

<b>Company</b>	<a href="#">Gulf Keystone Petroleum Ltd</a>
<b>TIDM</b>	GKP
<b>Headline</b>	Operational Update
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**08 January 2007**

**GULF KEYSTONE PETROLEUM LTD**  
("Gulf Keystone" or the "Company")

**FORMAL APPROVAL OF HBH AND BEN GUECHA CONTRACTS  
UPDATE ON GKN / GKS FIELD DEVELOPMENT**

**Hassi Ba Hamou (HBH)**

Following approval by the Algerian Council of Ministers, the introduction of BG Group into the HBH Contract has been formally ratified by an announcement in the Official Journal of Algeria. This is the final stage of the approval process relating to the transaction between Gulf Keystone and BG, announced in August 2006, and paves the way for immediate completion of the transaction with BG. On completion, BG will acquire a 36.75% interest in the HBH Concession, with Gulf Keystone retaining a 38.25% interest. SONATRACH will continue to hold a 25% interest.

**Blocks 108 and 128a**

The Council of Ministers has, in addition, given its approval to the award of the contract covering the Ben Guecha Blocks (108 and 128a) which Gulf Keystone signed in April 2005, and this approval has also now formally been announced in the Official Journal of Algeria. This announcement formally marks commencement of the first three year period of this exploration contract and enables Gulf Keystone immediately to start its exploration and appraisal activities on these blocks. The remaining work commitment covering the Ben Guecha blocks include the drilling of one appraisal well on the Ras Toumb field, in which Gulf Keystone acquired an interest under the 108/128a contract, and the drilling of one exploration well.

**Block 126**

SONATRACH and Gulf Keystone have, following extensive discussions, now reached final agreement on all aspects of the field development plans for the GKS and GKN oil fields, including detailed plans for gas utilisation. The development proposal is therefore now with the SONATRACH Executive Committee for its final

approval, which is a critical step leading up to the award of a production licence covering the development of both fields. On Gazetting of the production licence, the Company and SONATRACH will be able to commence phased development operations on both fields and will assume immediate ownership of ongoing oil production from well GKN-1.

In addition, SONATRACH has signed an amendment to Gulf Keystone's Production Sharing Contract for Block 126a, which confirms the extension of this contract for a period of 15 months with effect from 29 April 2006. This extension will enable Gulf Keystone to proceed with the testing of the GRJ-2 discovery. This is presently scheduled for early in the second quarter of 2007 utilising Saipem Rig 32.

## **Update on Operations**

### **Hassi Ba Hamou**

On the HBH Concession, work has already commenced on an extensive seismic acquisition programme. The contractor, Global Geophysical, is currently surveying the control points for the acquisition of the 2000km 2D survey and work will continue over the next 10 months. The acquisition of the 500 km<sup>2</sup> 3D survey, originally planned to follow after the 2D programme, has been accelerated to run in parallel with the 2D survey to enable drilling to start as early as possible. Gulf Keystone is currently evaluating tenders from five drilling contractors for a programme of three appraisal and three exploration wells on the block which the Company expects to commence in the fourth quarter of 2007, following interpretation of the seismic data.

### **Block 129**

On Block 129, the environmental impact assessment has been completed. With our partner, SONATRACH, we have finalised a work programme and budget for 2007. The expected work programme includes (but is not limited to) the testing of one of the two discovery wells Hassi El Kerma 1 and Hassi El Kerma 3, the acquisition of additional 2D seismic and the processing of 412km<sup>2</sup> of 3D seismic acquired over the DDN discovery.

### **Blocks 108 / 128a**

On Block 108, Gulf Keystone has completed the processing and preliminary interpretation of 156 km<sup>2</sup> of 3D seismic acquired over the producing RasToumb field. The inventory of potential prospects is now under detailed review.

### **Mr. Bill Guest, President of Gulf Keystone commented:**

"Formal ratification of Gulf Keystone's agreement with BG Group, and of the contracts covering Blocks 108 and 128a, represent important milestones in the further development of the Company's Algerian exploration and production business.

These, together with the useful progress made towards the award of a production licence over GKN and GKS, place the Company on a strong financial and operational footing going into 2007”

## **Enquiries**

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