

# New Zealand Oil & Gas Activities Report

## Financial Performance

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

Production costs were down \$2.8 million compared to the last quarter when some one-off costs were incurred in Cue's producing permits.

Exploration costs for the quarter were down nearly 60 per cent compared to the previous quarter, reflecting reduced exploration activities across the Group and efforts to minimise exploration spending.

Development capital expenditure for the quarter was slightly above expectations due to timing of estimated expenditure at Kupe.

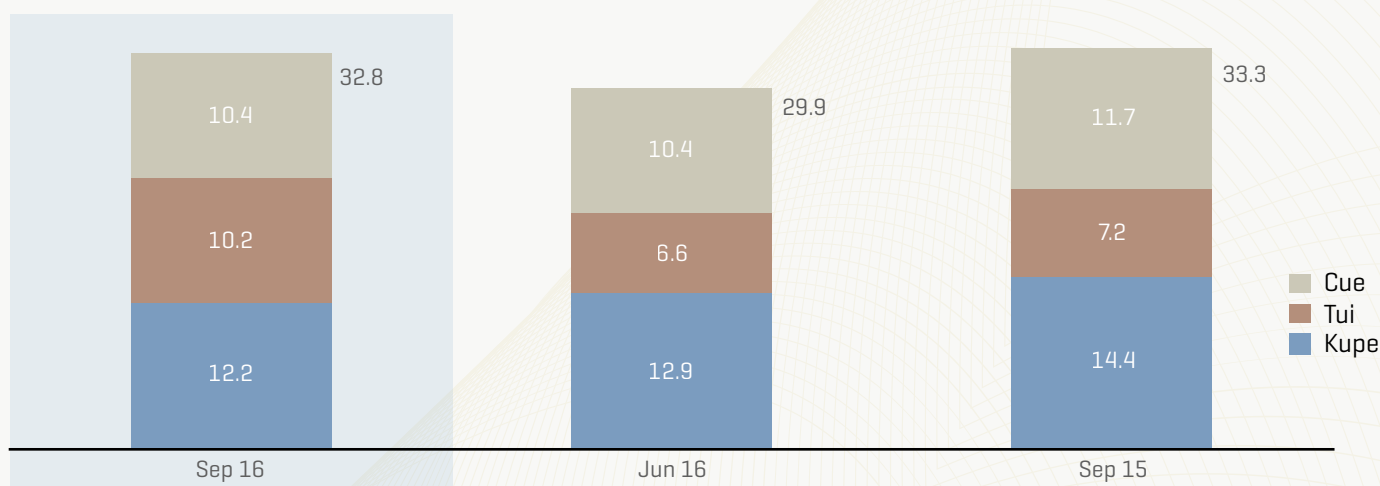
Revenue from the sale of Kupe sales gas, LPG and light oil was NZ\$12.2 million. Revenue from the sale of Tui oil was NZ\$10.2

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 September 2016, the New Zealand Oil & Gas cash balance was NZ\$91.8 million, a decrease of \$5.0 million from the previous quarter. Cash holdings are principally in US dollar accounts, but also held in NZ and AU dollar accounts. NZ\$22.4 million is held by Cue. New Zealand Oil & Gas had no outstanding debt at end of the quarter.

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

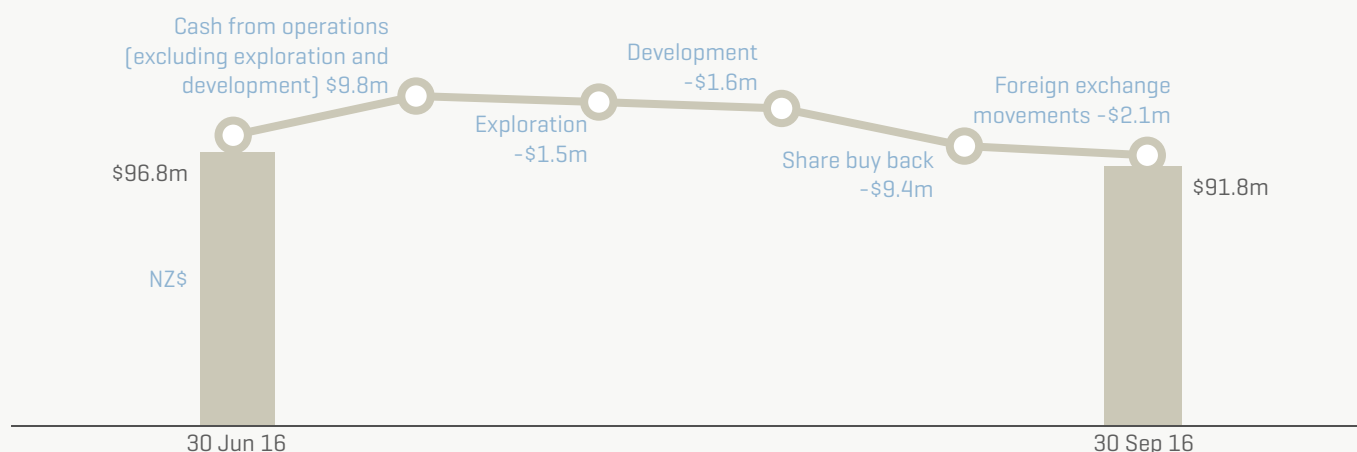
## NEW ZEALAND OIL & GAS OPERATING REVENUE FOR THE QUARTER WAS NZ\$32.8 MILLION



	3 months to 30 Sep 16	Previous quarter	Comparable quarter a year ago
Revenue			
NZ\$m	32.8	29.9	33.3
Cash balance			
NZ\$m	91.8	96.8	103.7

Financial update includes 100 per cent of Cue's revenue and cash balance.

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



## CORPORATE NEWS

## Dividend

On 24 August New Zealand Oil & Gas announced a fully-imputed dividend of 4 cents per share.

It was paid on 25 October to shareholders on record at 11 October 2016.

## Share Buyback

The company bought back over 16 million shares through a tender offer on 16 September as part of a programme authorised by shareholders to buy back up to 64 million shares. The company continues with the buy back programme as part of its capital management for a more efficient balance sheet.

## Cue Corporate activity

Cue has sold unmarketable parcels of 1,309 shareholders totalling 4.03m shares.

Mr Andrew Knight resigned as a director of Cue, and Mr Duncan Saville was appointed as a director, effective 18 August 2016.

## Chief Executive

Andrew Jefferies was appointed acting chief executive of New Zealand Oil & Gas on 29 August, following the resignation of Mr Andrew Knight.

Mr Jefferies was previously Vice President of Exploration and Production. He joined the company in 2013. He started his career with Shell in Australia after graduating with a BE Hons [Mechanical] from the University of Sydney in 1991. As an engineer he has worked in Australia, Germany, the United Kingdom, Thailand and Holland. He has an MBA in technology management from Deakin University in Australia, and an MSc in petroleum engineering from Heriot-Watt University in Scotland. He came to New Zealand with OMV in 2007. Since then he has also worked for the regulator. Andrew is also a graduate of the Australian Institute of Company Directors [GAICD], and a Certified Petroleum Engineer with the Society of Petroleum Engineers.

## PRODUCTION SUMMARY

	September 2016 quarter	June 2016 quarter	% Change
Net oil production Barrels	190,000	191,334	-1
Net gas production Petajoules	1.73	1.77	-2
LPG production Tonnes	2,780	2,850	-3

Some rounding. Cue's full interest is included in the table.

## KUPE

**Kupe oil and gas field** [PML 38146]

15% New Zealand Oil &amp; Gas

50% Origin Energy [Operator]

31% Genesis Energy

4% Mitsui

There was one lifting during the quarter totalling 240,000 barrels (New Zealand Oil & Gas share 36,000 barrels of oil). As at 30 September 2016 there were 155,100 barrels of oil in inventory (New Zealand Oil & Gas share 23,300 barrels of oil). Inventory and liftings were in line with expectations.

Kupe gas production was in line with both the previous quarter and the comparable quarter a year ago, due to continuing accelerated gas sales.

Kupe LPG and condensate production continued to be suppressed during the quarter as severe weather conditions at the Kupe production station caused delays in completing repair work to the amine system. Repair work was completed on 19 October 2016.

The amine system is used to remove carbon dioxide from gas prior to onward sales. The system must be routinely taken offline every two years for statutory inspections, during which LPG yields are reduced as this stream is used to supplement the sales gas energy content in order to meet specification. As a consequence, there is less gas input to the plant, reducing condensate production. As part of this inspection corrosion issues were identified. The operator subsequently completed remedial actions and the plant has resumed normal production.

KUPE PRODUCTION	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	6.78	1.02	1.02	1.01
LPG Tonnes	18,500	2,780	2,850	4,127
Light Oil Barrels	345,500	51,800	53,000	61,200
Revenue NZ\$m		12.2	12.9	14.4

Some rounding.

## TUI

**Tui oil field** [PML 38158]

27.5% New Zealand Oil &amp; Gas

57.5% AWE [Operator]

15% Pan Pacific Petroleum

There were two shipments during the quarter totalling 558,000 barrels of oil (New Zealand Oil & Gas share 153,500 barrels of oil). At 30 September 2016 there were 51,000 barrels of oil in inventory (New Zealand Oil & Gas share 14,000 barrels of oil).

Tui production was down in the quarter due to a combination of natural field decline in line with New Zealand Oil & Gas budgeted expectations, temporary operational constraints associated with maintaining water handling processes, and safety valve integrity testing of the wells.

TUI PRODUCTION	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	274,600	72,500	81,400	113,900
Revenue NZ\$m		10.2	6.6	7.2

Some rounding. New Zealand Oil &amp; Gas share of Tui production is net of fuel used in production of oil. Total 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 44,100 barrels of oil which generated NZ\$2.76 million in revenue received.

The Maari Field now has 10 producers and one water injector. No further drilling is planned. The operator is adding additional perforations in producing wells to improve production. Perforations in the MR8A well initially added approximately 1,600 barrels per day and perforations in the MR9 well added approximately 500 barrels per day. The MR2 well is currently being worked over with the MN1 well scheduled in the near future.

A shut-down is planned in December 2016 to repair the water injection line. The repair work is intended to increase production through pressure support in some of the producing wells.

MAARI PRODUCTION	Total field for quarter	Cue share for quarter	Cue share previous quarter
Oil	965,500	48,300	40,600
Barrels			
Revenue		2.76	2.42
NZ\$m			
Some rounding			

## SAMPANG

**Sampang Production Sharing Contract**

15% Cue Energy

45% Santos Sampang [Operator]

40% Singapore Petroleum Company

During the quarter the joint venture announced its agreement on a final investment decision for the Sampang Sustainability Project. This project will extend the field life and estimated ultimate recovery for both Oyang and Wortel and reduce production costs by approximately 50 per cent. Production is anticipated to continue at current rates of approximately 950

barrels of oil per day and the combined gas rate of 64-69 terajoules per day for the duration of 2016 with no planned shutdowns.

The joint venture will also make decisions about remaining exploration opportunities in the Sampang PSC, including potential drilling of the Paus prospect in 2018.

Cue's net share of oil and condensate sales in the quarter was 31,500 barrels. During the quarter Cue's net share of gas sales was 0.59 petajoules of gas.

As at 30 September 2016 there were 155,400 barrels of oil in inventory [Cue share 23,300 barrels of oil.]

SAMPANG PRODUCTION	Total field for quarter	Cue share for quarter	Cue share previous quarter
Oil	89,400	11,650	10,800
Barrels			
Gas	6.55	0.71	0.74
Petajoules			
Revenue		7.25	7.6
NZ\$m			

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 initiated a sales process for the asset targeting an exit before the end of 2016.

PINE MILLS PRODUCTION	Total field for quarter	Cue share for quarter
Oil	9,220	5,710
Barrels		
Revenue		0.420
NZ\$m		

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

## TARANAKI

**Vulcan (PEP 55793)**

30% New Zealand Oil &amp; Gas

70% Woodside Energy (New Zealand) (Operator)

A 3D seismic survey of approximately 1100 square kilometres was acquired in the first quarter of 2015. Interpretation of the processed pre-stack depth migration data continued during the quarter and is expected to be completed by year end. Further technical studies are planned to follow in 2017.

## RELINQUISHED PERMITS, NEW ZEALAND

New Zealand Oil & Gas has a 16.13% interest in Matuku (PEP 51906). During the quarter, New Zealand Oil & Gas gave notice of withdrawal from the permit. Its interest will be transferred to OMV (83.87%, operator).

Cue has withdrawn from PEP 51149 (Te Kiri), PEP 54865 (Aihe) and PEP 51313 (Whio). Cue had a 20% interest in Te Kiri and Aihe and a 14% interest in Whio.

## 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. Ironbark also straddles WA-409-P.

As part of Cue's recently announced WA-409-P farm-in deal, BP has an option through to May 2017 to acquire 42.5% equity in WA-359-P. If BP exercise this option, 50% of the cost of drilling a well in WA-359-P will be funded.

Cue is continuing its farm-out process. BP will assist Cue in securing a partner or partners with the credibility, funding and technical expertise to join them to drill an exploration well in WA-359-P, scheduled for the first half of 2018.

**WA-389-P**

40% Cue Energy

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

Reprocessing of existing 2D and 3D seismic data is completed and fulfills the joint venture's minimum work obligations.

The data is now being interpreted to compile a block-wide prospect portfolio.

## CANTERBURY-GREAT SOUTH

**Clipper (PEP 52717)**

50% New Zealand Oil &amp; Gas (Operator)

50% Beach Energy

During the quarter, 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.

On 12 October 2016 the company received approval from the regulator for a change of conditions and extension of duration for the permit.

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.

**Toroa (PEP 55794)**

30% New Zealand Oil &amp; 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. Interpretation of the processed pre-stack depth migration data continued during the quarter and is expected to be completed by year end. Further technical studies are planned to follow in 2017.

**WA-409-P**

100% Cue Energy (Operator)

On 12 October 2016, Cue's application to renew the exploration permit for five years was approved by the regulator.

On 13 October 2016, Cue executed agreements with BP Developments Australia Pty Ltd (BP) for BP, subject to government approval and due diligence, to acquire 80% equity and become operator of WA-409-P.

As part of the agreement BP will fund 100% of the work programme required under the permit for the first three years of the licence renewal.

New Zealand Oil & Gas had a 48.37 per cent interest in Cue Energy at 30 September 2016. Cue's full interest is shown throughout this report.

## INDONESIA

**No new activity to report in these permits:****Kisaran**

Production Sharing Contract

**22.5% New Zealand Oil & Gas**

55% Pacific Oil &amp; Gas [Operator]

22.5% Bukit Energy

**MNK Kisaran**

Production Sharing Contract

**11.25% New Zealand Oil & Gas**

55% Pacific Oil &amp; Gas [Operator]

33.75% Bukit Energy

**Bohorok**

Production Sharing Contract

**45% New Zealand Oil & Gas**

45% Bukit Energy [Operator]

10% Surya Buana Lestarijaya Bohorok

**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

**Palmerah Baru**

Production Sharing Contract

**36% New Zealand Oil & Gas**

54% Bukit Energy Palmerah Baru [Operator]

10% PT SNP Indonesia

**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

**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. The permit has a minimum work commitment of 1 well and 2D seismic acquisition by May 2018.

**Mahakam Hilir**

Production Sharing Contract

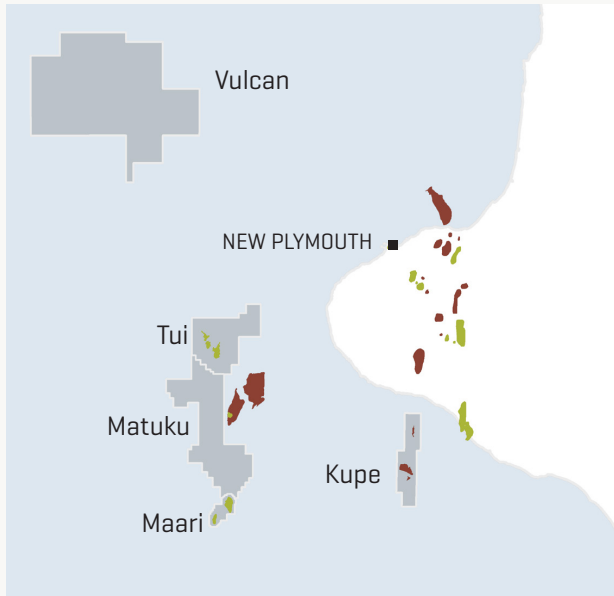
**100% Cue Energy**

SPC Mahakam Hilir Pte [Operator]

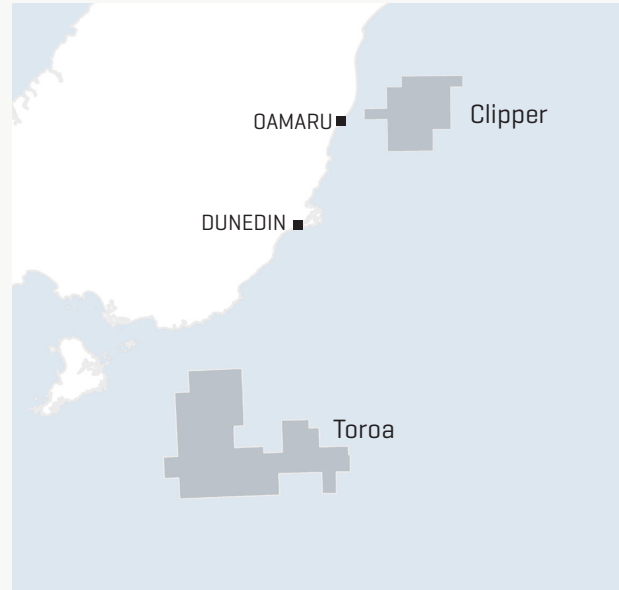
A 4-year extension to the exploration phase of the PSC was received in May. The extension includes two contingent wells in the first two years, which Cue can drill or elect to withdraw from the permit.

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

Cue expects to reduce its equity share ahead of a potential appraisal programme of the Naga Selatan-2 opportunity.



OFFSHORE TARANAKI BASIN



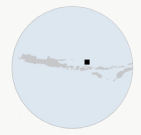
OFFSHORE CANTERBURY - GREAT SOUTH BASIN

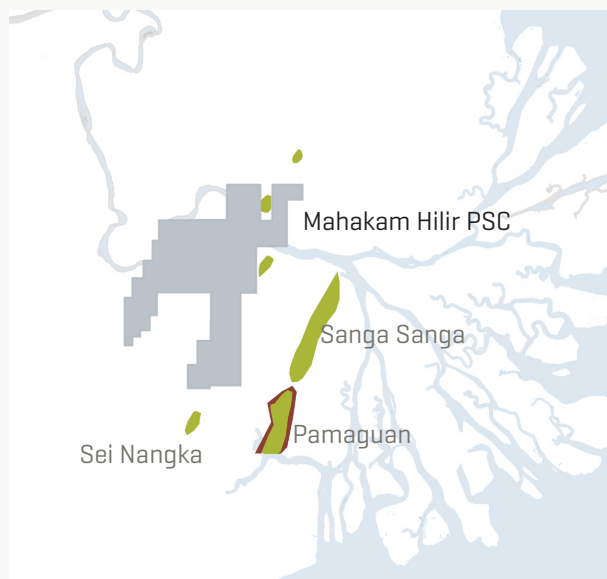


SUMATRA



JAVA

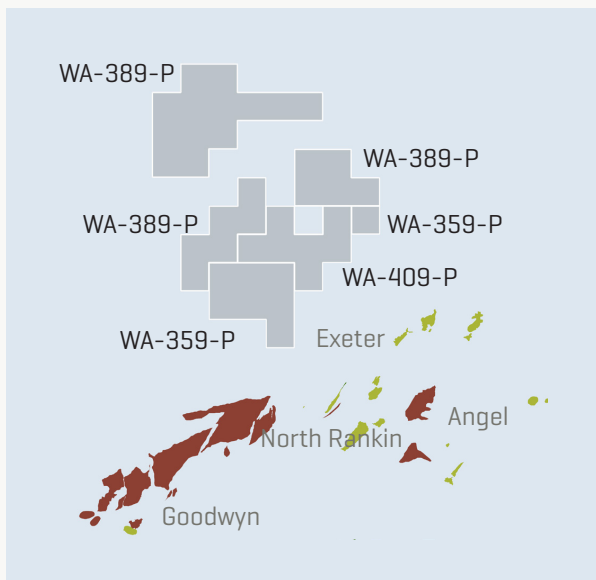




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