

L&M Petroleum looking at combining with L&M CSG

25 September 2009 - Stock exchange-listed L&M Petroleum Ltd is looking at acquiring all or part of associated private company L&M Coal Seam Gas Ltd – the largest individual CSG permit holder in New Zealand.

Christchurch-based L&M Coal Seam Gas is targeting 1,500 PJ of coal seam gas in both the North and South Islands.

John Bay, managing director and CEO of Wellington-based L&M Petroleum, said the jewels in the crown of the coal seam gas interests of the expanded company would be the coalfields of western Southland, and of south Waikato.

Mr Bay said his company had begun discussions with privately held L&M Coal Seam Gas (L&M CSG) with respect to the acquisition of part, or all of the L&M CSG corporate entity or asset base.

Simultaneously with these discussions, L&M Petroleum is considering various capital raising options available to it.

Mr Bay said the amount of capital needed was “going to be north of \$20 million.”

Capital raising was necessary to allow an aggressive continuation of the exploration, development and commercialisation opportunities that would arise out of the conclusion of a transaction with L&M CSG.

L&M Petroleum was listed on the Australian and New Zealand stock exchanges in January 2007 focussing at first on exploration for petroleum in the Western Southland Basin, both onshore and offshore. It also has stakes in petroleum exploration permits in Taranaki and the West Coast of the South Island.

The company, while exploring for oil and gas, also discovered prospects for coal seam gas in its onshore Southland permits to the west of the Ohai coalfield where L&M CSG had earlier found good evidence of coal seam gas.

Kent Anson, chief executive of L&M CSG, said recently that the company is planning an aggressive drilling programme of up to 50 wells over the next two years focussed on proving reserves and achieving early gas sales.

It has drilled pilot production wells at Kaitangata south of Dunedin and has other pilot wells planned later this year at the Hawkdun lignite field in central Otago and at Ohai.

L&M CSG has said it plans to expand its technical team to further explore its four permits in Otago-Southland (the other Southland permit is at Winton north of Invercargill) and its 4,340 sq km south Waikato permit covering a number of deep coalfields south of Hamilton and its 1,780 sq km Okura River permit in the King Country.

Sources: L&M Petroleum, L&M CSG and Lindsay Clark

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