



## **TAG Oil Ltd. Provides Taranaki Operations Update**

Vancouver, BC - January 9, 2014 - TAG Oil Ltd. (the “Company” or “TAG”) (TSX: TAO) and (OTCQX: TAOIF) is pleased to provide the following exploration and development drilling update in both the shallow and deeper targets within the Taranaki Basin. As TAG enters calendar year 2014, the Company will be maintaining its strategy of deploying capital to high impact exploration targets while developing shallow reservoirs to provide sustainable capital for continuous exploration activities.

### **Deep / Eocene Exploration Taranaki Program (TAG 100%)**

TAG is pleased to announce the Cardiff-3 well targeting the Eocene-aged Kapuni Formation reached Total Depth of 4,863 meters in December, fully penetrating and evaluating all three deep target zones as planned; the well took longer to drill than anticipated due to encountering thick coal sections in the Eocene-aged Mangahewa Formation.

Condensate-rich gas shows were recorded in all three target zones within the Kapuni Formation and as a result TAG is casing the well to total depth and will pursue a completion and testing program. Evaluation will begin with perforation and, if necessary, hydraulic stimulation of the deepest targeted prospect, the Kapuni K3E zone. Following evaluation of the K3E zone, the shallower K1A and Mckee Sand zones will be evaluated and a decision will then be made on an overall production strategy. In total TAG encountered over 230 meters of potential net pay over the three target zones to be evaluated.

TAG COO Drew Cadenhead commented; “Significant data collected during the drilling operation is encouraging, and we will now move on to flow-testing which is the only definitive way to evaluate commercial success in these condensate rich tight-gas plays. This next stage of evaluation will occur throughout the next few months.”

### **Shallow / Miocene Development Taranaki Program**

#### **Cheal-E Site (TAG 70%)**

TAG successfully completed its initial five well drilling program at the Cheal-E Site in mid-December. Cheal-E1 has been naturally flowing through a 17/64” choke for 44 days and has produced at an average of 547 BOE/d (88% oil), while Cheal-E4 has been naturally flowing through a 10/64” choke for 7 days and has produced an average of 315 boe/d (87% oil). In aggregate Cheal-E1 and Cheal-E4 have produced more than 23,100 barrels of oil (26,400 BOEs) to January 7, 2014. Following perforation, Cheal-E2 and Cheal-E3 tested oil naturally to surface and will require artificial lift to maximize production as expected. This work, as well as the perforation and completion of Cheal-E5 will be initiated in the second half of January as equipment becomes available. As required work is completed, Cheal-E Site wells will be tied in for permanent production at TAG’s recently commissioned Cheal-E Site separation facilities.



Results of the Cheal-E drilling program have significantly extended the known oil and gas saturated area within TAG's 100% owned Cheal Mining Permit discovery through to E-Site. Pending completion of the outstanding activities at E-Site and further analysis of all results, TAG feels there is potential for 15 to 20 follow-up locations in the newly awarded areas.

Joint venture partner East West Petroleum (30% interest) paid 100% of the first \$5 million in drilling costs of the first two Cheal-E wells and is entitled to recover the first \$5 million in revenue from Cheal-E Site sales, while also paying 100% of the costs to produce that revenue. Subsequent to the \$5 million in revenue, all cash flow and operations will revert to 70% TAG and 30% East West. At present production rates, that payout is forecasted to occur in less than two months.

#### Cheal-G Site

With the conclusion of the Cheal E-Site drilling program, TAG moved its Miocene focused drilling rig to the Cheal G-Site where Cheal-G1 was spudded on January 3, 2014 kicking off a three-well drilling program. Joint Venture partner East West Petroleum will fund the first \$2.5 million in capital expenditure, and is entitled to receive the first \$2.5 million in revenue sales while also paying 100% of the costs to produce that revenue, before costs and interest in the wells will revert to 50% TAG and 50% East West.

#### 2014 Miocene Focus

Throughout 2013, TAG's Miocene strategy was focused on oil production growth, resulting in the reallocation of drilling capital towards oil targets versus potentially higher BOE/d rate, yet moderately less economic, shallow natural gas targets. With TAG achieving a netback of approximately CDN\$83 / barrel for oil production in December, this strategy will continue into 2014 with the intention to drill a minimum of 10 gross shallow Miocene wells within the greater Cheal area. The program will include at least seven 100% working interest development oil focused locations. Further details of the 2014 Miocene program as well as TAG's deep Kapuni and East Coast Basin will follow.

#### **TAG Oil Ltd.**

TAG Oil Ltd. (<http://www.tagoil.com/>) is a Canadian-based production and exploration company with operations focused exclusively in New Zealand. With 100% ownership over all its core assets, including extensive oil and gas production infrastructure, TAG is enjoying significant organic value creation through exploration success and ongoing development and appraisal drilling of several light oil and gas discoveries. As New Zealand's leading explorer, TAG actively drills high-impact conventional and unconventional exploration prospects identified in the Taranaki Basin, East Coast Basin and Canterbury Basin that covers more than 2,736,390 net acres of land, prospective for major discovery in New Zealand.



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TAG Oil has adopted the standard of six thousand cubic feet of gas to equal one barrel of oil when converting natural gas to "BOEs". BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6Mcf: 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

**Cautionary Note Regarding Forward-Looking Statements:**

Statements contained in this news release that are not historical facts are forward-looking statements that involve various risks and uncertainty affecting the business of TAG. Such statements can be generally, but not always, identified by words such as "expects", "plans", "anticipates", "intends", "estimates", "forecasts", "schedules", "prepares", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. All estimates and statements that describe the Company's objectives, goals, production rates, test rates, optimization, infrastructure capacity timing of operations and or future plans with respect to the drilling and testing in the Taranaki Basin are forward-looking statements under applicable securities laws and necessarily involve risks and uncertainties including, without limitation: risks associated with oil and gas exploration, development, exploitation and production, geological risks, marketing and transportation, availability of adequate funding, volatility of commodity prices, environmental risks, competition from other producers, and changes in the regulatory and taxation environment. Actual results may vary materially from the information provided in this release, and there is no representation by TAG Oil that the actual results realized in the future will be the same in whole or in part as those presented herein.

Other factors that could cause actual results to differ from those contained in the forward-looking statements are also set forth in filings that TAG and its independent evaluator have made, including TAG's most recently filed reports in Canada under NI 51-101, which can be found under TAG's SEDAR profile at [www.sedar.com](http://www.sedar.com).

TAG undertakes no obligation, except as otherwise required by law, to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors change.