

Energy Burst For New Zealand's Oil and Gas Future

Currently New Zealand is receiving a major burst of positive results in a number of oil and gas exploration operations. A major gas discovery (Mangahewa-2) and Fletcher Challenge Energy Taranaki's (FCET) first oil strike (Piakau-1) in eight years is good news for the start of an active phase of exploration throughout New Zealand.

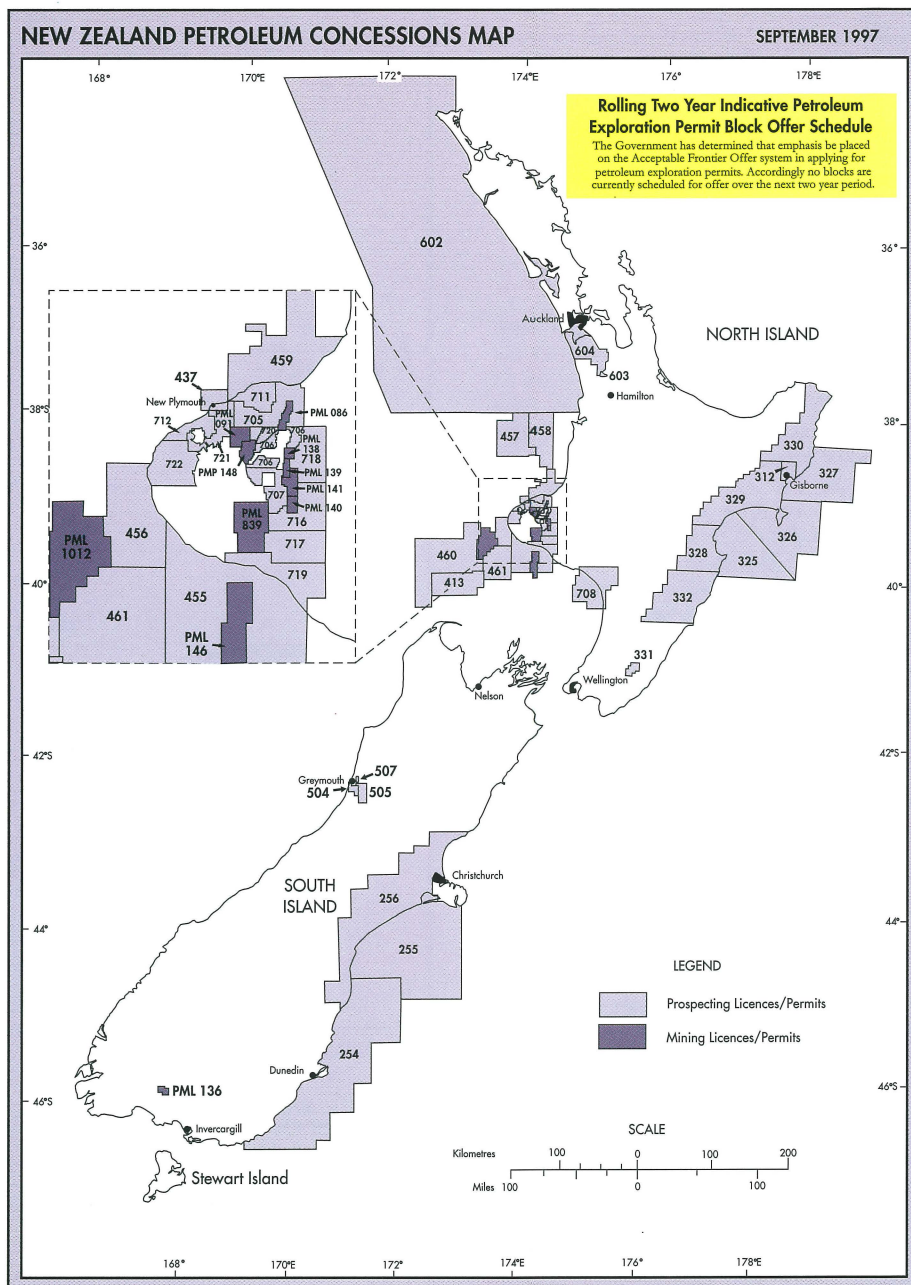
Also, in September a Memorandum of Understanding was signed between New Zealand's largest petroleum player, Fletcher Challenge Energy, and petrochemical giant, Methanex, to supply gas to the two production plants.

New Zealand has one of the highest rates of gas usage per capita in the world and new reserves will need to be discovered and developed to replace depleting gas supplies and for further planned projects. Statistics on New Zealand report consumption of 227 PJ of gas for the year to March 1997. While oil will remain the target for exploration companies there is a growing domestic gas market.

The new Minister of Energy, Max Bradford, has indicated his interest in increasing New Zealand's oil and gas reserves. The Minister requested a report in late June this year to confirm the accessibility of New Zealand for international petroleum exploration companies to explore. Mr Bradford believes New Zealand must find more oil and gas to ensure the country's future energy use.

Increased activity in Taranaki includes not only the recent oil and gas discoveries but the continuation of exploration in the area. Geoff Logan, general manager of FCET, has commented that there is now an unprecedented amount of activity in Taranaki, as a high level of international companies and staff show interest. FCET's exploration manager Steve O'Conner said in the last year to June 1997, FCET has drilled five wells with a better success rate than the international average of one in ten.

The number of new players in the petroleum exploration business in New Zealand indicates a busier time than has been experienced in the last few years. Much of



the Taranaki area is permitted or licenced for petroleum exploration and mining, with most of onshore Taranaki permitted or under application.

In the last 12 months, 23 petroleum permits have been granted in New Zealand, while a

further eight areas are currently under application and two existing areas are under application for extension. The increased activity reflects the New Zealand Government's success with the Acceptable Frontier Offer (AFO) exploration acreage allocation system.