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Neil Ritchie, New Zealand

Tag Oil Confident of NZ Success

TAG Oil says it is confident the small onshore Taranaki Supplejack gas-condensate find will be commercial.

Last month TAG, operator Austral Pacific Energy and Tap Oil drilled the Supplejack-1 well in the small licence PEP 38741. Flow-testing of the lower of two zones that had encountered hydrocarbons - a 3m sandstone interval near the 1950m drilled depth - produced gas and condensate at rates of about 600 thousand cubic feet per day.

While such low flows would have been non-commercial years ago – when cheap Maui gas dominated the New Zealand energy scene – this was no longer the case, TAG president and chief executive Drew Cadenhead told EnergyReview.net.

"The lower zone is rich in condensate, while we believe the upper zone is more likely to be just gas," he said.

"Gas prices here have climbed considerably and so we believe our best bet is to drill another well from the same surface location into the sweet spot. Two wells should be an economic development project for us."

Austral last month said remapping of 3D seismic data over the area indicated Supplejack-1 might have intersected the edge of a possible one square kilometre trap, containing a viable gas-condensate accumulation.

Testing of the shallower Miocene-aged zone (1300m) was subject to review of development options for the gas.

Cadenhead said a gas pipeline, with available capacity, lay only 2.5km east of Supplejack. So commercial development could be considered if flow rates were enhanced and recoverable reserves estimates upgraded.

On-site electricity generation – for project purposes and for supplying the national grid - was another option under review as high voltage lines were almost directly overhead.

Tag is a Canadian company exploring for oil and natural gas in New Zealand. It has offices in Calgary and New Plymouth, and is listed on the Toronto Stock Exchange.

Cadenhead said he believed New Zealand was "a superb opportunity" for Tag.

"Not only can Tag Oil enjoy the benefits of a stable economic and political environment, but New Zealand is an under-explored oil and gas frontier with profitable oil and gas production being established," he said.



Tag Oil President
Drew Cadenhead

The company looked forward to exploring numerous world-class prospects, Cadenhead said.

Supplejack was only one of 15 or so wells Tag and its partners planned to drill in the next 18-24 months in Taranaki and Canterbury.

In onshore Taranaki, on the west coast of the North Island, Tag has interests in seven permits.

In this region, the company is focusing on shallow oil and gas pools in known Miocene-aged reserves and on deeper Eocene-aged gas prospects in the producing Tariki and Kapuni sands.

Tag said it was confident it would first build its reserve and cash flow base on several shallow oil targets. These prospects, which had already been identified by 3D seismic, were expected to produce some good results and provide a strong cash flow to support future higher-risk deeper exploration.

Two of the licences sole-owned by Tag were PEP 38757 and 758, towards the rugged hill country of eastern Taranaki where virtually no previous exploration had taken place. But the company said it was encouraged by the Swift Energy discoveries in the shallow Manutahi sands further south.

"We know from sniffer surveys that there are migrating hydrocarbons and we will be targeting small oil pools draped over basement features," Cadenhead said.

Tag also holds stakes in the very under explored Canterbury Basin on the east coast of the South Island, including one onshore, one offshore and one onshore-offshore block.

Now that Tag – which has held minority interests in several permits for some years – was moving to become operator and sole equity holder in some licences, it needed to establish a physical presence in New Zealand.

Therefore, Cadenhead and his family recently shifted from Calgary to New Plymouth where he had spent three years as a senior exploration geologist with Fletcher Challenge Energy in the late 1990s.

"I am just so excited about the opportunities here, how much potential there is," he said.

"We believe there are some damn nice oil pools to be found."