

Third Cheal Oil Find Continues Drilling Success

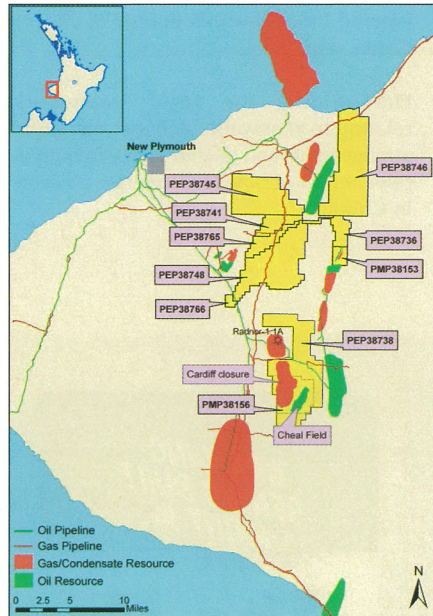
Austral Pacific Energy's Cheal-B3 well, the third of four production wells to be drilled back to back from the Cheal B site as part of the Cheal oilfield development, has intersected 10 m of oil bearing sands in the Mt Messenger sands and a further 8 m of oil bearing sands in a secondary target, wireline logs have indicated.

"This is another very encouraging result for the Cheal Joint Venture", Austral Chief Executive Officer, Rick Webber, said. The oil find in Cheal-B3 follows similar success in the Cheal-B2 and Cheal-B1 wells, which also located oil bearing sands since the Cheal drilling programme began on 21 October.

"Continued success with drilling from the Cheal B site increases our confidence in the resource potential of the northern extension of the Cheal oilfield", Webber said.

The four Cheal wells are being drilled back to back from the Cheal B site as part of the \$20 million oil field development in PMP 38156. Austral Pacific Energy holds a 36.5% interest in the field (rising to 69.5% following the completion of the acquisition of Arrowhead Energy Limited) and is the operator.

Webber said the JV has put in a place a development programme which will deliver oil production of approximately 1,000 bopd during 1Q 2007, rising to approximately 1,900 bopd during 2Q 2007.



The Cheal B2 well is the second of four wells to be drilled back to back from the Cheal B site as part of the \$20 million oil field development in PMP 38156

"An independent reserves estimate by an internationally recognised engineering firm has estimated total gross proved, probable and possible remaining reserves as of 31 December 2005 of 4.4 MMbbl of oil for Cheal", he said.

The target Mt Messenger sands in the Cheal-B3 well were intersected over a gross interval from 1,726 - 1772 m. Sands from the secondary target Urenui Formation were intersected over a gross interval from 1,365 - 1,396 m.

The Cheal-B2 well located oil bearing sands over a gross interval from 1,709 - 1,735 m, targeting Mt Messenger sands. "Thinly bedded sands from the secondary target Urenui Formation over a gross interval from 1,278 - 1,383 m were also interpreted from wireline logs to be oil bearing", Webber said.

The Cheal-B1 well, which reached a total depth of 1,863 m on 21 October, also located oil bearing sands over a gross interval from 1,700 - 1,727 m in targeted Mt Messenger sands.

Webb said PMP 38156 provides for production from the Cheal oil field for an initial term of 10 years with a right to extend the duration of the permit following the delineation of further reserves. Austral Pacific currently holds a 36.5% interest in the field, Arrowhead (a private New Zealand exploration company) 33% and Canadian independent Tag Oil 30.5%

Following the running of production casing in the Cheal-B3 well, Ensign Energy Services' Rig 19 will be skidded to an adjacent, pre-installed conductor for the immediate drilling of the Cheal-B4 well. ■