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**GULF KEYSTONE
PETROLEUM LTD.**



25 August 2009

Gulf Keystone Petroleum Ltd.
("Gulf Keystone" or "the Company")

Reserves and Drilling Update

Shaikan-1, Shaikan Block

Gulf Keystone Petroleum Ltd. (AIM: GKP), an independent oil and gas exploration company, today provides a drilling update on the Shaikan-1 exploration well operated by Gulf Keystone Petroleum International (50% GKP, 50% ETAMIC). The well is located in the Shaikan Block, situated near the city of Dihok, in the Kurdistan region of northern Iraq.

Drilling has now reached a depth of 1,710 meters and has encountered an oil column in excess of 170 meters within the Sargelu, Alan and Mus formations. At this stage, the Company believes this to be a single reservoir and hence an extension of the same discovery announced on 6 Aug 2009.

As previously announced, the Alan and Mus formations were identified as the primary oil bearing zones of interest for Shaikan-1, with total potential volumes of oil-in-place in excess of 1.5 billion barrels. The open hole log data, together with an extracted core from the new interval, confirm the presence of an extensive fracture system, which appears to be oil saturated throughout. Furthermore, no water has been encountered. This new data provides Gulf Keystone with grounds for a revised range of oil-in-place volumes of between 1.5 and 3.0 billion barrels for the oil encountered, thus far.

In the field, the Company will continue to drill ahead to the next casing point at approximately 2,500 metres, before subsequently reaching final target depth at 3,200 to 3,500 metres, subject to well results.

Todd Kozel, Executive Chairman of Gulf Keystone, commented:

"We are greatly encouraged by the discovery of a second interval in what we believe to be a single and significant reservoir within the Sargelu, Alan and Mus formations. Even at this early stage, the commerciality of this discovery is substantially strengthened by our upward revision of the oil-in-place estimate. The Shaikan-1 is proving to be a value-transforming discovery for Gulf Keystone."

Enquiries

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John Gerstenlauer, the Company's Chief Operating Officer, who has 31 years of relevant experience within the sector meets the criteria of a qualified person under the AIM guidance note for mining, oil and gas companies and has reviewed and approved the technical information contained in this announcement. Mr. Gerstenlauer is a member of the Society of Petroleum Engineers.

Notes to Editors

- Gulf Keystone Petroleum Ltd. (AIM: GKP) ("Gulf Keystone" or the "Company") is an independent oil and gas exploration company focused on exploration in the Kurdistan region of northern Iraq.
- The Company's shares have traded on the AIM market, since listing on 8 Sept 2004.
- Gulf Keystone Petroleum International ("GKPI") is a joint venture between the Company and ETAMIC, its strategic partner in Kurdistan. The JV holds Production Sharing Contracts ("PSC's") in four exploration blocks with a total area under licence of 1,702 square kilometres.
- On 6 Aug 2009, the Company announced that GKPI had made a significant discovery at the Shaikan-1 exploration well which spudded on 27 April 09. The well is located in the Shaikan Block, situated near the city of Dihok, approximately 85 kilometres North-West of Erbil and covers an area of 283 square kilometres. The Company is currently continuing its drilling to deeper targets at the same location.
- On 14 Jul 2009, the Company announced its intention to exit its operations in Algeria in order to focus on Kurdistan.
- Gulf Keystone Petroleum Limited is registered in Hamilton, Bermuda with offices in Erbil, Kurdistan, Algiers, Algeria and London, UK.