

TAG Surrenders Exploration Licence, Adds to Cheal Lease

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Neil Ritchie, New Zealand

NEW Zealand-focused Canadian junior TAG Oil has surrendered the exploration licence surrounding its onshore Taranaki Cheal oil field but has applied to have the best bits brought into the Cheal mining lease.

“Crown Minerals Group told us we couldn’t keep it all, so we’ve relinquished most but applied to keep the best, bringing that into the Cheal mining licence,” TAG chief operating officer Drew Cadenhead told *PetroleumNews.net* in New Plymouth this morning.

According to Crown Minerals, TAG has applied for small add-ons totalling just 4.92 square kilometres to the northwest, east and south of the Cheal mining licence PMP 38156.

But Cadenhead said TAG believed there were at least five step-out prospects within the Cheal mining lease and the add-ons.

TAG, which took total control of Cheal last year after former operator Austral Pacific Energy went bankrupt, is planning an optimisation program of hydraulic fracturing and downhole heating for the six current Cheal production wells, with the aim of increasing production rates from each well and overall recovery factors.

“We expect to start the fraccing and optimisation of the first well in March, changing downhole completion configurations, and also testing some of the wells that have been shut in and not producing for a while,” Cadenhead said.

Previous reserve reports had assigned low recovery factors (1P = 8.5%) as a result of the lack of implemented downhole optimisation. If the optimization program justifies an increase in assigned recovery factors from the wells, this could materially affect the field’s net present value.

A year ago, an independent review by Canadian consultants Sproule International reduced the field’s gross 2P (proven and probable) reserves estimates from 2.78 million barrels of oil equivalent, as at the previous March, to just 510,000boe. It also assigned a net present value, using a 10% discount rate, of about \$US12.8 million (\$A14.2 million) to those reserves.

In addition, TAG has already reduced field operating costs by nearly 70%, from more than \$US50 per barrel under Austral to less than \$19/bbl, some of the lowest operating costs in Australasia.

Cadenhead said that two years of production at Cheal had shown which areas of the pool were under-performing.

“Coupled with our 3D seismic coverage of the entire mining permit, this geotechnical and engineering data provides a clear path to future asset development,” he said.



The Cheal oil field's production station