

L&M Petroleum confident about economics of coal seam gas in NZ

18 May 2009 - Geoff Loudon, mining investor and chairman of L&M Petroleum, says in New Zealand L&M sees huge advantages in coal seam gas discovery and commercialisation.

Mr Loudon told the company's annual meeting that declining existing gas resources, shortages in power generation capacity and the potential for the supply of domestic bottled gas use offer a number of ways to generate returns.

"Unlike most coal seam gas reserves in the Australian market, coal seam gas discoveries in New Zealand will not be dependent on the construction of an expensive LNG plant"

"Indeed, gross margins for coal seam gas production in New Zealand could be similar to the margins expected from LNG (liquefied natural gas) sales in Australia", he said.

Chief executive John Bay said L&M Petroleum is more bullish than ever regarding its future conventional oil and gas and coal seam gas exploration in New Zealand.

In a website presentation on its 2009 exploration L&M said there are a number of gas commercialisation options in the South Island depending to some extent on the size of any discovery.

These included onsite power generation, shipping gas as CNG into local markets including for use as transport fuel, piping gas by direct reticulation to large-scale industrial sites or supplying to cities for domestic gas networks.

Also new technology is making possible 'micro-LNG' plants at production rates down to about 1 million cubic feet a day.

Meanwhile L&M Petroleum has reported that initial test results from the Bogle-1 well located west of Ohai, in PEP 38226, has confirmed the presence of coal seam gas within coal cores retrieved during drilling.

The well reached its programmed total depth of 561 metres (m) with approximately 5 m of coals intersected.

The top of the Beaumont Formation coals was encountered at 453 m with deepest coal at 521 m in the Morley Formation.

Initial crush test results on representative coal cores, recovered from 477 m, indicate coals contain 2.43 m³ / tonne of methane gas. This result is consistent with regional Beaumont Formation coal data and will be used to build the company's understanding of the coal seam gas potential in the area.

The remaining recovered coals will be sent for further coal characterisation and long-term gas desorption analysis.

Bogle-1 is the first of seven wells in the 2009 coal seam gas exploration programme.

Sources: L&M Petroleum and Lindsay Clark