

TAG Making Good Profit on NZ Oil

NZPA | Thursday July 31, 2008 – 12:37pm

The company controlling New Zealand's Cheal oilfield, oil and gas producer and explorer, TAG Oil Ltd, says it was making \$US50 (\$NZ68) surplus on every barrel of oil it pumped out of the field last year.

Cheal's proved and probable reserves are worth \$US28.18 million (\$NZ38.8 million), and TAG has told the Toronto stock exchange, on which it is listed, that the oilfield contained the equivalent of 2.783 million barrels of oil, at March 31 2008.

The Cheal oil field produced 169,737 barrels of oil over the past year, and 154,240 barrels were sold with oil prices averaging \$US87 (\$NZ119) a barrel. Royalty and production costs averaged \$US37 per barrel, resulting in a net surplus per barrel of about \$US50.

(International crude prices peaked at \$US147 earlier this month, and have since fallen back to about \$US121).

TAG reported \$US 4.1 million in production revenue for the year to March, an increase of more than 400 percent from its 2007 year. The net loss recorded for the year amounted to \$US7.98 million, primarily as a result of a \$US6.56 million write-down related to capitalised property spending in earlier years and non-cash expenses such as depletion and inventory write-downs amounting to \$US1.55 million.

Daily production rates from plant start-up to year end averaged 465 barrels of oil a day and the field is now producing about 450 barrels of oil a day.

The Cheal A7 well was successfully drilled in July and will be tied into the Cheal complex by early September for production testing.

TAG Oil chief executive Garth Johnson said the company looked forward to maximising the value of its assets through increased production, reduction in operating costs and re-investment of cash flow from the Cheal pool into exploration and development projects.