life is expected at 20 years with peak average production of 2,150 BOPD



Gabino Mendoza Block

The estimate for Gabino Mendoza Block is:

Prospective Devonian Gas Resources - Gabino Mendoza Block					
Parameter	Low Estimate (P90)	Medium Estimate (P50)	Best Estimate (Mean)	High Estimate (P10)	
Prospective Area (Hectares)	363	1,014	1,401	2,819	
Prospective OGIIIP (BCF)	30.8	117.3	215.9	473.5	
Probability of Success	10%	10%	10%	10%	
Risked OGIIIP (BCF)	3	12	22	48	
Recovery Efficiency	60%	65%	66%	70%	
Prospective EUR (BCF)	19	76	142	331	
Risk Adjusted EUR (BCF)	2	8	14	33	
Probability of Success: 10.8% ; Source Risk: .8; Trap Risk: .7; Reservoir Risk: .3; Timing Risk: .6					
Gabino Mendoza Block NPV					
Independencia best estimate (mean) EUR =141.84 BCF gas					
Gas Price	NPV5	NPV10	NPV15	NPV20	EMV10*
\$/MCF	\$ X 1,000,000				
4	140	72	31	6	3
5	207	117	63	29	8
6	275	163	95	52	12
* EMV= The Expected Monetary Value (EMV), an industry standard measurement of value for oil and gas projects that takes into account both the Chance of Success (CoS) and the Cost of Failure (CoF) are calculated for all the economic outcomes.					

With the drilling of wells and discovery of gas in the Devonian prospect, the prospective hydrocarbon resource is expected to yield a potential recovery in terms of Estimated Ultimate Recovery (EUR) of 141.84 BCF gas. It is estimated that twenty two wells drilling on a 160 acre drainage area each will be required to recover the 141.84 BCF EUR at a 66% recovery efficiency. The average EUR per well is expected at 6.56 BCF, with an Initial Production (IP) of 4 million cubic feet per day (MMCFPD).

The economic analysis is performed on the best estimate of prospective EUR should there be a discovery of Devonian gas of that magnitude. The gas price assumptions are US\$ 4.0, US\$ 5.0, and US\$ 6.0 per MCF of gas. The liquid yields produced with the gas are assumed to be marketable at US\$ 40 per Bbl. The cash flow forecasts include a gross capital cost of \$131,006,000, consisting of a 100 km pipeline at a cost of \$10,000,000 to bring gas to the market and for drilling and completing twenty two gas wells. The Chance of Success (CoS) for the prospective resources based on the four risk elements of source, trap, reservoir, and timing, have been analyzed and determined to be 10.08%.



Glossary of Industry Terms:

Recoverable Resources	Those quantities of hydrocarbons which are estimated to be producible from accumulations, either discovered or undiscovered
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Mcf -- One thousand cubic feet of natural gas measured at standard pressure and temperature conditions (see "cubic foot of gas").

MMbo -- Million barrels of oil.

Mbo -- One thousand barrels of oil

MMcf - One million cubic feet.

Bbl, Barrel -- In the energy industry, a barrel is 42 U.S. gallons measured at 60 ° Fahrenheit.

BCFG - The abbreviation for billion cubic feet of gas.

Texas RRC

OOIP – Original Oil In Place

Mean – arithmetic mean

Well mean average – possible mean value of production on a per well basis

