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Neil Ritchie, New Zealand

Canadian Explorer Finds Southern Comfort In Canterbury Basin

CANADIAN listed company TAG Oil believes the time is ripe for the Canterbury Basin in New Zealand's South Island to yield some world-class oil and gas fields.

"Canterbury excites the hell out of me and is the most exciting basin I have seen in my 25 years of working in the international oil and gas industry," TAG Oil president Drew Cadenhead told EnergyReview.net.

"New Zealand provides the perfect backdrop for a company like TAG. We are only exploring in New Zealand and believe there is the potential for significant discoveries to be made, both in Taranaki and Canterbury."

Cadenhead said both basins remained under-explored. The drilling density in Taranaki was about one well for every 50,000 hectares, compared with Western Canada's one well for every 600 hectares. The drilling density for Canterbury was only one well for every 250,000 hectares.



The Canterbury basin was similar to prolific oil and gas producing areas of southern Australia, California and the Gulf of Mexico, Cadenhead said. Two of the four offshore Canterbury wells drilled so far had discovered hydrocarbons but were not developed.

Taranaki's 130 exploration wells had discovered about 7 tcf of gas and 500 million barrels of oil. Canterbury had the potential to hold several multi-hundred bcf gas fields, plus some hundred million-barrel oil fields.

TAG stands for 'Taranaki Acquisition Group', and the company certainly intends to expand its NZ operations, according to Cadenhead.

"TAG believes the potential for discovery in New Zealand is enormous," he said.

The offshore Canterbury Clipper-1 and Galleon-1 wells both struck hydrocarbons in late Cretaceous coal measure sands, with the 1985 Galleon well flowing up to 10 million cf/d and 2240 bopd of condensate.

Calgary-headquartered TAG was involved in three Canterbury permits – PEP 38256, 258 and 260 - covering roughly 1.6 million hectares, which was larger than the entire Taranaki basin.

PEP 38258 contained several very large prospects and leads, and independent Canadian petroleum engineering consultants Sproule International estimated the Corvette prospect could hold up to 700 bcf of gas and 150 million barrels of oil (on a P50 basis).

"That represents a very economic project, and Corvette is just one of many prospects in this permit that TAG and its partners are moving to the ready-to-drill stage," said Cadenhead.

"But my favourite of all is Kate. It's the most exciting prospect that TAG currently has and is located in the onshore portion of PEP 38260."

Kate was located at a 15 square kilometre surface anticline protruding from the surrounding Canterbury Plains. Several high-grade oil thermogenic seeps were visible at the perimeter, with a potential reservoir located about 1200m down.

TAG's volumetric calculations indicated as much as 200 million barrels of oil in place and further seismic should soon locate an optimal drilling location.

"If Kate is full that's a world-class prospect. If it's only one tenth full, that's still wildly economic at current oil prices," Cadenhead said.

An almost total lack of energy infrastructure in the South Island was not a deterrent for TAG and its partners.

"Offshore liquids could be extracted using a FPSO and the gas either reinjected or piped to shore for electricity generation," Cadenhead said.

"It's cheaper to build electricity pylons than it is to build gas pipelines and there have been previous discussions with some likely South Island gas users.

"Onshore oil poses no problems as storage tanks could be built and liquids transported to the Port of Lyttelton."

PEP 39256 partners are operator Austral Pacific Energy (47%), TAG (53%); PEP 38258 operator Austral (75), TAG (25%); PEP 38260 (onshore) operator TAG (70%), Green Gate (30%).