

Cheal-B4 finds oil bearing sands in extension of new onshore oil field

2 February 2007 - Austral Pacific Energy Ltd says its fourth production well in the B section of its Cheal oil field has found existence of hydrocarbons outside currently defined limits in a separate fault terrace to the north-west of the field.

Wireline logs and drill gas in the Cheal B4 well indicated oil bearing intervals in Mt Messenger sands over a gross interval from 1772 m to 1785 m and from 1904 m to 1944 m.

In the Urenui Formation secondary target, wireline logs and drill gas also indicated oil bearing intervals over gross intervals from 1460 m to 1476 m and from 1620 m to 1646 m.

A deeper Moki sandstone target, was interpreted as water saturated.

The Cheal B4 well was later prepared for side track operations to target better developed sands near the existing well bore.

Austral Pacific chief executive officer Rick Webber said, "Cheal B4 is another encouraging result for the Cheal joint venture. The well confirms the existence of hydrocarbon charge outside the currently recognised limits of the field and as such increases our confidence in the resource potential of the north western extension of the Cheal Oil Field."

Austral Pacific holds a 69.5% interest and is operator of the Cheal field. TAG Oil holds the remaining 30.5% interest in the permit.

TAG Oil president Drew Cadenhead said in the TAG report that the "Cheal B4 intercepted a couple of thin oil zones. What we need in this block is thicker reservoir sands," he said.

In other news Mr Webber reported that construction of the processing facilities at the Cheal A site was making good progress with three large oil storage tanks is complete.

Austral Pacific has also secured a US\$23 million loan facility and completed the acquisition of Arrowhead Energy Ltd. The Arrowhead purchase means that Austral Pacific's share in the cornerstone Cheal oil field has risen from 36.5% to 69.5% while Austral's share in the Kahili gas/condensate field has risen from 60% to 85%.

"This acquisition effectively doubles the resource base of the Austral leading to an overall strengthening of the company's value and balance sheet going forward," Mr Webber said.

Sources: Austral Pacific and TAG Oil.