



Zhaikmunai L.P.

## **Zhaikmunai – Successful test results for two more wells as gas treatment facility nears completion**

Uralsk – July 14<sup>th</sup>, 2010 - Zhaikmunai L.P. (LSE:ZKM) today announces the following update on drilling results and construction progress for its Kazakhstan-based operating subsidiary, Zhaikmunai LLP (“Zhaikmunai”):

- Well #20 reached a test flow of 7.413 million cubic feet (MMcf) of natural gas and 1,260 barrels per day (bpd) of condensate. These results are in line with management's expectations.
- Well #215 reached a test flow of 18.356 million cubic feet (MMcf) of natural gas and 2,984 bpd of condensate. These results significantly exceed management's expectations.
- Together with existing production, these wells will provide over 90% of the planned capacity of the gas treatment facility.
- Construction of the gas treatment facility remains on schedule. Mechanical completion is expected between August 25th and September 25th.
- Commissioning of the gas treatment facility is expected 8-10 weeks from the date of mechanical completion; full commissioning is therefore expected no later than November 30th.

### **Completion of well #20 and #215**

Well #20 reached test flow of 7.413 MMcf of natural gas and 1,260 bpd of condensate at a separator pressure of 25 bars from the Middle Devonian Biski & Afoninski carbonate formation.

Well #20 was originally drilled as an appraisal well at a multi-target location in the northeastern part of the Chinarevskoye license block in 2004 and it is now foreseen to be used as a producer from the Biski & Afoninski gas condensate reservoir when the gas treatment facility, currently nearing completion, commences operation. Two sidetracks were drilled out of the old 7 inch casing of well #20 at 4,800 meters. The well was deviated down to 5,095 m and drilled horizontally from 5,095 m to a final depth of 5,425 m.

The upper sidetrack was previously tested successfully in January 2010, when a maximum rate of 12.179 MMcf of natural gas and 2,016 bpd of condensate was obtained at a 12 mm choke with a pressure of 200 bars extrapolated. A stable

flow of 6.531 MMcf of natural gas and 1,071 bpd of condensate was reached at a 9mm choke and a pressure of 170 bars. The current multi-rate test is targeted at the lower cleaned 300 m deviated sidetrack. However, part of the upper non-cleaned sidetrack may also be producing. At a 10 mm choke the well is currently producing 7.413 MMcf of natural gas and 1,260 bpd of condensate. After the cleaning of the upper sidetrack we expect a co-mingled production of 8.825 MMcf of natural gas and 1,410 bpd of condensate.

The final co-mingled multi-rate test of the upper and the lower sidetrack of well #20 is scheduled for the second half of July 2010 after the cleaning of the upper sidetrack.

Well #215 reached a test flow of 18.356 MMcf of natural gas and 2,984 bpd of condensate at a separator pressure of 25 bars from the Middle Devonian Biski & Afoninski carbonate formation.

A multi-rate test of the Biski & Afoninski reservoir is being carried out in the 952m horizontal section at 4,945 meters in the non-cemented slotted liner. On a 16mm choke with a pressure of 124 bars extrapolated, which is about 21 percent of the formation pressure, the well produced 18.356 MMcf of natural gas and 2,984 bpd of condensate. The formation was acid treated prior to test operations.

The expected start production for well #215 is estimated at 21.1 MMcf of natural gas per day at a pressure of 170 bars.

Based on all tests from the existing gas condensate wells and the current gas production of the Chinarevskoye oil treatment unit, gas production will increase to 123.5 MMcf of natural gas per day (3.5 million m<sup>3</sup> per day). This corresponds to approximately 90% of the intake capacity of the gas treatment facility currently under construction.

Zhaikmunai has planned a focused drilling program for the remainder of 2010. Zhaikmunai plans to complete and test four additional gas condensate wells during August and September 2010. The expected gas production from these four wells is 42.3 MMcf of natural gas per day (1.2 million m<sup>3</sup> per day).

### **Gas flaring permit**

Zhaikmunai also received an extension for its gas flaring permit from the Ministry of Oil and Gas valid until the end of September 2010. Zhaikmunai's management expects the gas treatment facility will be filled with gas no later than September 30<sup>th</sup>, 2010.

### **Gas treatment facility nears completion**



Pre-commissioning works for the completion of the gas treatment facility started during in June 2010. Based on the most recent progress reports Zhaikmunai expects its contractor, KazStroyService, to achieve mechanical completion between August 25th and September 25th, 2010.

Black Start (\*) is expected to occur no later than September 30th, 2010. Following Black Start, commissioning activities will continue while test production will be ongoing, during which time gas and condensate production (“gas in from wells”) will be gradually increased to its optimal capacity over an 8 to 10 week period. At the end of that period the gas treatment facility is expected to achieve its designed operating capacity, resulting in full commissioning of the facility.

The commissioning (expected to be completed no later than November 30th, 2010) will be followed by a meeting of the State Acceptance Commission of the Republic of Kazakhstan, the competent body authorized to provide operating licenses for infrastructure and equipment in Kazakhstan.

**Kai-Uwe Kessel, Chief Executive of Zhaikmunai, commented :**

*“We are pleased that the well results demonstrate the success of horizontal drilling in the Chinarevskoye Field. Using this technique we will reach the production necessary to feed the gas treatment facility.”*

(\*) Black Start or “gas in” is the moment the plant is filled with natural gas from the gas pipeline to which, after commissioning, treated gas will be delivered by the gas treatment facility.

For further information please visit [www.zhaikmunai.com](http://www.zhaikmunai.com).

**Further enquiries**

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**About Zhaikmunai**

Zhaikmunai is an independent oil and gas enterprise currently engaging in the exploration and



development and production of oil and gas. It is listed on the London Stock Exchange (Ticker symbol: ZKM). Its principal producing asset is the Chinarevskoye Field located in northwestern Kazakhstan. Zhaikmunai L.L.P., a wholly-owned subsidiary of Zhaikmunai L.P., holds a 100% interest in and is the operator of the Production Sharing Agreement for the Chinarevskoye Field.

### **Forward-Looking Statements**

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of Zhaikmunai L.P. or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements.

