



5 November 2008

NZOG and Vector Sign LPG Sales Agreement

New Zealand Oil & Gas Ltd (NZOG) and Vector Ltd are pleased to announce that they have entered into an agreement for Vector to purchase NZOG's ongoing daily entitlement to Liquid Petroleum Gas (LPG) that will be produced from the Kupe field in Taranaki.

The sales agreement is conditional upon the Kupe joint venture parties reaching a satisfactory agreement on the operational procedures for each party to take or "lift" its LPG entitlement from the field.

NZOG is a 15% partner in the Kupe Project. When Kupe begins production next year it will produce sales gas (which has been sold on a long term contract to Genesis), light oil/condensate (which will be exported from the Port of Taranaki) and LPG.

On a proven and probable (2P) basis, NZOG's total entitlement to Kupe LPG is currently estimated to be 165,000 tonnes.

The financial details of the sales agreement are confidential but Vector has agreed to take NZOG's LPG entitlement of approximately 15,000 tonnes per annum for an initial term of 10 years. This term can be extended for up to another 5 years. The LPG will be retailed through Vector's subsidiary On Gas.

NZOG Chief Executive David Salisbury said the sales agreement is a great outcome for NZOG.

"We are delighted to have concluded a long term arrangement for the sale of our Kupe LPG at competitive prices and with a highly regarded business partner."

Vector Group Chief Executive Officer Simon Mackenzie agreed and said that the contract is a valuable addition to Vector's existing LPG entitlements at Kapuni, allowing Vector to maintain a competitive position in the LPG market.

"This contract displaces LPG that would have otherwise been imported, with New Zealand sourced gas; an important consideration at times of volatile energy prices and exchange rates and concerns around security of energy supply," said Mr Mackenzie.

FOR FURTHER INFORMATION PLEASE CONTACT:

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NZOG stock symbols: NZX shares - NZO
ASX shares - NZO

market release