THE EXPLORERS
NEW ZEALAND OIL & GAS

news release

27 October 2015

34.7% Increase in Kupe Developed Reserves

New Zealand Oil & Gas has materially upgraded its developed reserves in the Kupe gas and light oil field off Taranaki, New Zealand.

Following a review by New Zealand Oil & Gas, the company's 2P developed reserves have increased by 34.7 per cent, from 4.2 million barrels of oil equivalent to 5.6 million.

This reserves increase not only provides additional volume from within the existing development but it's expected that contracted volumes will be able to be supplied without the need for significant additional capital.

New Zealand Oil & Gas chief executive Andrew Knight says the reserves upgrade is significant news for the company.

"Optimising performance in existing assets is a strategic priority for New Zealand Oil & Gas. Kupe is a quality asset and it is pleasing to announce an increase in reserves that does not require additional capital to realise."

Undeveloped reserves of 3.2 million barrels, which were included in the company's total Kupe 2P reserves at 30 June 2015, are the subject of further work to assess options for developing potential additional reserves. New Zealand Oil & Gas believes the undeveloped reserves will remain in line with this estimate, if the existing development plans are carried forward. The additional work may provide material additional reserves provided economic assessments support development. An update of the total developed and undeveloped reserves will be provided on completion of this work, which is expected in the second quarter of 2016.

New Zealand Oil & Gas earned $62.5 million in revenue from Kupe in the 2014-15 financial year. Its share of production from Kupe was 242,417 barrels of oil, 3.6 petajoules of gas, and 15,391 tonnes of LPG.

New Zealand Oil & Gas has a 15% interest in Kupe. The other Kupe partners are Origin Energy, 50% (Operator); Genesis Energy, 31%; and Mitsui, 4%.

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

New Zealand Oil & Gas share	Previous 2P Developed Reserves at 30 June 2015	Previous 2P Developed Reserves less production since 1 July	2P Developed Reserves at 1 Oct 2015	Change	%
Sales Gas (PJ)	18.4	17.4	**23.3**	5.9	34.0%
LPG - Kilotonnes	79.9	75.7	**97.4**	21.7	28.7%
Light oil - million barrels	0.8	0.7	**1.0**	0.3	43.2%
Millions of barrels of oil equivalent	4.4	4.2	**5.6**	1.4	34.7%

Reserves are quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward; that are judged to be discovered, recoverable, commercial and remaining. Probable (2P) reserves have a 50 per cent chance or better of being technically and economically producible.

Developed reserves are expected to be recovered from existing wells and facilities. Undeveloped reserves are quantities expected to be recovered through future investments (e.g. new wells, compressors, and other facilities). Total reserves are the sum of developed and undeveloped reserves at a given level of certainty.

Oil and gas reserves reported in this statement are as at 1 October 2015.

The Kupe estimate is based on production data and compositional simulation models provided by the field operator, Origin Energy. It is the result of deterministic reservoir simulation modelling, matched with full production history on a well-by-well basis, in addition to decline curve analysis, supported by rate transient analysis, and both flowing and static material balance.

Estimates of reserves are based on their value in use with a discount rate of 10% applied. The oil price assumptions are based on the Bloomberg consensus mean, with contracted volumes of gas and LPG sold on current contract terms. For volumes in excess of current contracts, a future base market price of $6/gigajoule is assumed for gas sales and LPG prices are linked to the Bloomberg consensus mean forecast for oil.

This reserves statement is approved by, based on, and fairly represents information and supporting documentation prepared by New Zealand Oil & Gas Vice President & General Manager, Exploration & Production Andrew Jefferies, B Eng (Mech Hons), MSc Pet Eng, MBE, and SPE (Society of Petroleum Engineers) Certified Petroleum Engineer with over 23 years of industry experience.