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## Oil, Gas Signs at Waitangi

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Developing oil and gas in the Gisborne district has been given a boost by positive signs from the first of three test wells drilled in the hills behind Te Karaka.

The well struck a significant gas pressure at a depth of 149 metres, and a core produced streaming free oil from a depth of 171m.

"I'm very happy with the job - it is very promising. We found strong gas and oil indications," said TAG Oil New Zealand operations manager Carlos Kazianis.

However, Mr Kazianis cautions it is still early days and very full analysis of the samples taken is being done before deciding the schedule for the next two exploratory wells.

TAG Oil chief executive Garth Johnson in Vancouver says, "We are extremely encouraged by the positive results of this well, which has proven that the Waitangi Hill area has an active light oil and gas generating system in place".

"It has validated the significant potential of the underlying unconventional fractured oil shale play."

A year ago TAG Oil decided to do test wells after ground examination identified potential sites in its East Coast licence areas - one in Hawke's Bay and the Waitangi Hill site where there has been oil drilling since 1874.

The company decided it needed to acquire fresh data because although there has been a lot of activity at Waitangi Hill over the years, much of the information is unreliable.

Contractors moved on-site last month with a small-scale coring rig to take stratigraphic samples of the underlying Whangai Shale structure.

TAG Oil's specialty is extracting oil from difficult fractured shales. It has been successful with its technology in the United States.

Shale is a finely-layered soft rock of mud or clay origin - and in many locations the layers are largely shattered or 'fractured' material.

The drilling at Waitangi Hill took eight or nine days - a little longer than expected because of the conditions.

A video shot on-site shows the excitement when high gas pressure is encountered and when the oil-slick cores are extracted from the drill head.

Mr Kazianis says there was a significantly pressured "oil-wet" gas kick and drilling continued to 171m where a conventional sandstone reservoir was encountered and the "streaming free oil" sample retrieved.

Gas, oil and rock core samples are now being laboratory-analysed to aid planning for the next two wells planned for the site.

Mr Kazianis says at this stage they have no definite date for that drilling.

"However, with winter coming on, obviously nothing will be done until the better weather next summer.

"The well was sealed off at 179m for safety reasons, the equipment has now been removed and the site tidied up.

"We have got a good relationship with the landowner, and we have had terrific help from farm staff and the locals, which is much appreciated," Mr Kazianis says.

When TAG Oil returns, it will bring larger, more capable equipment for the next two wells, which will be able to handle the level of pressure encountered.

The company is particularly interested in the Waipawa black shale and Whangai shale of the East Coast because it produces a high-quality light sweet crude oil.

Such oils require less refining to produce usable product.

Mr Kazianis says the results from this first drilling are very encouraging, but there is still a lot of work to be done to fully identify the potential of the area - and a long way to go before any decisions could be made on possible development.