

Great South Basin interest quickens with new seismic and award of second block to Magellan

21 February 2004 - Exploration in the promising Great South Basin offshore to the south of the South Island has stepped up after little interest since eight wells were drilled in the 1970-80s.

Australian explorer Bounty Oil and Gas NL begins shooting 2000 km of 2D seismic in late February in PEP 38215 while fellow Australian company Magellan Petroleum (NZ) Ltd continued interest in the basin is shown by its successful application for its second Great South permit.

Bounty is using Fugro's Polar Duke vessel, which has been in New Zealand waters a number of times in recent years. UK company Electro Silica Plc will farm in to a 25% interest in the permit in return for funding 100% of the costs of the seismic acquisition.

Bounty says in its December 2003 quarterly report that reprocessing and reinterpretation of over 6200km of seismic over the permit have confirmed the presence of a number of large untested structures. It has also allowed Bounty to assign probable recoverable reserves of 0.9 trillion cubic feet (tcf) and possible recoverable reserves of 2.2 tcf of gas in the Toroa structure. The Toroa-1 well was drilled by Hunt International Petroleum in 1976.

Methanol manufacturer Methanex Corporation has supplied Bounty with an expression of Interest indicating that Methanex would seriously consider entering into a long term gas contract if sufficient gas reserves could be proven and delivered under agreeable commercial terms.

Magellan's new Great South Basin permit PEP 38225 covers an area of 11,829 sq km adjoining to the south of Magellan's other permit PEP 38222 which it acquired in 2002. Magellan has a 100% interest in both permits which together cover over 25,000 sq km.

Magellan says it will be investigating the potential for the Kawau gas condensate structure, discovered in the 1970's by Hunt Oil, suggestions are that the structure is larger than originally thought.

The company will also be looking at the commercial potential of associated condensate, and assessing the potential of several other nearby structures already identified.

Kawau, containing currently listed reserves of 461 bcf of gas, was listed as sub-commercial due to water depth and isolation.

Magellan will also be evaluating a potential oil play fairway along the western side of the permit.

Magellan says it intends to attract partners to fund any future drilling in the two permits.