

## Austral To Proceed With \$20 M Cheal Development

Austral Pacific Energy Ltd has decided to proceed with the development of the Cheal oil field, onshore Taranaki, at an estimated cost of \$20 million, after temporary facilities that allow continuous production from one well yielded rates of up to 300 bopd in late July.

"Work will start immediately on the construction of processing facilities at the Cheal-A location", Austral Pacific's Chief Executive Officer, Rick Webber, said. "The existing wells will be worked over before being brought back into production, and additional production wells will be drilled from the Cheal-A and Cheal-B well sites."

"Long lead items required for the production facilities and wells have already been ordered, the detailed design of the production facilities has commenced, and rigs have been contracted to undertake the well workover and drilling programmes."

Webber said test production from a single well using interim production facilities had resumed in late July. "Such extended production testing would enable the joint venture participants to undertake further monitoring of reservoir performance until such time as the field's permanent production facilities had been installed and commissioned." He expected that one well would remain in production throughout the six month period required for the construction of the permanent production facilities.

Austral Pacific's share of about \$7.4 million for the development of the field will be funded from cash reserves. The other participants in the Cheal Joint Venture are TAG Oil (NZ)

Limited and Arrowhead Energy Limited. Austral Pacific holds a 36.5% working interest in the permit and is the operator.

Webber said first oil from the field's permanent production facilities is expected to be available in the first quarter of 2007, with an initial production rate of around 1000 bopd. "Full production of around 1900 bopd from the field is expected from early in the second quarter of 2007. The Cheal facilities will be capable of producing up to 2000 bopd from the shallow Urenui and Mt Messenger formations."

He said the decision to proceed followed approvals given by the joint venture

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participants and the granting by the Ministry of Economic Development of a petroleum mining permit for the Cheal and Cardiff discoveries. "The decision to proceed represents a significant milestone for both the joint venture participants in general and for Austral Pacific in particular", Webber said.

"For Austral Pacific, the Cheal oil field development is the first step in establishing and growing a low cost, sustainable, oil and gas production profile. In so doing we are taking another step along the path toward creating wealth for our shareholders, our prime strategic goal.

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The Cheal oil field was discovered in 1995, with the intersection of an oil pool in the Cheal-1 well. In 2004, the drilling of the Cheal-A3X well confirmed more substantive oil reserves in the Mt Messenger Formation. To date over 90,000 bbl of oil has been produced from Cheal as part of a long term testing programme. Webber said negotiations are continuing for the sale of the oil produced at Cheal.

Meanwhile, Austral Pacific and its joint venture partners have secured tenure for the Cardiff gas/condensate discovery after being awarded a mining permit. Webber said that although gas had been produced at commercial rates from the upper McKee reservoir, the ultimate prize at Cardiff lay in the deeper K3E reservoir in which

Austral Pacific holds a 25.1% share.

"We believe we have a substantive gas resource in the K3E and that the reservoir will produce at commercial rates. We believe Cardiff is capable of producing a significant amount of gas for the New Zealand market at a time when demand is at an all time high", he said.

Webber added that a rig had been contracted to undertake the workover and re-completion of the Cardiff-2A well in the fourth quarter of this year and that further appraisal testing of the K3E interval would follow immediately thereafter.

"The joint venture anticipates that by the end of the year it will be in a position to begin finalising plans for the optimum concept for field development. Newly acquired 3D seismic will help identify the potential for sweet spots in the reservoir for future production wells."

The Cardiff gas discovery was made in 1992 with the drilling of the Cardiff-1 well. A second well, Cardiff-2A, drilled in 2004, tested gas at the McKee and deeper Kapuni intervals. Austral Pacific is the operator of the Cardiff gas/condensate field on behalf of the joint venture participants. The participants in the Cardiff Joint Venture are Austral Pacific, TAG Oil (NZ) Limited, International Resource Management Corporation and Genesis Energy Limited. Genesis Energy has first right of refusal on all Cardiff gas. ■