

TAG in Winning Form at Cheal

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NEW Zealand-focused Canadian junior TAG Oil has exceeded its own expectations, achieving a 365% increase in production with the first fracture stimulation program at its onshore Taranaki Cheal oil field.

Vancouver-headquartered TAG recently completed a 17-tonne artificial fracture stimulation of the Miocene-aged Mount Messenger Formation at the Cheal-A7 well, and initial flow testing has increased daily production rates by about 365% to 292 barrels of oil equivalent per day.

The well is expected to take up to two weeks to fully clean-up and is currently being choked back to minimize frac-sand flow back.

“We are very happy with the results achieved so far,” chief operating officer Drew Cadenhead told *PetroleumNews.net* this morning.

“We were certainly hopeful of doubling the output from this well but more than tripling it is outstanding. And the well is still cleaning up and being choked back, so perhaps we can get a bit better still.”

Cadenhead said the flow was 90% crude with some solution gas.

Cheal-A7 is now tied into the nearby Cheal production station. The fracing program was TAG’s first since acquiring 100% equity in the field and taking over as operator from bankrupt Austral Pacific Energy late last year.



The Cheal oil field's production station

Chief executive Garth Johnson said the Cheal-A7 results were a good example of TAG leveraging North American expertise and technology to deliver value to under-developed New Zealand oil fields.

“TAG is proud to be the first mover in New Zealand by taking advantage of proven technologies that are commonplace in North America and applying them to our developing Taranaki oil fields,” he said.

“The success of this newly fractured well provides a catalyst for future development of the field. In addition to the increased cash flow, these results should also increase overall recovery potential of the field, as well as contribute to lower production and finding costs. ”

Cadenhead said the fracing technology TAG was utilising was first developed four or five years ago for exploiting North American shale oil plays. The technology, including horizontal fracing, was now widely used in conventional petroleum developments.

He said up to 10 times the volume of hydrocarbon-bearing sand could be accessed with multi-stage horizontal fracing compared to conventional single-stage vertical fracture stimulation.

“And the Mount Messenger Formation seems perfectly conducive to horizontal fracing, being thin, interbedded sands.”

TAG plans to start, probably in August or September, a drilling campaign that will include horizontal drilling with more multi-stage fracturing, combined with downhole heating and advanced recovery technologies as standard completion methodology.

In addition to the inherent potential within the defined Cheal discovery, including additional existing production wells as fracture candidates, the company has an extensive inventory of follow-on prospects, identified on 3D seismic, that are ready to drill.

Cadenhead said that included at least two more wells in the greater Cheal area and one in licence PEP 38748 (formerly Winchester, now Broadside).

He also told *PNN* that TAG's optimisation program at Cheal was nearly finished.

All downhole issues with the Cheal-A3X well had been rectified – the wellhead had been repaired, a leaking casing patch removed and a removable bridge plug, that temporarily suspended production from the Mt Messenger, set so the shallower Miocene-aged Urenui Formation could be tested.

He said TAG was going to test the Urenui having installed an Enercat tool to address wax formation build-up downhole. This would, hopefully, reduce operating costs and stabilise production.

And the Ensign Rig No 6 is being moved to the Cheal-1 wellsite to re-enter the suspended Cheal-1 well but plugging back the hole to test the previously bypassed Urenui Formation.

TAG will add downhole heating and other wax reduction technology to this well also and retest the Urenui.

In addition, TAG late last week successfully completed raising more than \$C20 million (\$A21.9 million) in its first public offering since merging with fellow New Zealand-focused Canadian junior Trans-Orient Petroleum last December.

TAG sold, through a syndicate of underwriters, a total of 7,700,000 units (including the exercise in full of the over-allotment option of one million units) at a price of \$C2.60 per unit, giving total gross proceeds of \$20,020,000.

Cadenhead told *PNN* last month that about 90-95% of the funds raised would be designated for onshore Taranaki and the East Coast, with the remainder being used for working capital and general corporate purposes.