

TAG Oil plans large NZ drill programme over next 18 months

27 July 2006 - Calgary-based TAG Oil plans large well drilling programme over next 18 months.

The Calgary-based TAG Oil Ltd plans a large well drilling programme in New Zealand over the next 18 months, Drew Cadenhead, the president and CEO of TAG says in an interview published on the company's website.

TAG Oil, which holds interests in onshore Taranaki, on and offshore Canterbury and the East Coast basins has taken over six companies in New Zealand over the past six months in what Mr Cadenhead describes as a programme of consolidation.

This would increase critical mass to secure access to exploration services, which he said was a problem internationally.

Mr Cadenhead said TAG Oil has 26 wells ready to be drilled over the next 18 months.

He said the company's strategy onshore is to become the operator and have 100% working interest in everything it does. TAG would also be looking for strategic alliances with technical services for drilling, completion and production.

In its offshore prospects in Canterbury Basin where well costs could be up to US\$30 million a well, TAG is looking for strategic partners and joint venture partners. He said pipeline companies, electricity generators, and petrochemical industries have come to TAG Oil and offered to fund wells, simply to earn first bids on any gas that may be found.

Most of the acquisitions which TAG has made to date have been for exploration permits. But he said the company plans to become a production and exploration company through the acquisition of Cheal Petroleum Ltd which owns a 30% interest in the Cheal oil pool in onshore Taranaki and 15% of the Cardiff gas field, (both in PEP 38738). TAG has also acquired a 33% interest in the Radnor gas condensate field (PMP 38157), where a sidetrack to restart the field is planned to start this month (July).

Mr Cadenhead said the company's vision for the next two or three years is going to be "drill".

"We've shot a lot of seismic over the last couple of years, we've bought a lot of land, and we've spent a lot of time building up our prospect stage. We are ready to start drilling now, and the next two to three years are going to be a very busy operational phase for us."

Mr Cadenhead said the recent raising of about US\$30 million (about NZ\$47 million) through "bought-deal" financing to complete its acquisition of stakes in the Cheal and Cardiff fields and to finance its ongoing New Zealand activities had seen the company's investor base change to 95% institutional investors from 85% private investors three years ago.

TAG had entered an agreement with independent Canadian investment dealer Canaccord Capital Corporation for the sale of 40 million common shares at a price of US 75c per share. The shares will be eligible for sale initially in Alberta, British Columbia and Ontario.