



CDS Oil & Gas Group plc
17 Hanover Square
London W1S 1HU
United Kingdom
E-Mail: info@cds.com.py
Web Site: www.cdsogg.com

Thursday, 18 January 2007

Press Release

CDS subsidiary settles dispute with drilling contractor

LONDON: 18 January 2007 - CDS Oil & Gas Group plc ("CDS" or "the Company"), the AIM-listed oil and gas explorer (CDS.L), is pleased to report that its wholly-owned subsidiary, CDS Energy S.A., ("CDS-SA") a Paraguayan company, has settled its dispute with Nabors Drilling International Limited ("Nabors"), relating to Nabors' supply of a drilling rig and associated equipment and expertise to CDS in late 2005.

Agreement was reached through mediation in London and requires CDS to pay Nabors a settlement of US\$270,000, and a contribution to legal costs of approximately \$130,000.

Nabors was the company which carried out the drilling on CDS-SA's properties in Paraguay in December, 2005. In June 2006, Nabors commenced arbitration proceedings against CDS relating to allegedly unpaid monies owing under the rig-supply contract. CDS denied liability and counterclaimed alleging various breaches of that contract.

Following discussions in London on 10 January 2007, Nabors and CDS agreed to settle the dispute amicably. The parties will withdraw their respective claims and counterclaims and end the arbitral proceedings.

CDS is a UK company which, through its Paraguayan subsidiary, CDS Energy S.A., is pursuing the exploration and development potential of oil and gas on three blocks covering an area of 29,210 km² (11,277 square miles) in North West Paraguay in South America. These blocks include substantial oil and gas exploration potential in the prospective eastward extension into Paraguay of the productive Bolivian Chaco Basin.

The Company is actively pursuing farm-out participants and is in discussion with several companies which have expressed an interest in the potential of the properties.

Ends

Contacts:

John Bentley, Chairman,
Simon Rothschild, Bankside Consultants

Tel: 020 7367 8888
Tel: 020 7367 8871