

14 February 2007

Caithness Petroleum Limited
Farm-in to UK North Sea blocks
Onshore planning permission granted

Caithness Petroleum Limited is pleased to announce that it has signed a farm-in agreement with its partner in the North Sea, Reach Exploration (North Sea) Limited. Caithness will fund an exploration and development programme for its offshore blocks 11/24, 11/25b, 11/23, 11/27, 11/28, and 12/16a, which are located in the Inner Moray Firth. In return, it will raise its interest in these blocks from 30% to 65%. Caithness has also secured a 65% interest in seven onshore blocks, which are adjacent to its offshore licences.

The Lybster and Knockinnon fields have already been discovered on the Company's offshore blocks. Caithness plans to develop Lybster by drilling horizontal wells from its onshore blocks and has recently been awarded the required onshore planning permission to proceed. The Lybster field was discovered with well 11/24-1 and flowed at 2,000 bbl / day when tested. The development programme is scheduled to begin in 2007 and oil produced from the field can be transported by road tanker to a nearby export terminal. The Knockinnon field, which was discovered with well 11/24-2, is likely to be developed in a similar manner, commencing in 2008.

There are further high potential structures on the offshore blocks and Caithness plans to conduct a 3D seismic survey in spring 2007. These surveys will determine the best locations for exploration wells planned for 2008 and 2009.

Caithness Petroleum Chief Executive Officer, Robert Kennedy, commented, "We are very pleased to have concluded the farm-in agreement and to have received planning permission for the development of Lybster from the Highland Council. These are important milestones in the development of our business, which move us one step closer to producing oil in the North Sea and further developing the other promising structures across Caithness' acreage."

Enquiries:

Caithness Petroleum
Robert Kennedy

020 3008 4735

Hudson Sandler
Jessica Rouleau/Beth Murray

020 7796 4133

NOTES TO EDITORS

Caithness Petroleum Limited is a privately owned, independent petroleum exploration and production company. Caithness was established in 2005 and has high quality assets with proven reserves and exploration potential in Morocco and the UK North Sea.

The Caithness management team has significant upstream oil and gas industry experience and a successful track record of identifying and developing high quality assets.

Caithness' strategy is to operate only in countries where it has clear legal title to assets to minimise fiscal and ownership risk, and where there is existing infrastructure to minimise development and production costs. The Company explores only high quality acreage for potentially large reserves.

Morocco

Caithness Petroleum has proven exploration and operational capabilities as demonstrated by its Moroccan operations. Its wholly-owned subsidiary, Cabre Maroc Limited, has discovered and successfully brought into production four onshore gas fields, and runs a profitable business selling gas to the local industrial market.

Cabre Maroc operates two exploration blocks in the Rharb basin and a reconnaissance licence under a joint venture with ONHYM, the Moroccan state oil company. Cabre Maroc has a 75% interest in the joint venture and ONHYM has the remaining 25% interest.

Cabre Maroc has identified a number of gas prospects in the Rharb basin through its extensive seismic reprocessing programme and plans to develop these over the coming years. There is a ready and sizable market for gas nearby, which Cabre Maroc currently accesses through existing pipelines. The local gas prices are closely related to international market prices.

UK North Sea

Caithness has proven and probable reserves in the UK North Sea, through licences which were awarded in the 23rd Offshore Licensing Round with its partner Reach Exploration (North Sea) Limited. These licences cover six offshore blocks (11/24, 11/25b, 11/23, 11/27, 11/28, and 12/16a) in the Inner Moray Firth and seven adjacent onshore blocks.