

# New Zealand Oil & Gas Activities Report

## Financial Performance

New Zealand Oil & Gas performed in line with expectations during the quarter.

Lower oil production was offset by a shipment at Tui and higher oil price, which increased revenue in comparison to the previous quarter.

Exploration costs of NZ\$3.8 million for the quarter were lower than in the previous quarter and reflect the group's lower activity level following the two wells drilled by Cue in the March quarter. Development capital expenditure for the quarter was lower than expected, as the cost of repairs to moorings at Maari was lower than had been estimated and water injection work was deferred.

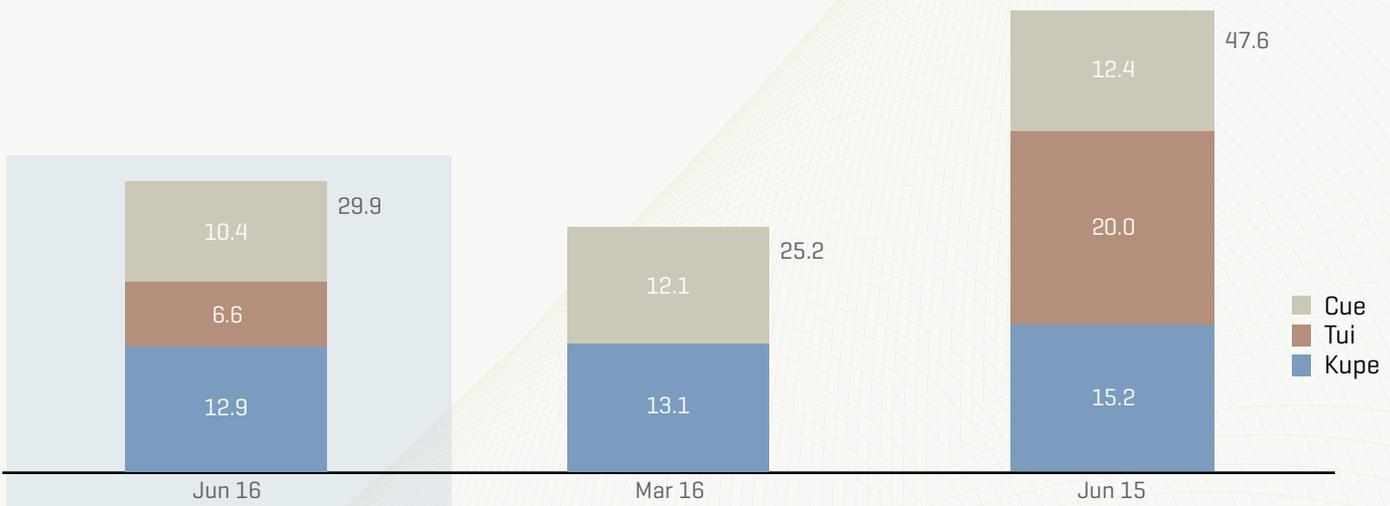
Revenue from the sale of Kupe sales gas, LPG and light oil was NZ\$12.9 million. Revenue from the sale of Tui oil was NZ\$6.6

million. Revenue of NZ\$10.4 million from Cue's sales is recognised on a cash basis.

The stronger New Zealand dollar resulted in a negative impact on US dollar balances for both New Zealand Oil & Gas and Cue. At June 2016, the New Zealand Oil & Gas cash balance was NZ \$96.8 million, with cash holdings principally in US dollar accounts, but also held in NZ and AU dollar accounts. NZ\$21.5 million is held by Cue. New Zealand Oil & Gas had no outstanding debt at end of the period.

More financial information is contained in the 30 June 2016 Quarterly Cash Flows Report, which has been released to the NZX.

### NEW ZEALAND OIL & GAS OPERATING REVENUE FOR THE QUARTER WAS NZ\$29.9 MILLION



## PRODUCTION SUMMARY

	June quarter FY16	March quarter FY16	% Change
Net oil production Barrels	191,334	205,200	-7
Net gas production Petajoules	1.77	1.69	5
LPG production Tonnes	2,850	3,900	-27

Some rounding. New Zealand Oil & Gas has a 48.11 per cent interest in Cue's share of production and revenue. Cue's full interest is included in the table.

## CASH BALANCE AT 30 JUNE 2016: NZ\$96.8M



	3 months to 30 Jun 16	Previous quarter	Comparable quarter a year ago
Revenue NZ\$m	29.9	25.2	47.6
Cash balance NZ\$m	96.8	93.4	83.6

Financial update includes 100 per cent of Cue's revenue and cash balance with no adjustment for the 51.89 per cent non-controlling interest.

## Cue

In June Cue Energy, in which New Zealand Oil & Gas has a 48.11 per cent interest, announced new strategic objectives.

It is progressing withdrawal from all of its exploration permits in New Zealand and it will initiate divestment of its Pine Mills asset in the US. In Indonesia, a project is underway in the Sampang PSC potentially to extend field life for the Oyong and Wortel fields.

Cue had \$21.5 million cash on hand at quarter end with no debt. Around two thirds of its revenue is from gas sales not linked to currently low oil prices.

## ASX De-Listing

The company completed its de-listing from the ASX in May. Trading in NZO shares on the ASX was suspended on 24 May, and shares transferred to the NZX.

## Share buy back

In April the company commenced an on-market share buy back in which it acquired 2,173,909 shares on the NZX at an average price of 48.01 cents per share. At publication date the buyback has been halted as the company prepares its full year results.

## Annual Meeting

The Annual Meeting of New Zealand Oil & Gas shareholders will be held at **10.00AM on Thursday, 27 October 2016 at Te Wharewaka Tapaere, Odins Square, 109 Jervois Quay, Wellington.**

A Notice of Meeting, including details of resolutions and a proxy voting form, will be sent to shareholders in September.

The company plans to announce its annual result on 24 August 2016.

## Recognition for Director

A New Zealand Oil & Gas board member, Dr Rosalind Archer, has been nominated for a prestigious award at the Deloitte Energy Excellence Awards.

Professor Archer, who is Head of Auckland University's Department of Engineering Science, is a finalist in the category Energy Engineer of the Year.

The award recognises achievements by energy engineers working in retail, generation, networks, pipelines, production or oil and gas exploration.

Professor Archer has a PhD in Petroleum Engineering from Stanford University and research interests in geothermal and petroleum reservoirs. The Award winner will be announced at a gala dinner on 10 August.

## KUPE

### Kupe oil and gas field (PML 38146)

15% New Zealand Oil & Gas

50% Origin Energy (Operator)

31% Genesis Energy

4% Mitsui

There were two shipments during the quarter totaling 407,800 barrels (New Zealand Oil & Gas share 61,200 barrels of oil). As at 30 June 2016 there were 53,700 barrels of oil in inventory (New Zealand Oil & Gas share 8,000 barrels of oil). Inventory and liftings were in line with expectations.

Kupe gas production was up on both the previous quarter and the comparable quarter a year ago, due to increased offtake requirements.

Kupe LPG & condensate production was down in the quarter due to repairs to the Amine system. The Amine system is used to remove carbon dioxide from the gas prior to onward sales. The system must be routinely taken offline every two years for inspections, during which LPG yields are reduced as they supplement the sales gas energy. This system requires less gas input to the plant, simultaneously reducing condensate production. As part of this inspection a number of corrosion issues were identified and the operator is progressing remedial actions in conjunction with regulatory requirements. It is currently anticipated that this will be resolved in September 2016.

Technical work has been completed on the potential second phase of development at Kupe. Commercial review and approval by the joint venture parties is expected to be concluded prior to further updates on reserves, activities and timings as part of the annual report.

	Total field for quarter	New Zealand Oil & Gas share for quarter	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Gas Petajoules	6.81	1.02	0.92	0.97
LPG Tonnes	19,000	2,850	3,900	4,100
Light Oil Barrels	353,700	53,000	53,400	61,400
Revenue NZ\$m		12.9	13.1	15.2

Some rounding.

## TUI

### Tui oil field (PML 38158)

27.5% New Zealand Oil & Gas

57.5% AWE (Operator)

15% Pan Pacific Petroleum

There was one shipment during the period. At 30 June 2016 there were 345,000 barrels of oil in inventory (New Zealand Oil & Gas share 94,900 barrels of oil).

Tui production was down in the quarter only marginally, in-line with natural field decline, and continues to perform to New Zealand Oil & Gas budgeted expectations.

The joint venture conducted a review of production performance data and rate trials last quarter, in an effort to optimise the system and test whether to bring the Pateke-3H well back in to production. All five Tui wells are now routinely on-line, with Pateke-3H and Pateke-4H able to flow in tandem for the majority of the time. The continuous reinstatement of the 3H well and the associated management of the system yielded an increase in production of about 600 barrels of oil per day (April versus March 2016 on a gross basis), in-line with New Zealand Oil & Gas budgeted expectations.

	Total field for quarter	New Zealand Oil & Gas share for quarter	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Oil Barrels	301,000	81,400	82,600	189,000
Revenue NZ\$m		6.6	0	20.0

Some rounding. New Zealand Oil & Gas share of Tui production is net of fuel used in production of oil. Field figure is gross.

## MAARI

### Maari oil field (PML 38160)

5% Cue Energy

69% OMV New Zealand (Operator)

16% Todd Maari

10% Horizon Oil International

Cue's share of net oil sales in the quarter from the Maari and Manaia fields was 43,000 barrels of oil which generated NZ \$2.42 million in revenue received. The Maari FPSO mooring line upgrade was completed in May, on schedule and within budget.

The water injection line repair was deferred and is now planned for December 2016.

A multi-well work-over campaign is ongoing as planned. The highlight so far is the MR8A well additional perforation works, with the well now producing around 1600 barrels per day. A similar workover is planned for the MN1 well late in August. While production continued during the mooring intervention, some wells were shut in for short durations.

Production is expected to average around 12,000 barrels per day for the remainder of 2016.

	Total field for quarter	Cue share for quarter	Cue share previous quarter
Oil			
Barrels	815,300	40,600	53,000
Revenue			
NZ\$m		2.42	1.75

Some rounding

## SAMPANG

### Sampang Production Sharing Contract

15% Cue Energy

45% Santos Sampang (Operator)

40% Singapore Petroleum Company

Facility studies are ongoing to optimise recovery. Extension of gas production from the Wortel field is being assessed to optimise total production from the Sampang PSC.

Cue's net share of oil and condensate sales in the quarter was 17,300 barrels. During the quarter Cue's net share of gas sales was 0.67 petajoules of gas. As at 30 June 2016 there were 66,000 barrels of oil in inventory (Cue share 7,500 barrels of oil.)

	Total field for quarter	Cue share for quarter	Cue share previous quarter
Oil			
Barrels	84,600	10,800	11,400
Gas			
Petajoules	6.46	0.74	0.77
Revenue			
NZ\$m		7.6	10.1

Some rounding. Cue's share of Sampang PSC oil and gas production in the table above is net of government take under the PSC.

## PINE MILLS

80% Cue Energy

20% Gale Force Petroleum

Cue has implemented several initiatives to reduce costs and increase daily production. Cue has announced its intention to divest the asset.

Production	Total field for quarter	Cue share for quarter
Oil	6,750	5,400
Barrels		
Revenue		0.36
NZ\$m		

Some rounding. Pine Mills production in the table above is net of government royalty.

## TARANAKI

### Vulcan (PEP 55793)

30% New Zealand Oil & Gas

70% Woodside Energy (New Zealand) (Operator)

A 3D seismic survey of approximately 1100 square kilometres was acquired in the first quarter of 2015. Pre-stack depth migration processing has been completed and is now undergoing interpretation.

### Matuku (PEP 51906)

12.5% New Zealand Oil & Gas

65% OMV (Operator)

22.5% ONZ Petroleum Limited

Geological and geophysical work continued during the quarter on the Kaka 3D survey to evaluate prospectivity of the area. This work is largely complete and a recommendation on the permit is due in the fourth quarter of 2016.

### Other Taranaki permits.

New Zealand Oil & Gas had a 35% interest in PEP 52181, Kaheru. The joint venture's application to surrender the Kaheru permit was granted on 7 April 2016.

Cue has notified the operator of its intention to withdraw from PEP 51149 (Te Kiri) and PEP 54865 (Aihe). Cue had a 20% interest in each. The joint venture in PEP 51313 (Whio), in which Cue had a 14% interest, will relinquish the permit effective from the third quarter of 2016.

## AUSTRALIA

### WA-359-P

100% Cue Energy (Operator)

The Ironbark prospect, a Mungaroo Formation prospect with multiple objectives, has been identified as the primary candidate for drilling.

On 11 April 2016 Cue received regulatory approval to extend the commitment date for a well to April 2018.

Cue is progressing a farm-out process to find suitable joint venture partners to participate in drilling the well.

### WA-409-P

100% Cue Energy (Operator)

The Ironbark prospect in WA-359-P has been mapped as straddling WA-409-P. Cue has submitted an application to the regulator to renew the permit and is continuing a farmout process.

## CANTERBURY-GREAT SOUTH

### Clipper (PEP 52717)

50% New Zealand Oil & Gas (Operator)

50% Beach Energy

Discussions continued with the regulator over an application to extend the permit work programme and the date by which a decision must be made to drill in the permit or surrender it.

The company has received new information relevant to the Barque prospect from a data swap, and believes that integrating this information into existing models of the basin is crucial to understanding the prospectivity of the structure.

### Galleon (PEP 55792)

100% New Zealand Oil & Gas (Operator)

While the work programme in the permit is complete, the company continued discussions with the regulator about a change of conditions in the permit to extend the time by which commitments must be made to drill or surrender the permit.

There was no further geological work in the permit.

### Toroa (PEP 55794)

30% New Zealand Oil & Gas

70% Woodside Energy (New Zealand 55794) (Operator)

A 3D seismic survey of approximately 1100 square kilometres was acquired in the first quarter of 2015. Pre-stack depth migration has been completed and is now undergoing interpretation.

### WA-389-P

40% Cue Energy

60% BHP Billiton Petroleum (Australia) Pty (Operator)

Reprocessed 2D and 3D seismic data over the permit was received by the Joint Venture in March, 2016. A full evaluation of the prospectivity of the Block is underway. Potential prospects include the Caterina prospect and Deep Mungaroo prospects analogous to Ironbark in the nearby WA-359-P and WA-409-P permits.

New Zealand Oil & Gas has a 48.11 per cent interest in Cue Energy. Cue's full interest is shown throughout this report.

## INDONESIA

### Kisaran

Production Sharing Contract

**22.5% New Zealand Oil & Gas**

55% Pacific Oil & Gas [Operator]

22.5% Bukit Energy

During the quarter the joint venture continued work on proving up the commerciality of the Parit Minyak field development, and other options for realising value from the investment which include deferral of development or divestment.

### MNK Kisaran

Production Sharing Contract

**11.25% New Zealand Oil & Gas**

55% Pacific Oil & Gas [Operator]

33.75% Bukit Energy

Technical work, including preliminary data analysis, geological and geophysical studies, continued during the quarter.

### Bohorok

Production Sharing Contract

**45% New Zealand Oil & Gas**

45% Bukit Energy [Operator]

10% Surya Buana Lestarijaya Bohorok

The joint venture is working through approvals to drill a well targeting the main prospect. New Zealand Oil & Gas would expect to reduce its equity share ahead of any drilling.

### MNK Bohorok

Joint Study Agreement

**20.25% New Zealand Oil & Gas**

55% Lion Energy [Operator]

20.25% Bukit Energy

4.5% Surya Buana Lestarijaya Bohorok

The joint study of the unconventional resource potential of the Bohorok PSC is complete. The study shows significant potential for shale gas, tight gas and shale oil. The release of the resultant production sharing contract for tender is expected later in 2016, at which time the joint venture will have a right to match any offers for the block.

### Palmerah Baru

Production Sharing Contract

**36% New Zealand Oil & Gas**

54% Bukit Energy Palmerah Baru [Operator]

10% PT SNP Indonesia

Work continued during the quarter with the aim of initiating a seismic survey and Gore Sorber geochemical survey in early 2017.

### MNK Palmerah

Production Sharing Contract

**15.84% New Zealand Oil & Gas**

69.36% Bukit Energy Resources Palmerah Deep Pte [Operator]

8.8% PT SNP Indonesia – Bumi Perdana Energy

3% Bumi Perdana Energy

3% Glory Wealth Pacific

Planning to progress the technical work programme continued during the quarter. The work programme will include a seismic survey to define prospectivity in the PSC.

### Mahato

Production Sharing Contract

**12.5% Cue Energy**

62.5% Texcal Mahato EP [Operator]

25% Bukit Energy Central Sumatra [Mahato] Pte

The Mahato PSC covers a highly prospective area close to several large, producing oil fields. Multiple appraisal and exploration opportunities have been mapped.

### Mahakam Hilir

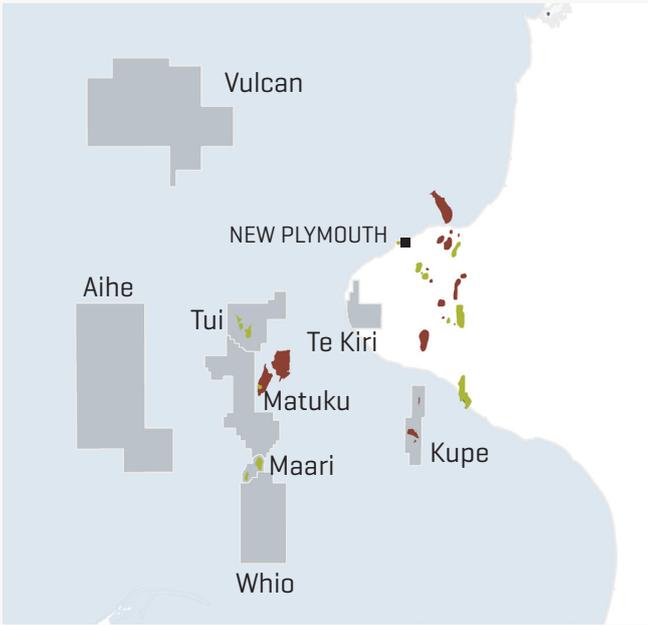
Production Sharing Contract

**100% Cue Energy**

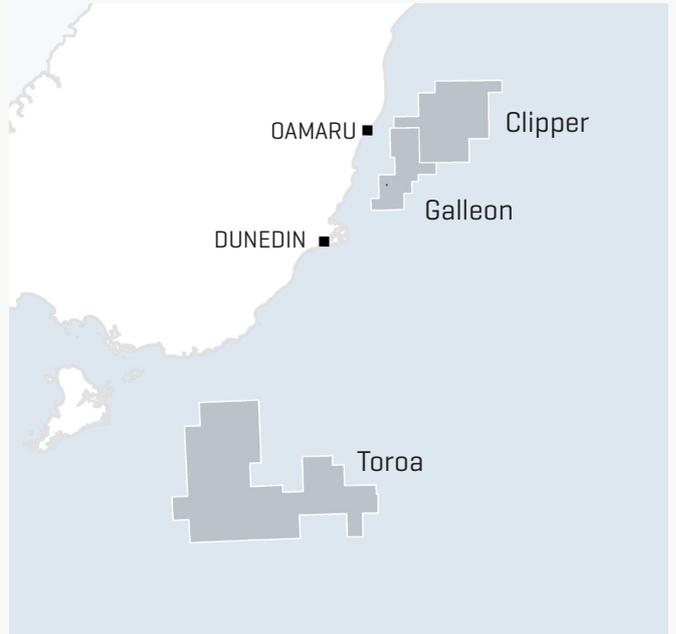
SPC Mahakam Hilir Pte [Operator]

A 4-year extension to the exploration phase of the PSC was received during the quarter. The extension includes two contingent wells in the first two years, which Cue can drill or elect to withdraw from the permit.

Analysis of the Naga Selatan-2 well results is continuing and data collection initiatives underway to further assess the results include airborne gravity data, high resolution topographic relief [LIDAR] data, extensive field mapping and shallow coring.



OFFSHORE TARANAKI BASIN



OFFSHORE CANTERBURY - GREAT SOUTH BASIN

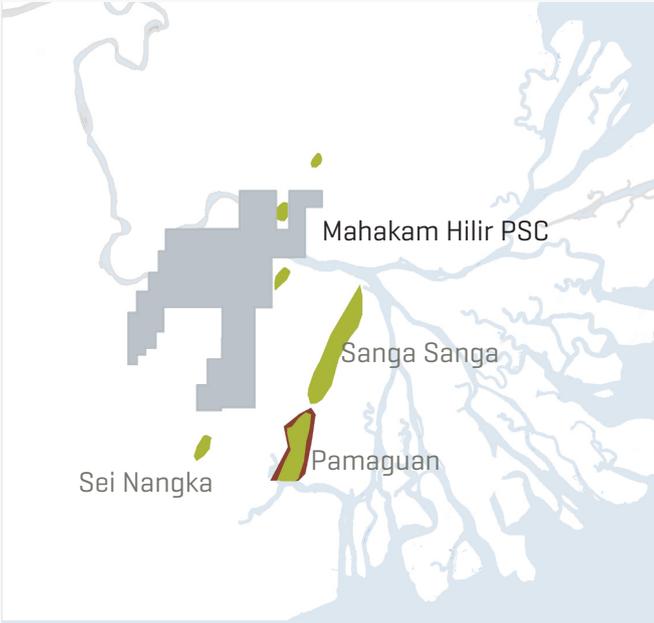


SUMATRA

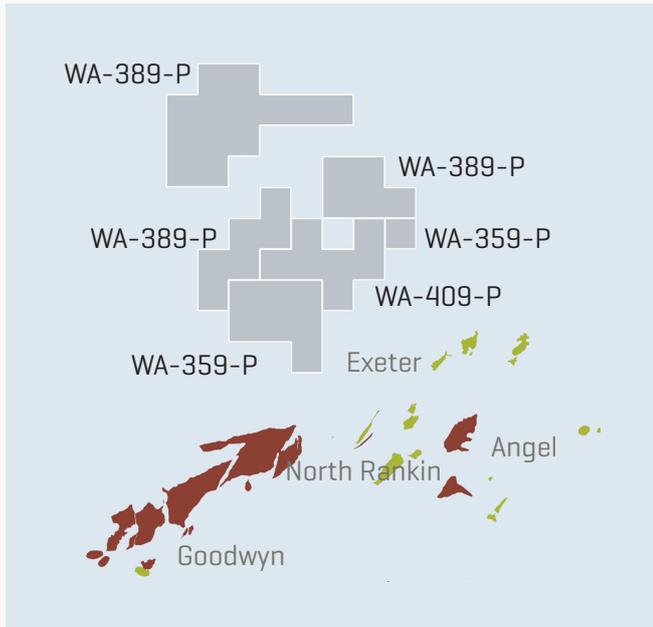


JAVA





KALIMANTAN



AUSTRALIA



TEXAS



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