



## TAG Oil Begins 2013 with a 13-Well Taranaki Basin Drilling Campaign

Vancouver, B.C. – January 23, 2013 - TAG Oil Ltd. (TSX: [TAO](#)) and (OTCQX: [TAOIF](#)), is pleased to announce the Company's anticipated 2013 Taranaki Basin drilling program within the Cheal and Sidewinder fields, and within TAG's newly awarded acreage. This drilling campaign is expected to consist of a minimum 13 wells, and will continue to target the Mt. Messenger/Urenui Formation targets, as well as deeper high-impact targets in the Kapuni Formation.

TAG's CEO, Garth Johnson stated, "Building on our string of success in 2011 and 2012 and driving revenue as a result, we expect calendar 2013 to be another exciting and transformational year for TAG. With a record number of wells to drill in Taranaki as well as plans for the upcoming drilling in the East Coast Basin, I'm confident our plans will continue to become our reality."

TAG has enjoyed significant growth in the last two years, drilling 21 consecutive successful wells in Taranaki. Given this success, and the correlative increase in operating cash flows, TAG will now begin to include a higher risk, higher impact deep drilling component to its Taranaki Basin exploration efforts.

The deeper wells will target the Kapuni Formation, which is a proven prolific play in Taranaki and where most of New Zealand's landmark onshore and offshore fields have been discovered, including the large Maui, Kapuni and Mangahewa fields. TAG holds a number of attractive Kapuni prospect opportunities within its portfolio, including the Cardiff prospect where gas-rich condensates were discovered and tested within a 600m interval in the Kapuni Formation in 1992. TAG will contract Ensign Drilling's Deep Rig #31 to drill one or more deep prospects including Cardiff, which are tentatively scheduled to commence in May 2013.

### Details of Anticipated 2013 Taranaki Basin Drilling Activity:

Permit Number	Permit Name	# of Wells <sup>(1)</sup>	Target
PMP 53803	Sidewinder (TAG 100%)	2	Miocene < 2500m
PEP 54877	East Cheal (TAG 70%)	5	Miocene < 2500m
PEP 54879	South Cheal (TAG 50%)	3	Miocene < 2500m
PEP 54876	North Cheal (TAG 50%)	1	Miocene < 2500m
PEP 54873	Heatseeker (TAG 100%)	1	Eocene > 4000m
PMP 38156	Cardiff (TAG 100%)	1	Eocene > 4000m

(1) Contingent on success of SW5 and SW6 TAG may drill an additional two Sidewinder wells.

The capital expenditure to drill, complete and test the 13 wells is estimated at US\$36 million and will be funded primarily by operating cash flow generated from current production of approximately 2,000 boepd, plus production that is currently behind pipe, which is anticipated to be on stream in late March 2013.



In addition to the anticipated new wells, consenting operations are underway seeking approvals for an additional 10 new surface drilling pads within TAG's Taranaki Basin permits. Each drill pad is intended to host up to 12 wells per pad, providing potential for TAG to drill up to 120 new wells in the coming years.

### **Late March 2013 Completion of TAG's Infrastructure Expansion on Schedule**

TAG's \$30 million infrastructure expansion investment continues to proceed on schedule to meet the expected March 31, 2013 completion date. At that time, the Company expects wells already drilled and tested but currently shut-in to be placed into full time production.

With this infrastructure expansion TAG's two main goals will be accomplished:

- To maximize the commercial potential of existing and future wells at Cheal and Sidewinder, and
- To become a completely independent processor, transporter and marketer of the natural gas TAG Oil discovers, extracts and produces.

This latter point allows TAG to secure contracts directly with the end user rather than through third-party infrastructure, moving TAG up the "value chain" and creating attractive new profit centers to build upon.

Despite the oversupply of natural gas in North America, the Taranaki region of New Zealand is undersupplied. More importantly, a further [imbalance between supply and demand](#) (see graphic at <http://www.tagoil.com/production.asp#>) is forecasted in the long term.

"Over the last few years, we've successfully followed our strategy of increasing cash flow by targeting our lower risk drilling opportunities – allowing us to minimize shareholder dilution," continued Mr. Johnson. "Now we're in a position to self-fund additional low-risk drilling, while also including higher impact drilling opportunities from a position of strength. Our financial position remains very strong with no debt, approximately \$65 million in working capital and estimated fiscal 2014 (FY March 31) operating revenue of more than \$100 million. Furthermore, success on our 2013 drilling campaign, particularly from the deeper plays, could have an additional significant impact on projected revenues."

### **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 substantial oil and gas production and reserve growth through development of several light oil and gas discoveries. TAG is also actively drilling high-impact exploration prospects identified across more than 2,953,810 net acres of land in New Zealand.

In the East Coast Basin, TAG is pursuing the major unconventional resource potential believed to exist in the tight oil source-rock formations that are widespread over the Company's acreage. These oil-rich and naturally fractured formations have many similarities to North America's Bakken source-rock formation in the successful Williston Basin.



TAG Oil has adopted the standard of six thousand cubic feet of gas to equal one barrel of oil when converting natural gas to “BOE’s”. 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.

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**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 Oil. Such statements can generally, but not always, be 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. These statements are based on certain factors and assumptions including:

A. All estimates and statements that describe the Company's objectives, goals, operating revenue, production rates, infrastructure capacity and or future plans relating to the seismic, testing, workover and drilling programs in the Taranaki and East Coast Basins and the expected results 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, production, marketing and transportation, volatility of commodity prices, imprecision of reserve estimates, environmental risks, competition from other producers, changes in the regulatory and taxation environment and available funding. These forward-looking statements are based on certain factors and assumptions, including factors and assumptions regarding the management's views on the oil and gas potential in the Permits, well performance, the success of any operations, completing infrastructure and the costs necessary to complete the operations; and

B. Those relating to TAG Oil's exploration and development of its oil and gas properties within the Cheal and Sidewinder project areas, the production and establishment of additional production of oil and gas in accordance with TAG Oil's expectations at Cheal and Sidewinder, well performance, drilling the completion of new infrastructure at Cheal and Sidewinder, the increase of cash flow from new production, expected growth, results of operations, performance, prospects, evaluations and opportunities. While TAG Oil considers these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. 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.

TAG Oil is involved in the exploration for and production of hydrocarbons, and its property holdings with the exception of the Cheal and Sidewinder project areas are in the grass roots or primary exploration stage. Exploration for hydrocarbons is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures incurred on TAG Oil's exploration properties will result in discoveries of commercial quantities of hydrocarbons. TAG Oil's future success in exploiting and increasing its current reserve base will depend on TAG Oil's ability to develop its current properties and on its ability to discover and acquire properties or prospects that are producing. There is no assurance that TAG Oil's future exploration and development efforts will result in the discovery or development of additional commercial accumulations of oil and natural gas.

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 National Instrument 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.