

Merger Signals Increasing Offshore Interest in NZ Exploration

Andrea Deuchrass | Thursday December 17 2009 - 02:47pm

The merger of two Canadian oil companies with interests in New Zealand indicate the country's major discovery potential.

TAG Oil has merged with Trans-Orient Petroleum Ltd in a major expansion of New Zealand interests, the company says. Trans-Orient Petroleum Ltd shareholders approved the move in September.

The company holds exploration and production rights covering a large area of the East Coast Basin offshore from Taranaki.

Along with subsidiaries Orient Petroleum (NZ) Ltd and Eastern Petroleum (NZ) Ltd, they are now 100% controlled subsidiaries of TAG Oil, essentially pooling financial resources, production, appraisal, development and high-impact exploration.

Chief executive Garth Johnson said the transaction (reportedly worth \$US6.8 million) coincided with sharply increasing interest by foreign investors in New Zealand's petroleum sector.

This was being fuelled by the country's major discovery potential, prolific discoveries and intense industry interest rapidly spreading into technology-driven shale plays around the world, he said.

"This merger transaction represents a dynamic phase of international growth for TAG and a pooling of high-quality assets consisting of production, development and high-impact prospects in the Taranaki discovery fairway as well as company-transforming oil shale, big-target exploration, and appraisal of the Waitangi Hill oil discovery in the East Coast Basin."

The acquisition of Trans-Orient provides TAG with the exclusive right to explore, develop and produce oil or gas within Permit 38348 (Waitangi Hill, 530,000 acres), Permit 38349 (Boar Hill, 1,633,000 acres) and Permit 50940 (Nicks Head, 112,000 acres) in the East Coast Basin.

Mr Johnson said the East Coast area had vast sedimentary basins that were significantly under explored and had highly prospective development potential.

Only one well per 800,000 acres had been drilled in the East Coast Basin, with the majority of those having significant oil and gas shows.

"The primary target in the East Coast is light oil, consistent with the historical oil discoveries made by explorers around the turn of the 20th century. The Waitangi-1 discovery well drilled in 1910 still produces (50 degree) live oil from a depth of 200m (650 ft) and analysis indicates that the source of this high-quality oil is the underlying Whangai Shale source rock," Mr Johnson said.

TAG anticipated any potential development of the Waitangi Hill area could be carried out rapidly and economically.

He said the company intended to use technologies commonplace in North America but not yet employed in New Zealand to exploit vast resources.