

news release

13 June 2014

Oi-2 spuds

Drilling is underway in the Oi-2 well in Petroleum Mining Permit 38158, the operator has advised.

Drilling operations began at 5.30 this morning New Zealand time. The current operation is drilling ahead with a 36 inch drill to 228 metres.

Oi is about 37 kilometres off the coast of Taranaki, New Zealand, in about 120 metres of water. The well is a replacement for Oi-1, which was abandoned after encountering difficulties in the well bore at 1,507 metres. Oi-2 targets the same prospect and will be drilled to a planned total depth of 3,881 metres (below rotary table).

The operator has publicly stated a pre-drill un-risked best estimate prospective resource of 11 million barrels of recoverable oil. The New Zealand Oil & Gas share at drilled equity of 18.75 per cent is 2.06 million barrels, with the option to restore to 27.5 per cent equity (3 million barrels) in exchange for reimbursement of pro-rata costs and a buy back premium. A further joint venture partner, Pan Pacific Petroleum, has publicly released its own estimates of the prospective resource. New Zealand Oil & Gas considers the well has a 17 per cent geological chance of success, and a 16 per cent chance of commercial development.

The drilling programme is now planned to total around 48 days at a cost to New Zealand Oil & Gas estimated to be around USD8.34 million (updated figure).

Resources in this statement have been evaluated using a probabilistic methodology. The estimate of prospective resources referred to in this statement is based on, and fairly represents, information and supporting documentation prepared by New Zealand Oil & Gas Vice President of Operations and Engineering Andrew Jefferies (B Eng Mech Hons, Msc Pet Eng, MBA), a Society of Petroleum Engineers Certified Petroleum Engineer who has over 23 years of industry experience, and reflects and summarises the most current information supplied by the joint venture operator. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

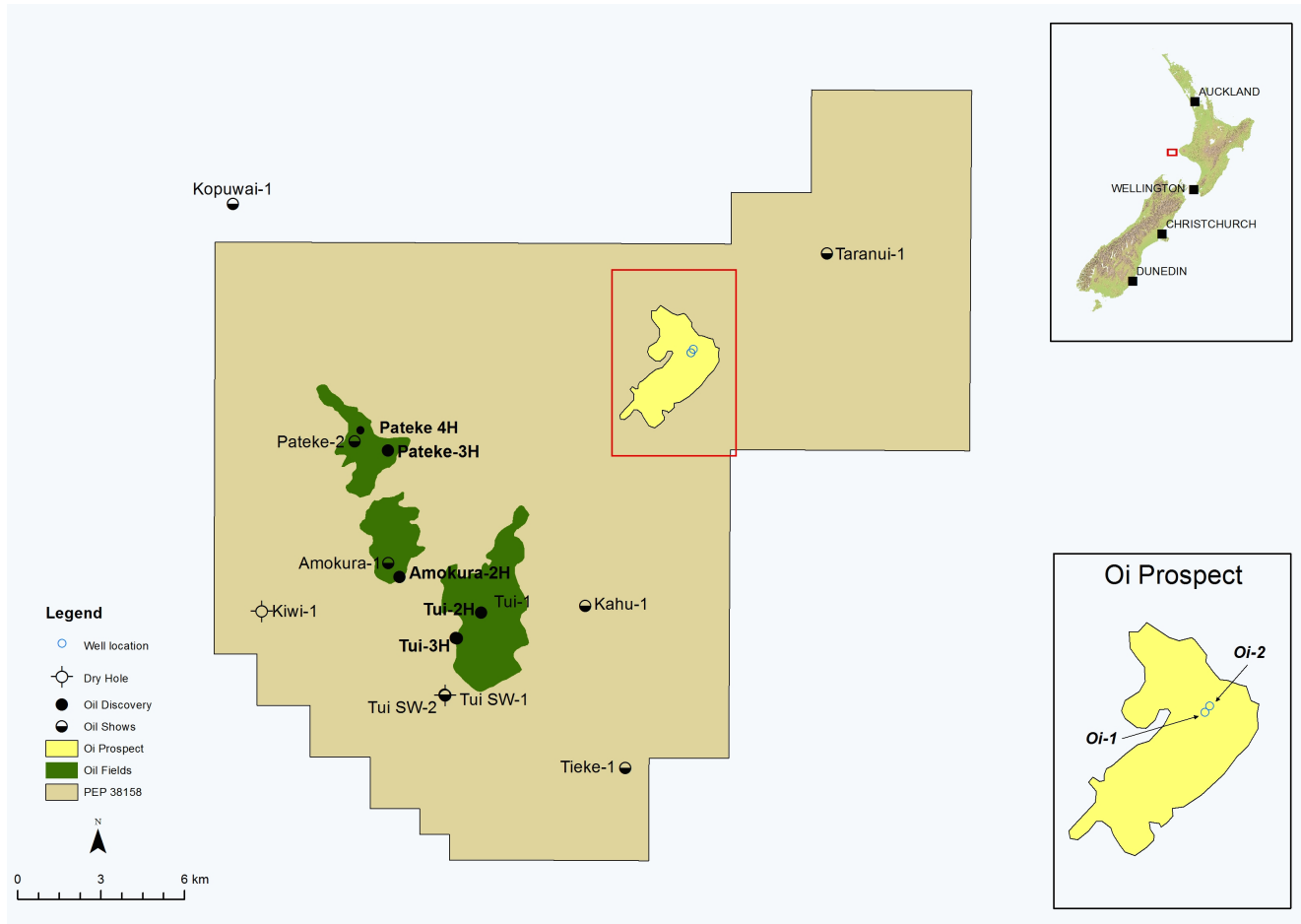
The joint venture partners in the Oi exploration well are:
AWE Limited: 31.25% (Operator).
Pan Pacific Petroleum: 50%
New Zealand Oil & Gas (through subsidiary): 18.75%.

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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO



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