Three quarters of Kupe field's value now in liquids, NZOG says

16 April 2009 - Three quarters of the value of the Kupe offshore gas condensate field now lies in the petroleum liquids rather than natural gas, one of the field partners New Zealand Oil & Gas says in its 2008 annual report.

NZOG chairman Tony Radford and chief executive David Salisbury say in the report that the expected return on the company's investment in the south Taranaki offshore gas, light oil/condensate and LPG field has increased significantly since the project was sanctioned, given current prices.

The Kupe field, originally discovered by NZOG in 1986, is due to commence commercial production in mid 2009 under operator Origin Energy.

Preliminary analysis of the three Kupe production well results confirms that the wells and the reservoir have met expectations, NZOG says.

"The three wells are able to exceed the deliverability requirements of the Kupe gas contracts," NZOG says in the report.

"A preliminary reserves review has concluded that at this stage there is no change to the proven and probable (2P) reserves.

"From the drilling we do have more certainty and this has resulted in a narrowing of the range of expected outcomes. The 1P reserves (90% likelihood of being exceeded) have increased and the 3P reserves (10% likelihood of being exceeded) have been reduced."

All of the Kupe offshore facilities (wells, platform and pipeline to shore) are now in place and the focus is on completing the onshore production station near Hawera and the condensate storage facilities in New Plymouth.

Costs for the Kupe project have increased to over $1 billion.

NZOG says that though increases in equipment, material and labour costs contributed to the higher costs, about 40% of the increases since project sanction were the result of enhancements to the original project scope.

Partners in the Kupe field are Origin Energy 50%, GenesisEnergy 31%, NZOG 15% and Mitsui 4%.

Sources: NZOG 2008 annual report