

Experiences of a NZ-based Oil Explorer & Producer

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David Salisbury
Chief Executive

New Zealand Oil & Gas Limited



New Zealand Oil & Gas Ltd

A diversified upstream energy player:

- Production
 - Tui Area Oil Fields
- Development
 - Kupe Field
- Exploration
 - Taranaki permits
- Investment
 - Pike River Coal
- Listed NZX and ASX
 - Market cap ~NZ\$610 million



New Zealand Oil & Gas Ltd

2007/08 was a Transformational Year:

	2007/08	2006/07
Oil Production	1.78 mmbbls	nil
Revenue	\$234.1m	\$4.2m
Net Profit	\$97.2m	\$6.8m
Cash on Hand	\$256.4m	\$35.4m

NZOG's Experiences

- Typical for small/mid-cap E&P companies
- Exploration led: Kupe, Tui
 - Sell down to fund investment
- Funding the early stages is challenging:
 - Exploration is risky
 - Development costs high, especially for offshore
 - Regulatory, business partners, market perception challenges
- Key to success: participation in production phase
 - e.g. Kupe, Tui
- And success can be **very** rewarding



NZOG Success Story 1 - Tui

- Discovered by NZOG and partners in 2003/04
 - Investment decision Nov 2005
 - First production July 2007
- NZOG a 12.5% JV partner
- Exploration & Development costs \$52m
 - Project payback in 4 and a half months
- Share of upgraded 2P reserves – 6.3 mmbbls
- Share of production to date – 2.1 mmbbls
- Average net sales price in FY08 US\$100 a barrel

NZOG Success Story 2 - Kupe

- **Kupe Project:**
 - Discovered by NZOG in 1986
 - Investment decision June 2006
 - First commercial production mid-2009
- **NZOG's a 15% JV partner:**
 - Share of 2P Reserves: 38PJ gas, 165,000 tonnes LPG, 2.2 mmbbls light oil
- **Economics of Kupe have improved**
 - Expected development costs are up 20%
 - Expected revenues are up over 50%
 - Three-quarters of value in the liquids



Global Outlook

- Upstream sector is Very Hot
 - Worldwide hunt for oil & gas
- Global oil demand predicted to increase by between 40% and 70% by 2030
 - In a “Green future” oil demand still 23% higher
- Capacity of E&P industry to respond is uncertain
 - Investment of US\$4.3 trillion needed by 2030
- The world is still well-endowed with hydrocarbons
 - The resource is there – can we use it?



Global Outlook

- The risks to supply are accumulating:
 - Nationalism or protectionism
 - Concentration of existing reserves in a few hands
 - New oil & gas sources more difficult to access
 - Technology requirements increasingly complex
 - Human resources stretched
 - Massive infrastructure investment needed
 - Environmental constraints indeterminate
- New Zealand a largely overlooked option...



Where does NZ fit?

- Small fry on a global scale:
 - Small production, market, labour pool
 - NZ producing 0.2% of world oil supply
 - Low activity = loss of scale benefits available elsewhere
- Geographically isolated
- Few industry participants and experts
- Limited infrastructure
 - Nothing outside of Taranaki



Where does NZ fit?

- Not on radar screen of most big players
- NZ previously considered gas prone
- Reputation as highly litigious
- Regulatory uncertainty
 - ETS, thermal moratorium, Section 41 of Petroleum Act
- International players want depth, liquidity, accessibility, transparency, familiarity
- New Zealand has to work hard to get attention



Where does NZ fit?

- NZ relatively under-explored
 - Identified basins with good potential
 - Further resource potential in Taranaki
 - Bigger potential in frontier basins but high risk/costs
 - NZ offers a safe, secure location
- = Excellent prospects for further NZ exploration
- However, a lot of acreage is currently unavailable



NZOG's Plans for the Future

- Tui cashflows + Capital Raising + Kupe development + Pike River investment = solid/diversified base for NZOG
- Looking to grow by the drill-bit and by acquisition
 - Thoroughly assessed NZ opportunities
 - Some opportunities remain live but in total not enough to meet NZOG's requirements
 - Actively looking overseas



Summary

- Tui shows that E&P can be highly profitable for a NZ-based and focused company
- NZ has good remaining prospectivity
 - A local partner has much to contribute
- NZOG resourced and pursuing an active growth path – both in NZ and overseas

