

## **TETHYS PETROLEUM PRESS RELEASE**

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### **UPDATE ON TAJIK AND KAZAKH OPERATIONS**

DUSHANBE, TAJIKISTAN, BOZOI, KAZAKHSTAN, Monday, December 29, 2008: Tethys Petroleum Limited (“Tethys” or the “Company”)(TSX:TPL) today gave an update on its operations in Tajikistan and Kazakhstan.

In Tajikistan, work has been focussed on meeting Tajikistan’s short term needs for gas whilst carrying out workovers and re-development activities on existing fields and discoveries. Work is underway on the Komsomolsk gas field close to the capital city of Dushanbe and on the Khoja Sarteز gas condensate field north of city of Kulob in the Khatlon region.

Gas has now been successfully tested from the Khoja Sarteز 22 well (“KJZ22”) at estimated rates (based on wellhead pressures) up to 80,000 m<sup>3</sup>/d (2.8 million cubic feet per day) on a 12mm (30/64<sup>ths</sup> of an inch) choke with a flowing tubing head pressure of some 40 atmospheres (588 psig) – these rates are subject to verification when more accurate metering equipment arrives onsite. The gas bearing interval was identified by the use of modern cased hole wireline logging techniques including the use of a pulsed neutron-neutron (“PNN”) log. Arrangements are underway for supply of this gas to the Kulob gas distribution company, for use in the local market in the Kulob area. Test gas has now been successfully flowed to the Kulob gas measurement station and a gas sales contract is being negotiated. The Khoja Sarteز gas condensate field is located on the north east flank of one of the several large salt domes in the Kulob area, and Tethys believes that there is further potential both for additional gas production from existing wells, and from deeper, as yet undrilled horizons within the structure, and around other parts of the Khoja Sarteز salt dome.

At Komsomolsk work is currently underway on three wells, namely KOM180, KOM183 and KOM007. It was previously announced that gas had been tested from the KOM180 well, at rates of some 10,000 cubic metres per day (353 thousand cubic feet per day). However this gas production brought with it an averaged 180 cubic meters (1,132 barrels) per day of water, believed, from the analysis of the PNN log, to be coming from a deeper water bearing sand interval via a poor cement seal behind the production casing during the original drilling of the well over 40 years ago. A cement squeeze is now underway to attempt to seal off the deeper water bearing interval so that dry gas can be produced at higher rates from the well. In addition work is underway on the KOM183 well to the east, with the aim of perforating and testing gas from previously unproduced zones, and on the KOM007 well located to the south-west of KOM180. The Company’s focus is currently on these workover activities on Komsomolsk in order to meet short-term gas demand from industry and population in the Dushanbe area. However work on the Komsomolsk field to date indicates the potential for several



unproduced zones and undrained areas in the field, and these will be evaluated in the medium term through further drilling and workover activity.

In Kazakhstan, despite the indication of gas during drilling, the initial testing on the KUL03 exploration well in the Kul-Bas area has not yielded gas flow to surface. The target zone is very different from that in the Company's Kyzylloi gas field some 70 kilometres (44 miles) to the south-south-west, and consists of what appears to be a low permeability carbonate cemented sandstone. The well will continue to be observed for indications of gas pressure at surface and has been suspended while the potential for acid fracture stimulation is considered. Meanwhile the equipment is being demobilised from the site.

The AKD01 deep exploration well on the Akkulka Block has commenced drilling but extreme weather conditions has slowed down activities. In addition during shake down testing of the drilling system it has become necessary to replace certain components which are now being supplied from the factory. As this is a new rig, and the AKD01 well is the first well drilled by this unit, such run-in problems might be expected but as the Company is drilling the first section of this well without external services such delays are at minimal cost.

Installation of the two new compressors for Phase 2 of the Kyzylloi / Akkulka gas development is proceeding as planned although hampered by extreme winter weather conditions. As well as Tethys' personnel, specialists from the Chinese compressor supplier are on site and the compressors are being integrated into the existing compressor station and control systems which ties the Kyzylloi gas field to the major Bukhara - Urals gas trunkline system. The production system will remain closed until these new units are installed, with safety being the highest priority. It is expected that the new units will be fully installed in mid/late January and gas production will then be able to recommence, once the system has been fully certified by the required Kazakh governmental commission, at a planned rate of 1.1 million cubic metres per day (38.8 million cubic feet per day), this approximately doubling the production rate of Phase 1 which commenced production in December 2007.

Tethys is focused on oil and gas exploration and production activities in Central Asia with activities currently in the Republics of Kazakhstan and Tajikistan. This highly prolific oil and gas area is rapidly developing and Tethys believes that significant potential exists in both exploration and in discovered deposits.

This press release contains "forward-looking information" which may include, but is not limited to, statements with respect to our operations. Such forward-looking statements reflect our current views with respect to future events and are subject to certain risks, uncertainties and assumptions. See our Annual Information Form for the year ended December 31, 2007 for a description of risks and uncertainties relevant to our business, including our exploration activities.

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