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Operational update

- **PIPELINE TO TOMSKAYANEFT COMPLETED**
- **RECENTLY IDENTIFIED OIL LAYER, JURA 10, PROVEN PRODUCTIVE**
- **HYDRO FRACTURING EXPECTED TO INCREASE PRODUCTION TO 4,500 – 6,000 BARRELS PER DAY**

Malka Oil has completed the construction of the new oil pipeline to Transneft via Tomskayaneft. The connection will mean cost savings as well as an increase of Malka Oil's delivery capacity. At the same time the already identified new oil layer Jura 10 has proved to be productive in three wells. The work with hydro fracturing is proceeding and as of today nine out of the planned 16 wells have been finished and will start to produce in April. Winter roads have already started to degrade and therefore the remaining seven wells will be completed in May and June when new summer roads to the well sites are ready. The work will be completed in June and the oil production is expected to increase to around 4,500 barrels per day before the end of May and up to 6,000 barrels per day by the end of June. This came to light during an investor trip today at the company's oil field in Tomsk, Western Siberia.

Pipeline to Tomskayaneft

The new pipeline from the oil fields to Tomskayaneft complements the existing distribution channel which today is done via pipeline combined with road transportation. The new pipeline will be commissioned at the end of May.

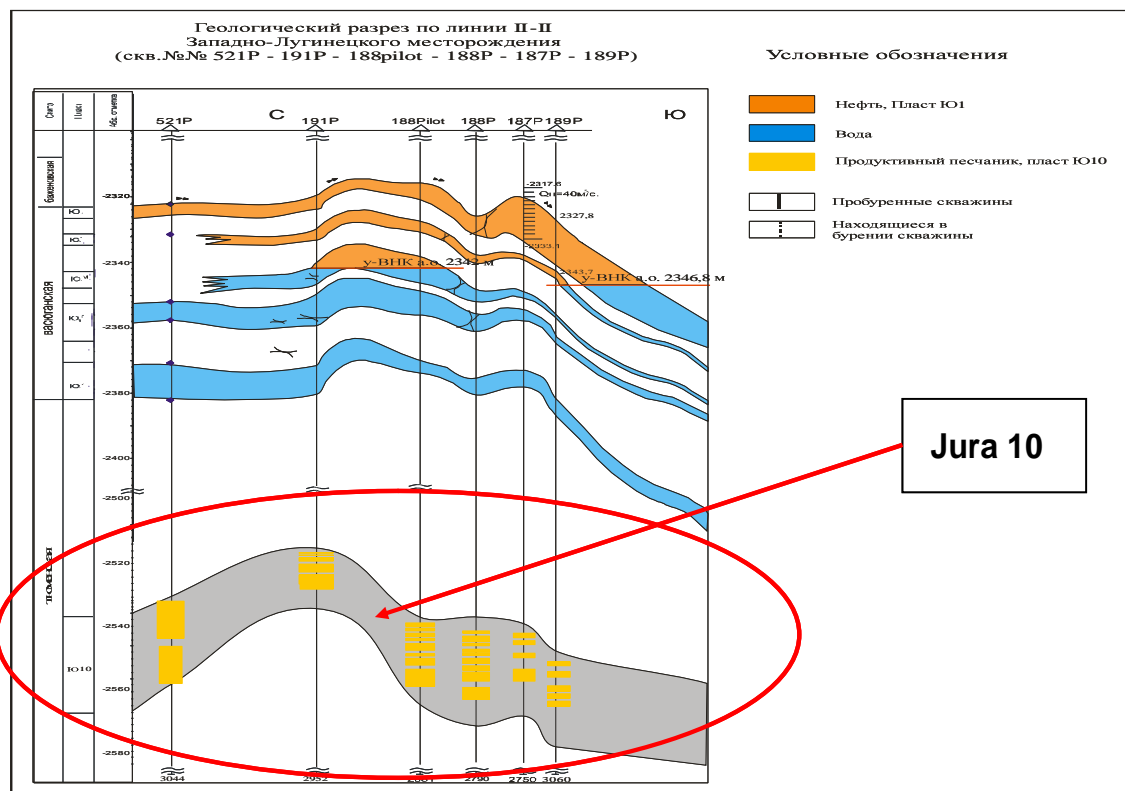
"Connecting to Tomskayaneft gives us a second indirect distribution channel into Transneft. It means higher delivery capacity as well as increased operational reliability than our existing solution. This additional connection gives us the possibility to distribute the higher production volumes that will follow the ongoing hydrofracturing" says Malka Oil's Managing Director, Fredrik Svinhufvud from the Zapadno-Luginetskoye field in Western Siberia

Hydro fracturing

The first results from the hydro fracturing programme, which means that hydrocarbon bearing rock formations are cracked under high water pressure, indicates that Malka Oil's new production levels will be around 4,500 per day before the end of May and thereafter further increase towards 6,000 barrels per day at the end of June. This corresponds to a doubling compared to the earlier production peak of 2,904 barrels per day.

Production in the Jura 10-layer

In the hydrocarbon bearing layer in the lower Jurassic-intervals, Jura 10, which were identified at the end of 2007, production tests have been carried out in three wells with positive results. These results will have a positive effect on the company's official reserves since the Jura 10 layer has not yet been included in the figures from the Russian State Committee of Reserves (GKZ).



The picture shows a cross section of the bedrock where the Jura 10-formation, which is located beneath the other productive oil layers, is circled in red. Yellow fields shows oil bearing layers.

"The hydro fracturing programme and the expected production from the Yu 10 layer together with the overall quite comprehensive operational programme in 2008 makes me feel confident with our production target of 8,000 barrels per day by the end of the year" says Fredrik Svinhufvud.

Operational programme 2008

The 2008 operational programme for Malka Oil comprise, in addition to hydro fracturing, a drilling programme of up to 16 new production wells and one to two new exploration wells. A western study of the reserves according to SPE norms will be published during the second quarter in the form of a Competent Person's Report (CPR). The collection of 720 km of seismic data from the so far virgin northern part of the block is completed. The interpretation of this data has started and is expected to be completed during the third quarter. Finally the own direct connection to Transneft for oil and condensate deliveries is expected to be ready during the fourth quarter.

Malka Oil repeats its existing estimate that the extractable oil and condensate reserves in the three existing oil fields amounts to 140-190 million barrels.

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Malka Oil AB (publ) is an independent oil and gas production company operating in the Tomsk region in western Siberia. Their current position consists of oil and gas assets for license block number 87 in the said region. The block has a surface of 1,800 square kilometres. There are currently three oil fields at the license block, namely Zapadno-Luginetskoye ("ZL"), Lower Luginetskoye ("LL") and the Schinginskoye oil field, and a large quantity of other not yet drilled oil structures. The ZL and LL oil fields are in production and these two oil fields have also went through reserve classification by the Russian State Committee of Reserves (GKZ). A considerable drilling programme was carried out in 2007. The GKZ registered extractable oil and condensate reserves in the categories C1 and C2 amounted to 97 million barrels at the end of 2007. The company's own estimate of its extractable oil and condensate reserves in the three existing oil fields on license block number 87 is currently 140-190 million barrels.

Malka Oil's license block is surrounded by a large number of producing oil and gas fields.

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