



May 29, 2014

Mosman Oil & Gas adds a third well site to its summer drill programme in New Zealand



Shares in [Mosman](#) Oil & Gas jumped 6.5 per cent in morning trading on Wednesday as the Australian minnow announced it was planning a third well on its Petroleum Creek oil project in New Zealand. This exceeds the expectations set at the time of its AIM IPO in March 2014, which raised £1.5 million through a placing priced at eight pence per share, when the company promised to drill at least two wells this summer.

Oil seeps Petroleum Creek

With the shares now trading north of 12 pence, the company on Wednesday confirmed the name and location of a third well, Crestal-2, which will be drilled half a mile south of Crestal-1 and close to a number of old wells that had oil shows and flows. This 143.6 sq km block near Greymouth on the South Island is a southern extension of the proven Taranaki oil system and a history of oil seeps and 19th century prospecting are reflected in the name of the Creek.

The oil deposit was first discovered in 1897 and between 1902 and 1985 there were numerous wells drilled around the surface oil seeps but with limited success. [Mosman](#) aims to use modern exploration methods to make sure its wells are drilled in the right place to intersect with a potential mean unrisked recoverable oil-in-place estimate of 26.6 million barrels.

These are shallow wells - Crestal-2 will drill to basement at 300 metres – so costs are low and the company reckons even a one million barrel oil find would be enough for commercial development (the P90 on the project is a rather more robust 4.8 million barrels, however). The crude is light sweet oil and easy to market, which would put the company on track to near-term production and revenues.

All that is needed now is the test of the drillbit. The third well will drill after the first two wells in the programme, Crestal-1 and Cross Roads-1, which will start drilling in the next ten days. And the company said it has started discussions about land access for a contingent fourth well location, a signal of management's confidence in the project.

The company, which was founded in 2011, is keen to add to its portfolio and has hired a New Zealand-based consultant to help it prepare tenders for acreage in an open bid process – tenders are due by September 30 and are judged on technical and financial capabilities. A successful trouble-free multi-well campaign this summer would certainly bolster [Mosman's](#) standing with the authorities.

Further ahead, the company also has a 25 per cent stake in a project identified by [Mosman's](#) technical director Andy Carroll, who has over 30 years of industry experience including leading InterOil's discoveries in Papua New Guinea. Carroll had scooped a giant acreage position in the frontier Officer Basin in Australia and agreed to let [Mosman](#) in for 25 per cent. The permit stretches for 22,527 sq km, with the potential for conventional oil and unconventional shale gas. This is obviously a very early stage exploration project and the company doesn't plan to start work here until 2015.

For now, all eyes will be on Petroleum Creek.