

Cheal Well Extends Limits of Field

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Neil Ritchie, New Zealand

OPERATOR Austral Pacific Energy and partner TAG Oil have hit hydrocarbons in two out of three targeted formations at their Cheal-B4 development well in onshore Taranaki, New Zealand.

Cheal-B4 reached the 2900m total depth several days before Christmas and the main target, the Miocene-aged Mount Messenger sands, was intersected from 1772m-1785m and again from 1904m-1944m.

Wireline logs and drill gas indicated these intervals were oil-bearing, Wellington-headquartered Austral said.

The secondary target, the Miocene-aged Urenui sands, was intersected from 1460m-1476m and again from 1620m-1646m. Again, wireline logs and drill gas indicated these sands were oil bearing.

However, sands from within a deeper secondary target, the Miocene-aged Moki formation, were intersected below 2407m but were interpreted to be water saturated.

Austral said it was preparing Cheal-B4 for a later sidetrack operation to target better developed sands near the existing well bore.

Austral chief executive Rick Webber said Cheal-B4 confirmed the existence of hydrocarbon charge outside the currently recognised limits of the field.

"It increases our confidence in the resource potential of the north western extension of the Cheal oil field," Webber said.

TAG president Drew Cadenhead added that Cheal-B4 was the first well into a previously untested fault block.

"We are happy to prove that oil is clearly trapped in this compartment as well as the main Cheal area tested with our previous three development wells from the B site," he said.

"What we need in this block is thicker reservoir sands. We'll now focus on testing and completing our first round of Cheal development wells and maximising cash flow from the project in the New Year."

Meanwhile, construction of processing facilities at the Cheal A wellsite is continuing. Site foundations are now largely complete and three oil storage tanks have been installed. The first of two separator vessels has now been built.

Austral and TAG, a Canadian-listed independent, are spending \$NZ25 million (\$A22 million) developing Cheal. First oil is expected to flow from permanent production facilities by early next year.

In addition, Webber said Austral had now secured a \$US23 million loan facility and completed its acquisition of former Cheal partner Arrowhead Energy.

Under terms of the loan, arranged and underwritten by Investec Bank (Australia), Austral would



Testing the Cheal-2 well, New Zealand.



Drilling the Cheal 1 well, onshore Taranaki Basin, New Zealand.

issue Investec 2.5 million warrants exercisable for 24 months at a price of \$US2.11 per share.

The principal purposes of the loan facility were to fund the acquisition of Arrowhead and to meet ongoing costs associated with developing Cheal.

"We are now fully funded through to the completion of the Cheal oil field development in the second quarter of 2007," Webber said.

Austral announced in October that it was acquiring all the shares of Arrowhead, a small, privately held, New Zealand company, for \$NZ17 million (\$A11.9 million).

The PEP 38738-01 (Cheal) partners are operator Austral (69.5%) and TAG Oil (30.5%).