

Great South Basin – Questions and Answers

Where is the Great South Basin?

The Great South Basin lies offshore from the coast of Southland and south Otago, and at over 500,000 sq km is one of New Zealand's largest petroleum basins (covering an area 1.5 times New Zealand's land mass). The current area of awarded permits covers 18% of the basin.

What is the potential of the Great South Basin?

The basin has only been very lightly explored, so until recently, little has been known about the geology and prospectivity of the basin.

Recent data indicates that the Great South Basin may have the greatest petroleum volume potential of all New Zealand's basins. In particular it has the thick sediments required to produce hydrocarbons, favourable reservoir and source rocks, and is not affected by large scale seismic faulting found in most New Zealand basins.

How does the potential of the Great South Basin compare with Maui?

Maui is about 3.8 trillion cubic feet of gas in size, and has produced approximately 225 million barrels of oil. Data for the Great South Basin indicates the possibility for potential of up to ten times those figures - but this is, at this stage, unproven.

What does this mean for Southland's economy?

For support services alone, the financial benefit to Southland is in the order of tens of millions of dollars. If a significant oil and gas strike follows, the financial return to the region would be in the order of billions of dollars of direct investment. A commercially viable find would create a building and job boom.

The economic impacts of oil and gas exploration in Taranaki offer a possible point of comparison. A recent *Business and Economic Research Limited* economic study found that last year the oil and gas industry contributed \$733 million to that region's GDP, which is close to 17 percent of total regional GDP, and employed approximately 773 people. When including indirect and induced impacts, the oil and gas industry contributed \$1.41 billion in regional GDP and employed over 3100 full time equivalents.

How many bids were received?

Five bids were received.

A large number of companies from around the world took interest up to the final stages of the tender round. Many expressed strong interest in future development of the basin, and it is possible that as new data becomes available they will seek interests in the remaining areas of the basin.

How were the bids evaluated?

Technical evaluation of bids comprised a detailed quantitative and qualitative process which involved scoring information provided by bidders. Bidders also made an oral presentation to support their bid documentation and any information provided in this way was incorporated in the final evaluation and scoring of bids. The same process was used to evaluate the comparative merits of overlapping bids.

With this blocks offer attracting a high level of interest from both domestic and international companies, additional, more stringent, procedures were put in place to mitigate risks associated with any review of the evaluation and decision making process. These more stringent requirements included the establishment of an Evaluation Team, a Steering Group and the engagement of Queens Council to ensure that the process was robust. Based on this process, officials made recommendations to Ministers who then made the final decisions.

How soon will drilling start? What is the timeline?

It is likely to be at least four years before any of the companies awarded permits will know if there is a commercially viable amount of oil or gas in their permit areas, and then another 10 years before that oil or gas reaches the market.

The exploration is likely to follow these steps:

Identify oil and gas targets	First phase done as part of the bidding process
Confirm the targets with seismic data	In the next 2-3 years
Start test drilling	3-5 years from now
Evaluate and appraise any discovery	2-5 years from initial discovery
Make the decision whether or not to develop any discovery	2-5 years from initial discovery
Make the decision whether or not to award a mining permit	2-5 years from initial discovery
Then, assuming a discovery is economically viable, the production of the first commercial oil or gas	10 years + following discovery

If significant oil and gas is found, won't it all go offshore?

If commercially viable quantities of oil and gas are found, it would be sold primarily overseas. However, if there's any threat to supply for New Zealand,

New Zealand has the right to retain enough oil for our needs and so we would be able to order some of the oil directly to the Marsden Point refinery. In that case we would still pay the market price.

What will happen to the other 82% of the Great South Basin not covered by the awarded permits?

It's intended that they will be opened up for future exploration. But there is less information available in those areas. Exploration companies and the government will be waiting to see the results of the exploration which are about to start before deciding what to do with the rest of the basin. There is no doubt that a commercial discovery in the permitted areas would encourage further seismic acquisition and exploration in other areas of the basin.

Who pays for the exploration?

The companies which own the permits pay, and take all the risks. There is no risk to the New Zealand taxpayer.

What role does the Government play in the exploration of the GSB?

In April 2006 the government, in an effort to promote and manage petroleum exploration activities in the basin, commissioned an extensive seismic survey (known as the DUN-06 survey) of the northern section of the basin. This survey was part of the government's efforts to acquire data under a \$15 million fund established in 2004 to lift petroleum exploration in New Zealand. The data was then offered freely to explorers to promote and encourage exploration in the hope that it would lead to the discovery of new petroleum reserves.

Other exploration initiatives introduced by the government in 2004 included:

- Adjustments to tax provisions
- Reductions in royalty rates for new discoveries made before 31 December 2009
- Additional funding to promote investment in New Zealand

Background information on companies awarded petroleum exploration permits

ExxonMobil New Zealand (Exploration) Ltd is a subsidiary of ExxonMobil Corporation. In total ExxonMobil has participated in 9 wells in New Zealand. ExxonMobil Corporation is the world's largest non-government oil company with a market capitalization of approximately \$US 470 billion in the second quarter of 2007. This financial strength, combined with global experience and a commitment to proprietary technology, has led to significant success in large, complex, long term exploration and development projects.

Todd Exploration Limited is owned by Todd Petroleum Mining Company Limited, trading as Todd Energy. Todd Energy has extensive interests in New Zealand including:

- 50% interest in the Kapuni gas field
- 6.25% interest in the Maui gas field
- 16% in the Maari oil field (through Todd Maari)
- 26% interest in the Pohokura gas field (through Todd Pohokura)
- 100% interest in the McKee/Mangahewa oil and gas fields (through Todd Taranaki)
- Interest in 10 exploration licenses, both onshore and offshore
- Significant investments in downstream gas and electricity businesses (principally Nova Gas and Bay of Plenty Electricity)

OMV New Zealand Limited is a wholly-owned subsidiary of OMV Aktiengesellschaft AG Austria. OMV established itself in New Zealand in the late 1990's and is one of New Zealand's leading exploration companies with multiple permit interests in offshore Northland and offshore Taranaki. Its portfolio of exploration and production interests includes:

- a 10% interest in the Maui gas Field,
- a 26% interest in the Pohokura gas field and
- a 69% interest in the Maari oil field.

With Group sales of EUR 18.97 billion and a workforce of 40,993 employees in 2006, as well as market capitalization of approx. EUR 15 billion, OMV Aktiengesellschaft is Austria's largest listed industrial company. As the leading oil and gas group in Central Europe, OMV is active in Refining and Marketing (R&M) in 13 countries. In Exploration and Production (E&P) OMV is active in 20 countries on five continents. OMV sells more than 14 bcm gas a year. OMV's Austrian gas hub Baumgarten annually transports approximately 47 bcm of gas. OMV's Central European Gas Hub is amongst the three largest hubs in Europe.

In June 2006, OMV has established the OMV Future Energy Fund, a wholly owned subsidiary to support projects in renewable energy with more than EUR 100 Mio to initiate the change from a pure oil and gas group to an energy group with renewable energy in its portfolio.

PTTEP Offshore Investment Company Limited (PTTEPO) is a subsidiary of PTT Exploration & Production Company Limited (PTTEP) which is the oil and gas exploration and production business arm of PTT Public Company Limited, the state-owned energy company and also the largest company in Thailand. PTTEP is the country's second largest listed company with a market capitalisation of approximately US\$ 10 billion as of the second quarter 2007 and is one of Asia's leading exploration and production companies with global interests across 10 countries.

Mitsui Exploration and Production Australia Pty Ltd (Mitsui) is a wholly owned subsidiary of Mitsui & Co. Ltd which is one of Japan's largest conglomerates with a market capitalisation of approximately US\$ 36 billion as of the second quarter 2007 as well as one of Japan's leading companies in terms of the oil and gas upstream businesses. Mitsui holds significant interests across various exploration and mining permits in the offshore Taranaki Basin in New Zealand including 35% of the Tui oil field development and 4% of the Kupe gas field development.