

Mosman Oil & Gas gets closer to drilling its first New Zealand wells just weeks after its IPO

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New Zealand's Petroleum Creek

Unlike a number of new junior oil & gas stock market launches [Mosman](#) Oil & Gas's share price has not gone down immediately after floating. [Mosman](#) Oil & Gas IPO-ed on London's AIM in March, raising £1.5 million to pursue its projects in New Zealand and Australia. Although it describes itself as an explorer and, indeed, its first two wells are exploratory, they offer the potential for short term discovery, value growth and fast track discovery development to early cash flow.

The company landed running saying that it would drill wells in New Zealand by June. The shares rose to 14p at one point after flotation and although they have settled back down to 11.69p, they are still above the float price of 8p a share. The reason is that [Mosman](#) immediately got down to business after floating.

The company has recently announced it has now completed the site preparation for the first two wells in the New Zealand Petroleum Creek programme, Crossroads -1 and Crestal-1. Both sites are ready for the installation of the surface conductor casing scheduled for later this month, prior to the mobilisation of the drill rig from Auckland to start drilling in June.

This Petroleum Creek project was acquired last year, after [Mosman](#) had walked away from two earlier transactions after they failed at the due diligence stage. It carries mean recoverable prospective resources of over 26 million barrels of oil.

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. Those wells were, said executive chairman John Barr, a chartered accountant with over 25 years in the natural resources sector, with the benefit of more refined geological modelling, drilled in the wrong places.

Crestal-1, for example will be drilled close to Widespread-1A which was previously abandoned at 90 metres without testing the encountered oil shows. [Mosman's](#) will re-enter this bore hole and deepen it. The target of drilling to basement forecast will be around 400m. Several potential reservoir zones are anticipated, including the Cobdern limestone. Thresholds in this onshore area, which is well-placed to tap into local infrastructure, are low, Barr has said, a one million barrel discovery would be enough for commercial development, although the company is aiming for more than this (the P90 is 4.8 million barrels). It's light sweet oil, with some wax content as is typical for New Zealand, and very easy to market. The spud of the first well in June, should ensure a ready stream of newsflow over the second half of 2014. But [Mosman](#) is not just going for the low lying fruit.

The company's other IPO starter asset is 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, which is, said Barr, the size of Wales and Cornwall combined. There's potential here for conventional oil and unconventional shale gas.

The company has also reported movement on this project. Although this is obviously a very early stage exploration scheme and the company had not planned to start work here until 2015, native title negotiations at Officer Basin are progressing well. An exploration permit in area STP-EPA 0071 will be awarded once an access agreement is reached with Traditional Owners where Native Title claims exist.

This process reached a significant milestone, [Mosman](#) believes, with the on-site meetings on May 5 and May 6 at Warburton and Cosmo Newberry in Western Australia when [Mosman](#) and other oil companies attended the first relevant meeting with discussions stakeholders. This is seen as a major step forward in the negotiation process.