

# news release

1 July 2014

## Agreement reached on Kupe overriding royalty

Agreement has been reached between New Zealand Oil & Gas and Genesis Energy over the payment of overriding royalties from the Kupe oil and gas field.

The agreement will increase New Zealand Oil & Gas net profit after tax for the 2013-14 financial year by \$5 million. The impact in the 2013-14 financial year will reflect payments relating to that financial year as well as for prior years. New Zealand Oil & Gas expects its future revenue from Kupe will increase by \$1-2 million each year.

The overriding royalty has been under negotiation for several years. Negotiations are continuing with another Kupe partner, Origin Energy.

The royalty arrangements originate from a series of transactions in the 1980s, when National Petroleum acquired an 89 per cent interest in what was then a prospecting licence in Kupe. As part of the acquisition, National Petroleum agreed to pay overriding royalties to the parties it acquired its interest from.

Complex corporate reorganisations and transfers since have affected those arrangements. The effect is that an overriding royalty is payable to New Zealand Oil & Gas for petroleum produced from the Kupe licence area. The calculation of the value payable has been the subject of negotiation, which has been disclosed in financial accounts for recent years as a contingent asset.

"New Zealand Oil & Gas is pleased to conclude negotiations with Genesis Energy on mutually satisfactory terms," New Zealand Oil & Gas chief executive Andrew Knight says.

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**NZOG stock symbols:**

NZX shares – NZO  
ASX shares – NZO