



Clock-wise from bottom left:

Manas Chairman Heinz Scholz and CEO Dr. Alex Becker sample the light crude oil which naturally flows on surface at one of the company's Kyrgyz concessions. A shallow oil field south of the land's covered by Manas Petroleum's Albanian production sharing agreements. A Sinopec well in Kyrgyz Republic

Opening the Soviet time capsule...

Chaos and opportunity

It is difficult to comprehend the catastrophic effect the early 1990s collapse of the Soviet Union had on oil exploration and development in Central Asia and Eastern Europe. The Soviet oil world imploded and in the Balkan's, civil wars broke out. Exploration ceased altogether as did development – no matter how good the results. Some of these post-communist oil basins lay fallow even today – their development frozen in a decades-long-spell from which only recently have they begun to emerge. In Central Asia's Fergana basin, the potential to hold giant deep oil deposits was just starting to be understood when the collapse occurred. Only now, fully a decade and a half later, is it finally being explored and developed.



While the Fergana basin was in a Soviet-collapse-induced limbo, exploration of China's neighboring Tarim basin continued un-interrupted. Like the Fergana, which has the same geological formations, most of the Tarim's production used to be from small shallow deposits of oil. Since the Chinese started looking for deeper Tarim deposits more than 15 billion barrels of oil have been found.

Manas Petroleum whose namesake is batyr-khan Manas, the legendary warrior who led Kyrgyz Republic's struggle for independence against the Mongols during the 11th century, is in the forefront of this new oil-rush. The Baar, Switzerland-based company already controls over 6,000 square kilometers in Central Asia and Eastern Europe.

The experts gather

Its Management includes some of the industry's better known experts. Manas Chairman, Heinz Scholz, originally a physicist and automation process engineer, is its political expert and deal maker. He has been operating in the Former Soviet Union (FSU) for decades. In the 1980s Mr. Scholz built hi-tech factories across the FSU and later he negotiated the sale of the Russian military's East German telecom assets to Deutsch Telecom (he represented the Russians).

Above left, moving left to right:

Manas CEO Dr. Alex Becker, Chairman Heinz Scholz, Santos New Ventures Manager, Bill Ovenden and Canadian financier Neil Maedel, prior to leaving by helicopter (below) for the Kyrgyz, Tuzluk concession. Directly above, the delegation including Manas CFO Peter-Mark Vogel looking relaxed at the center of the helicopter.



Top left: producing oil wells in a field south of Manas Petroleum's block E PSA in Albania. **Center right:** Kyrgyz boys dressed for school. **Lower right:** schematic showing previous structural model compared to modern under-thrust (thrust-faulted) anticline concept.

Manas CEO Dr. Alex Becker, who is a PhD. geologist, was one of the Soviet's top geologists. He has already discovered two oil fields and in the 1980s was named by the Soviets "Kyrgyz Republic's top mapping geologist. On the financial side, Peter-Mark Vogel moved from being a number two ranked analyst in his sector when he worked for Switzerland's Bank Sal Oppenheim, to help found Manas in 1994 and become its CFO. Manas also has as part of its geological team, sedimentology/reservoir specialist, Chris Pitman. Like Scholz, Vogel and Becker, Pitman, is one of the Manas founders. He is an advisor to the Manas board and is currently the Managing director of Energy Advisors Limited (UK). Notably Mr. Pitman is also an advisor to Paris bankers BNP Paribas, the Abu Dhabi Investment company, and Mohammed Al Fayad, of Harrods fame. He used to be a director of Intera (now Schlumberger Geoquest) and an expert advisor to the World Bank.

Chinese join the play

In the Fergana, as would be expected given the results at the nearby Tarim, the Chinese have also begun to explore there. Sinopec is operating near Tuzluk and is assembling a rig to drill a deep well in the Alai Valley of South Kyrgyzstan, south of Manas concessions. At the same time China National Oil Company (CNOC) is reported to have allocated over \$100 million for the development of a block next to Manas Petroleum's Kyrgyz, Nanai concessions.

History reveals the possibilities

Knowing the area's history helps to understand why the Fergana's deep oil potential remains. Oil production in the Kyrgyz Republic first began in 1902 and since then its development has been less about geology and results and more about the vagaries of the Communist system. Its production collapsed following the Russian October Revolution in 1917 and then subsequently slowly recovered as the basin's shallow near-surface oil deposits were developed. Production again went into a tail-spin in the late 1950s when Soviet central planners changed their focus to Siberia. That occurred after the maverick-geologist and now national hero, Farman Salmanov discovered a series of super-giant oil fields. At the time Salmanov's original discovery was completely against Soviet central planners' directives. They did not believe any oil would be found there. Salmanov drilled his Siberian discovery well in defiance of his Soviet bosses wishes, was arrested as a consequence,

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and had the well not discovered oil, he would most certainly have gone to jail for disobeying orders. In a complete about face, following Salmanov's discoveries, Soviet central planners diverted almost all exploration and development resources to Siberia. Once again, exploration, development and production in Fergana went into decline.



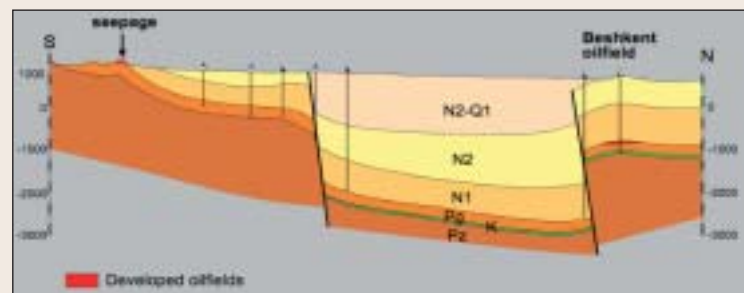
A breath-taking absence of logic

In a breath-taking departure from logic and in defiance of the available geological evidence that was similar to what Salmanov had experienced, Soviet planners decreed that all geological fault systems must be vertical. Incredibly, the communist bosses considered the angular faulting that is part of the now proven plate tectonics model (see below) to be a capitalist concept - and

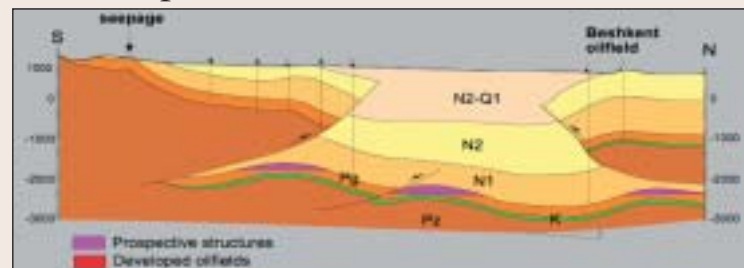
therefore incorrect. This meant that despite the overwhelming evidence - any geologist wishing to keep his job, would not dare report the existence of deep under-thrust oil reservoir structures. This all changed when the system began to collapse in the 1980s. But until then it made Central Asia's deep under-thrust potential off limits to Communist oil explorers. As a consequence it is probable that the lions-share of the Fergana basin's oil potential remains untouched even though over half a billion barrels have already been produced.

Clearly the Chinese are encouraged by their Tarim success and have moved in. Manas CEO Dr. Becker points out that the potential for giant deep under-thrust structures in the Fergana has already been proven. To date only one has been drilled. That wildcat was completed just as the Soviet Union collapsed, and it resulted in a major deep under-thrust light oil discovery.

Former Soviet Vertical Fault Model



Now Accepted Plate Tectonic Under-Thrust Model



The first-mover advantage

Manas Petroleum's ambition to keep growing its portfolio of giant oil and gas plays across Central Asia and Eastern Europe appears off to a flying start as its interests which cover more than 6,000 square kilometers illustrates. Its chairman Heinz Scholz assures us that the company is "aggressively working to add other high impact projects to its portfolio as our expertise in these areas gives us a distinct first mover advantage". Regardless of how it manages to increase its holdings what the company already has is already impressive. Some of its Kyrgyz concessions have oil fields within them and if not, streams of oil which ooze from exposed reservoir rock and literally flow at surface. Those concessions' drilling prospects are, in some instances, only three or four kilometers away from known oil production. At another of its projects in Albania, Shell and a company called Corporex spent more than \$25 million before a near-civil war in 2000 caused them to withdraw. Their technical work, which included extensive seismic programs, led them to conclude a combined 800 million produceable barrels of 35 API oil (equivalent) could exist. Since then a light oil discovery at the same depth, and in the same thrust sheet greatly increases the probability that a major oil pool will exist. Now that the European Union has been investing billions into Albania, and its economy booms just as the country gets ready to join NATO, it has become a far better place to operate. The country has become relatively stable and as titled in a 2006 Economist Magazine review "Good times at last" have come to Albania.

While Albania continues to look like a cagy investment by Manas, so does Kyrgyzstan. South of Manas Petroleum's Kyrgyz Nanai concession, a large (200 million Boe), high-pressure deep oil discovery called the

Above: Not such a bad place; Manas Chairman Scholz enjoys the spectacular view on a mountain side near the company's Albanian concessions. **Below:** The Caspian/Tarim oil trend.



Santos, Manas Petroleum's partner in Kyrgyz Republic, has just started the first phase of a \$60 million exploration and appraisal farm-in agreement between the two companies.

Minbulak was made just as the last of the Soviet's entire oil system was imploding. It came as the ultimate test of, in today's prices, about \$100 million worth of Soviet field and seismic studies. The Minbulak's wells produced as much as 16,000 barrels of oil per day. More critically for Manas it proves the potential of more than 20 Minbulak-like structures that have been identified on the company's Kyrgyz concessions.

Chairman Scholz is understandably up-beat and points to a United States Geological Survey study which estimates the area's Minbulak-type structures "could produce a further 3 billion barrels of oil". London-based petroleum engineers Scott Pickford and Associates have also studied the area and conclude that "The presence of (oil) source and reservoir is almost ubiquitous to the region". They calculate that the 10 largest Manas-held Minbulak-type structures most likely contain 1.2 billion barrels of oil in place. Adding to the encouraging data is the eye-brow raising fact that in the Fergana, every time a structural trap was drilled, a discovery was made. Manas Petroleum's partner in the Kyrgyz project, Santos, and has just started an 870 kilometer seismic program that is part of a \$60 million exploration and appraisal farm-in agreement between the two companies. That seismic program is expected to further define the Minbulak structures already outlined by the 1980s Soviet seismic. It will also try to locate any other Minbulak-type structures on the adjoining thousand or so square kilometers of its land that has yet to be seismically tested. Drilling of these structures is expected to commence towards the end of this year. In the meantime there is the 800 million Boe Albanian play to tend to, while Manas's Scholz and Becker continue their hunt for additional giant oil concessions that until now have been locked up tight in the Soviet-collapse-created time capsule.

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