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31 January 2008

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SYDNEY NSW 2000

## DECEMBER 2007 QUARTERLY REPORT

Herewith is Tap Oil Limited's Quarterly Report for the period ended 31 December 2007.

Copies of these documents are available at the ASX and can be viewed on the Company's website [www.tapoil.com.au](http://www.tapoil.com.au) under the heading "Investor Centre".

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## Tap Oil Limited

### Quarterly Report

For the Quarter Ended 31 December 2007

#### Highlights

- ▶ The planned succession of CEO occurred on 1<sup>st</sup> January 2008 with Mr. Peter Stickland taking up the CEO role.
- ▶ Revenue was 37% higher than the third quarter at A\$25.8 million. due to high oil and gas prices and significantly increased gas sales.
- ▶ First full quarter of revenues received from recently concluded gas sales agreements that will generate revenues of approximately A\$243 million over the next 9 years.
- ▶ Harriet and Woollybutt produced 134,950 bbls of oil/liquids and 1,173 TJ of gas net to Tap in the quarter. Production was restrained by planned and unplanned maintenance.
- ▶ Maitland-3H appraisal well achieved a flow rate of 6 MMscf/d despite operating constraints. A further 2 appraisal wells are expected mid 2008.
- ▶ Successful completion of the operated 3D seismic survey of 517km<sup>2</sup> in T/47P in Bass basin, Australia.
- ▶ Woollybutt-4H well successfully flowed and has been suspended as a future producer as part of the Woollybutt South Development and is due for tie-in at the end of May 2008.
- ▶ Interpretation of recently acquired seismic data on SC-41 in the Philippines indicates a number of attractive prospects for drilling in 2008.

Tap's CEO, Mr Peter Stickland, said "I'm pleased to be able to report a strong quarterly performance with revenue up 37% to A\$25.8 million. Oil prices and gas sales are up significantly. Tap also progressed a number of high quality exploration opportunities, such as SC-41 in the Philippines and will have attractive prospects for its 2008 drilling program".

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## Revenue and Production

Revenue remained strong at A\$25.8MM; Tap achieved an average of A\$111 per barrel for its liquids and significantly increased both its gas sales and its average price. The company has no commodity hedging and will benefit from continued high oil and gas prices.

SALES REVENUES	Sep '07 Qtr	Dec '07 Qtr	Qtly % Change	Comment
Liquids – net (\$000)	16,719	19,604	17.3%	High realized oil prices
Gas – net (\$000)	2,185	6,215	184.4%	Commencement of gas sales contracts
<b>Total Oil &amp; Gas Revenue (\$000)</b>	<b>18,904</b>	<b>25,819</b>	<b>36.6%</b>	
<b>Average realised oil price A\$/bbl</b>	<b>91</b>	<b>111</b>	<b>22.0%</b>	Continued high oil prices driving revenue strength

PRODUCTION VOLUMES	Sep '07 Qtr	Dec '07 Qtr	Qtly % Change	Comment
Liquids - Harriet JV (bbls)	92,679	75,479	-18.6%	Reduction reflects compression upgrades and maintenance operations
Liquids - Woollybutt (bbls)	88,542	59,471	-32.8%	Unplanned maintenance shutdown in November
<b>Total Liquids (bbls) – net</b>	<b>181,221</b>	<b>134,950</b>	<b>-25.5%</b>	
Total Daily (bopd) – net	1,970	1,467		
<b>Gas - Harriet JV (TJ) - net</b>	<b>1,288</b>	<b>1,173</b>	<b>-8.9%</b>	Reduction reflects compression upgrades and maintenance operations
Total Gas (TJ/D) – net	14.0	12.8		
<b>Total production – boe</b>	<b>371,192</b>	<b>330,475</b>	<b>-11.0%</b>	
Liquids inventory – bbls	121,197	74,859	-38.2%	

### *Harriet Field (Tap 12.229%, Apache Operator)*

- Liquids production averaged 6,712 bopd (gross) for the quarter (820 bopd net to Tap), limited by compression upgrade operations and other maintenance operations. Current liquids rates are approximately 7,300 bopd gross.
- Sales gas production averaged 104 TJ/d for the quarter (12.7 TJ/d net to Tap). Current sales gas production rates for the HJV are around 118 TJ/d gross (14.4 TJ/d net to Tap).
- Bambra Field production, from the two horizontal multi lateral wells of Bambra 7 and 8, was restricted during the quarter by compressor upgrade operations and temporary facilities constraints. Production at Bambra averaged greater than 2,000bopd and 7.5 MMscf/d for the quarter. The removal of facilities constraints allowed liquids production to reach rates greater than 3,600 bopd late in the quarter.
- Upgrade of the Harriet Joint Venture compression capabilities was initiated during the quarter and is currently being commissioned for operations. The upgrade to compression capabilities will allow Harriet Joint Venture to achieve incremental production of gas and associated liquids from depleted gas fields.
- Wonnich Gas Field continues to perform strongly with production from the Flag sandstone objective averaging 47 MMscf/d from Wonnich Deep-1 and 16 MMscf/d from Wonnich-1 for the quarter.

### *Woollybutt Field (Tap 15%, ENI Operator)*

- The Woollybutt Oil Field averaged 4,510 bopd during the quarter with currently deliverability at around 5,000 bopd (750 bopd net to Tap) from the three production wells, Woollybutt-1 & 2 and Scalybutt-1, in the Northern lobe only. Average oil production was effected by a brief maintenance shutdown during November and subsequent underperformance from Woollybutt-2. Woollybutt-2 underperformance was corrected in December with deliverability returned to pre-shutdown rates.
- Drilling of the Woollybutt-6H appraisal well was completed during the quarter. The well penetrated the top of the reservoir section at a depth below the oil water contact observed in offset wells, Woollybutt-3A and Woollybutt-5A. The well was plugged and abandoned. The result does not impact Tap's current estimate of Woollybutt reserves, including the positive results from Woollybutt-4H
- After the end of the reporting period production at Woollybutt was temporarily suspended on 2<sup>nd</sup> January for unplanned maintenance being conducted on the Four Vanguard FPSO. Production is expected to recommence mid February, once repairs are complete.

### *Other Gas Sales (Tap 100%)*

- Currently, Tap is purchasing and on-selling gas from sources outside Harriet Field and significantly boosting Tap's revenue. Sales amount to a further 9.5 TJ/day net to Tap.

## **Financial & Corporate**

Tap has successfully commenced supply of gas to its Western Australian customers from the gas purchase arrangement entered with the John Brookes Joint Venture. These contracts extend to 9 years and will generate revenues in excess of A\$240 million.

Tap net cash position continues to be strong at A\$95.3 million with no debt. The fourth quarter of 2007 has seen a large proportion of cash spend on both exploration and development activities, which has been offset by the strong revenues generated in the quarter.

<i>Cash Position</i>	<b>Mar '07 \$000</b>	<b>Jun '07 \$000</b>	<b>Sept '07 \$000</b>	<b>Dec '07 \$000</b>
Cash on hand *	102,152	102,670	88,576	96,741
Debt	-	-	-	-
<b>Net Cash/(Debt)</b>	<b>102,152</b>	<b>102,670</b>	<b>88,576</b>	<b>96,741</b>

\* Cash on hand includes estimated cash held in Joint Ventures to Tap's account.

\* Due to timing of crude and liquid lifting in December approx A\$4.8 million in cash will not be received until January.

Tap's issued ordinary shares at the end of the December 2007 quarter was 156,485,921 (September 2007 quarter: 156,283,421) shares, due to the exercising of 202,500 options during the quarter at an average weighted price of \$1.835.

At 31 December 2007, Tap's executive directors and employees held interests in share option schemes for 4,558,473 shares with option expiry dates varying from 1 February 2008 through to 6 February 2012 and exercise prices in the range \$1.46 to \$2.97. A total of 40,000 options were cancelled or expired during the quarter.

The Company is pleased to announce the appointment of Mr Matthew Worner as joint Company Secretary with effect as at 30<sup>th</sup> January 2008. The Company welcomes the appointment of Mr Worner who is the Company's Corporate Lawyer and has extensive corporate, legal and governance experience.

## Exploration, Development, Operating and Other Expenditures

	Tap Oil Share		
	Sept '07 Qtr \$000	Dec '07 Qtr \$000	Comment
Exploration & Appraisal	7,398	20,058	Exploration drilling & seismic operations
Development, Plant & Equipment	10,232	7,849	Woollybutt South development
<b>Total Capital Expenditure</b>	<b>17,630</b>	<b>27,907</b>	
Production Operating Costs *	4,081	4,700	
Production Royalties and PRRT	517	841	
<b>Total Production Expenditure</b>	<b>4,598</b>	<b>5,541</b>	

\* excludes depreciation and amortisation charges.

## Appraisal and Development Activities

The development of the Woollybutt Southern lobe is progressing with installation to commence in mid February and commissioning in late May 2008. The tie in of the Woollybutt-4H development well is expected to significantly increase production rates and extend the production life of the Northern lobe. A further 10 mmbbls of oil (1.5 mmbbls net to Tap) is expected to be produced from the Southern lobe and the related extended life of the Northern lobe.

In WA-33-R, the Maitland gas field was appraised during the quarter by drilling and testing the horizontal sidetrack well Maitland-3H. Maitland-3H drilled a 500 metre horizontal section through the gas charged reservoir and flowed at a stabilized rate of around 6 MMscf/d under restricted test conditions. The well was then plugged and abandoned as scheduled. Studies are ongoing to determine the full flow potential, and further drilling is anticipated in 2008.

## Exploration Activities

During the quarter Tap progressed its exploration program with seismic data acquisition and processing and prospect maturation across a number of focus areas:

- In T/47P, Bass Basin Australia, Tap successfully acquired the 525 km<sup>2</sup> 3D Labatt seismic survey. This survey was acquired on time and within budget and without any reportable safety or environmental incidents. The data is currently being processed and will then be interpreted ahead of drilling an exploration well early 2009.
- In Block M, onshore Brunei, Tap was awarded 40% and Operatorship by the regulator in September 2007. The formal transfer and transition of Operatorship is progressing. Meanwhile the team is in place in Brunei and an airborne geophysical survey and 2D seismic data reprocessing are expected to commence in the first quarter of 2008 ahead of possible drilling towards the end of 2008.
- In Philippines Block SC-41 seismic interpretation is yielding exciting leads and prospects. Tap is in the process of securing a drilling rig to drill one, possibly two wells commencing in June 2008.
- In Australia, the Harriet Joint Venture continues to prepare for drilling the Marley prospect in mid 2008. Further exploration drilling in Harriet Joint Venture is anticipated, but contingent on prospect maturation.

Tap is determined to only drill attractive exploration prospects. As part of this process Tap seeks to regularly high grade its exploration portfolio in order to focus its investment on the highest quality opportunities. As a result Tap has made the following changes to its portfolio:

- In the Carnarvon Basin, Tap farmed down its interests in WA-358-P and WA-290-P to Santos. Under the agreement Santos will earn 12.5% of WA-358-P and 5% of WA-290-P by contributing to the

Johnson-1 well in WA-358-P, scheduled for 2008. Tap will retain 12.5% of WA-358-P and 20% of WA-290-P.

- Elsewhere in the Carnarvon Basin, Tap has elected to withdraw from WA-192-P, where it had held a 13.77% interest.
- In New Zealand, Tap has withdrawn from PEP 38496 located in the offshore Taranaki basin (where it held a 40% interest), and had resigned as operator in PEP 38259 located in the offshore Canterbury basin. Tap retains a 40% interest in PEP 38259 and AWE has assumed the role of operator.
- Subsequent to the end of the quarter Tap advised its intention to withdraw from Vic/P39(v), offshore Gippsland basin, where it held a 33.3% interest.

## Wells drilled or drilling since the last quarter

Well	Permit	Status
Maitland-3H	WA-33-R	Gas appraisal well – flowed 6 MMscf/d, plug and abandoned
Woollybutt-6H	WA-25-P	Oil appraisal well – unsuccessful, plug and abandoned

## Upcoming Key Events

Tap has several key events in the forthcoming Quarter:

- ▶ Interpretation of the recently completed 3D seismic data in SC-41 in the Philippines is generating exciting leads and prospects. Securing a rig is anticipated soon with drilling expected in June 2008.
- ▶ 2D seismic acquisition in Bass Basin, T/47P, starting in March 2008.
- ▶ Work has commenced on the evaluation of Block M in Brunei where and airborne geophysical survey and 2D seismic reprocessing are expected in the first quarter with seismic acquisition and drilling are expected in 2H 2008.
- ▶ Assessment of the Maitland gas field WA-33-R is ongoing to determine the development potential of the 260PJ and 5mmbbls condensate field. Maitland is located 45kms due west of Varanus Island. Further appraisal/delineation drilling of 1 or 2 wells is expected mid 2008.
- ▶ The Johnson-1 exploration well in WA-358-P is expected to spud in late March 2008

The full Indicative Drilling schedule for the year is as follows:

Well	Permit	Tap Share %	Well type & estimated pre-drill size (recoverable)
<b>2008</b>			
Marley-2	HJV	12.22	Exploration ~1TCF Gas/Condensate
Johnson-1	WA-358-P	12.50	Exploration ~20 mmbbls oil
Philippines 1	SC-41	50.00	Oil Exploration 50 – 150 mmbbls
Philippines 2 (optional)	SC-41	50.00	Oil Exploration 50 – 150 mmbbls
Lee-4	HJV	12.22	Gas Development
HJV additional	HJV	12.22	Oil Exploration – To be confirmed
Dibbler-1	WA-334-P	20.00	Gas Exploration ~50 Bcf
Maitland 4 & 5	WA-33-R	22.47	Gas delineation wells
Fletcher -3	WA-191-P	8.2	Oil Exploration/Appraisal well
Belait-19	Brunei - Block M	40.00	Oil Appraisal/Development well

**Note** Tap's indicative exploration drilling programme is detailed in the above table. Timing is subject to rig availability, joint venture and regulatory approvals. Volume size ranges represent pre-drill estimates within a range of outcomes. Other prospects are also currently being considered for drilling in the near term. Estimated recoverable volumes may change as interpretations are progressed. Please refer to Tap's website ([www.tapoil.com.au](http://www.tapoil.com.au)) for the latest information on the forward drilling programme.

## Abbreviations and Definitions

Please refer to Tap Oil Limited's Annual Report Glossary or Glossary and Definitions on Tap's website for explanations of any abbreviations used in this report.

## Investor Relations

Preliminary Full year Accounts 2007	29 February 2008
Annual General Meeting	24 April 2008

Information contained on Tap's website is regularly updated and includes recent ASX announcements and analyst briefings. We encourage all interested stakeholders to visit [www.tapoil.com.au](http://www.tapoil.com.au) or for further information please contact the CEO, Mr Peter Stickland by phone (+61 8 9485 1000) or email [info@tapoil.com.au](mailto:info@tapoil.com.au).

## Disclaimer

*This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by the nature of the business and no assurance can be given by Tap that its expectations, estimates and forecast outcomes will be achieved.*