

TAG Oil to adsorb Trans-Orient in merger

30 September 2009 - Two Canadian-based companies operating in New Zealand, TAG Oil and Trans-Orient Petroleum, have announced they are to merge, with TAG as the surviving entity.

TAG Oil has a 100% interest in the Cheal oilfield in onshore Taranaki while Trans-Orient has East Coast Basin permits targeting fractured oil shale source-rock.

A joint statement said that both boards of directors had approved the combination of the two companies following the recommendation of their special committees.

The combined company will have no debt, \$12.5 million in working capital, cash flow from the developing Cheal light-oil discovery and a lower-risk prospect inventory in the Taranaki Basin. The East Coast permits would add high-impact frontier exploration opportunities.

TAG Oil's Cheal field also included production facilities and the surrounding exploration acreage. The relatively shallow Cheal oil pool has cumulative production of more than 500,000 barrels of oil to date, with remaining proven and probable reserves of approximately 530,000 barrels of oil equivalent. The field is currently producing at average rates of 325-380 barrels of oil per day.

Good potential exists to increase production in the near term through optimization of the existing six Cheal wells and further development drilling in and near the Cheal pool.

Trans-Orient hold's exploration permits covering conventional prospects such as Waitangi Hill and unconventional opportunities such as Boar Hill, leveraging new fracturing technology to target fractured oil shale source-rock formations that have many similarities to successful developments such as the Bakken Shale in Canada and the United States.

Under the merger arrangement agreement, TAG will acquire all of the issued and outstanding shares of Trans-Orient on the basis of one TAG share for each 2.8 Trans-Orient shares. Trans-Orient will become a wholly owned subsidiary of TAG.

Trans-Orient will seek shareholder approval for the merger around December 9, 2009.

Sources: TAG Oil, Trans-Orient and Lindsay Clark

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