27 February 2008

OUTSTANDING HALF YEAR RESULT FOR NZOG

New Zealand Oil & Gas Ltd (NZOG) has today released its interim financial results, which reflect an outstanding six month period for the company.

For the six months ended 31 December 2007, NZOG recorded a net surplus of $41.4 million from total revenue of $95.5 million.

This compares to a surplus of $0.5* million and revenue of $92,000* in the corresponding six month period a year earlier.

Dividend

The Board of NZOG has resolved to pay a fully imputed dividend for the 2007/08 financial year of 5.0c per ordinary share. This recognises an outstanding period and provides shareholders with an immediate share of that success.

The Board has determined a dividend policy that in future a reasonable proportion of profit will be distributed by way of an annual dividend.

The determination of entitlements for the 5.0 cents dividend will be taken from the close of the share register on 4 April 2008. The dividend will be paid on 15 April 2008.

Tui Production

The new revenue stream is from the Tui Area Oil Fields, 50kms off the coast of Taranaki, in which NZOG holds a 12.5% stake. Production began on 30 July 2007 and by 31 December had reached 6.4 million barrels (mmbbls); NZOG's share being 800,000 barrels.

The field continues to exceed pre-development performance expectations. Last night the nine millionth barrel was produced. Total production for the 2007/08 financial year is currently forecast to exceed 12 mmbbls with NZOG's share being over 1.5 mmbbls.

In November 2007, the Tui operator (AWE) completed a post-drilling field assessment and upgraded the proved and probable (2P) reserves to 41.7 mmbbls - a 50% increase on the pre-drilling estimate of 27.9 mmbbls. In simple terms, the field is much bigger than expected.

NZOG has also benefited from record international oil prices. Tui oil is shipped by tanker directly from the offshore Taranaki production facility to refineries in Australia and south-east Asia, and as a high quality sweet light crude, is sold against the Tapis benchmark crude. The average return to NZOG during the six month period was just under US$89 a barrel, net of freight and quality differentials.

media release

---

* Restated for New Zealand International Financial Reporting Standards (NZ IFRS).

While revenues are up, costs have been lower than budgeted. Costs of production per barrel of Tui oil have been substantially below the forecast of US$10 a barrel.

Kupe Development

During the six months to 31 December, NZOG invested heavily in the Kupe Project, which will produce gas, condensate (light oil) and LPGs from a field 30kms off the coast of south Taranaki. Kupe remains on schedule for first production in mid-2009. As a 15% partner in Kupe, NZOG contributed $45 million to its development during the period.

A number of key milestones in the Kupe Project were reached in the six month period and up to the date of this release. The Ensco-107 drilling rig installed the production platform and is batch drilling the three Kupe development wells. The offshore pipeline and the associated umbilical (which supplies power and chemicals to the platform) have been laid by the specialist vessel Apache on its first visit to New Zealand. Earth works and civil works at the on-shore production station near Hawera have been largely completed.

Worldwide the industry is facing cost and schedule pressures. The Kupe Project announced in July 2007 a forecast cost increase of around 10% on the initial development budget of NZ$980m. Considerable progress has been made since then and the Kupe Joint Venture is undertaking a further detailed budget reforecasting exercise. At the same time expected revenues from Kupe have increased substantially (from higher light oil and LPG prices). In NZOG's assessment, Kupe is a more attractive investment now than when the investment commitment was taken two years ago.

In the coming weeks, it is planned that all three of the Kupe development wells will enter the target reservoir. When the wells are completed, the Kupe partners plan to drill the nearby Momoho oil and gas prospect in May/June 2008. A discovery of any additional reserves at Momoho could be developed via the Kupe facilities.

Pike River Coal Investment

The period also saw the successful float of Pike River Coal Ltd (PRC) as a separate company, listed on the NZX and ASX. As a result, NZOG's accounting treatment of its PRC holding has changed, from a subsidiary to an associate. A gain of $11.2 million resulting from the float of PRC has been recognised in the interim results. NZOG retains a 31% shareholding in PRC.

In January, PRC announced a $60m rights issue. NZOG supports this move to secure the remaining funding for the mine development through to commercial coal production and has underwritten its $17.5 million share of the rights issue. NZOG expects that the value of its investment in PRC will increase over time as the Pike River mine moves through development into production. The first coal is expected to be produced in July 2008.

Chairman's Comment
Reflecting on a successful and eventful period for the company, NZOG Chairman Tony Radford said "I am very pleased with the very significant achievements by NZOG during the last reporting period. The Tui Oil Fields are providing strong revenues and cashflows. The Kupe Project is making very good progress towards production. The successful float of Pike River Coal Ltd has allowed PRC to pursue the mine development and NZOG to concentrate on its core activities of oil and gas exploration and production.

"The company is now in a very strong position. NZOG is pleased to provide shareholders with a 5 cents per share dividend and is well positioned as it looks for new growth opportunities."

ENDS

FOR FURTHER INFORMATION PLEASE CONTACT:

David Salisbury	or	Chris Roberts
CEO and Managing Director		Public Affairs Manager

Telephone: (04) 495 2424 Toll free 0800 000 594

NZOG stock symbols:	NZX	shares - NZO	options - NZOOD
	ASX	shares - NZO	options – NZOO