

L&M plans three more Southland wells after the promising Sharpridge Creek well

27 July 2006 - L&M Petroleum plans more western Southland wells following tests showing oil and gas at its Sharpridge Creek well.

Christchurch-based L&M Petroleum Limited is planning a sustained drilling programme over the next two years in its two Western Southland onshore exploration permits to follow up promising indications of oil and gas from its Sharpridge Creek well, west of the Ohai coal fields.

L&M Group managing director Greg Hogan said the company planned to drill three or possibly four more wells in the Waiau and Te Anau Basins by the end of 2007.

He said the company is to drill another shallow well later this year in PEP 38226 following up the 517 metre deep Sharpridge Creek well. The company is in the process of deciding which of its prospects to drill.

Next year L&M will drill another one or possibly two deeper wells in the same Waiau Basin permit. One of these will aim to test the Beaumont Formation in the vicinity of Eastern Bush. A prospect at Eastern Bush was worked up by an earlier permit holder.

L&M is currently acquiring approximately 50km of 2D seismic data over rolling farmlands 10-20 km east of the Te Anau township in the 1760 sq km PEP 38230.

Next year the company plans to drill a well in the area.

L&M said in a news release that the Sharpridge Creek well received encouraging results from its recent testing programme.

The Sharpridge Creek well was cased for testing at a total depth of 517 metres. Results from the well showed fluorescence in the drill cuttings and gas was detected in the target Beaumont Formation and the underlying Morley Formation.

Test flow rates showed reservoir quality sandstone capable of sustaining commercial production of oil and gas, the company said.

Three separate sandstone zones between 328 and 369 metres were perforated through the casing and tested for hydrocarbons. These zones flowed gas cut water and traces of oil were recovered from the lowest zone. Analysis of the dissolved gas indicated that the upper two zones are methane-rich while the lowest zone contains high levels of gaseous hydrocarbons, including ethane, propane and octane.

L&M said analysis of Beaumont Formation coals from this well also revealed oil in coal which has been interpreted to have migrated from deeper in the Waiau Basin.

The Sharpridge Creek well confirms the existence of oil and/or gas in the Waiau Basin and highlights the presence of a working petroleum system, the company said.

Approximately 60 km of seismic lines in the Waiau Basin permit were recently reprocessed and reinterpreted by L&M and to date seven prospects and eight leads requiring further definition have been identified.

L&M Petroleum is confident that on-going work using geological mapping and seismic survey methods will identify more prospects and leads.

The Waiau Basin permit is also regarded as being highly prospective for coal seam gas hosted in Beaumont and older coals.

L&M Petroleum holds three 100%-owned-and-operated permits in western Southland including one offshore south of Fiordland in the Solander Basin, where it has completed a 1000 km offshore seismic survey.

The company's 2006 work programmes in Southland are budgeted at \$5 million.