

# New Zealand Oil & Gas Activities Report

## NEWS

- **New Zealand Oil & Gas farms in to 25% of Kohatukai - onshore well due Q4 2018**
- **Indonesia: Well due 2018. Sale of production sharing contract**
- **Acquisition of Woodside's interest in Great South Basin Toroa permit**

### Kohatukai well in 2018

New Zealand Oil & Gas has agreed to acquire a 25 per cent interest in PEP 55768, onshore northern Taranaki, New Zealand.

The Kohatukai prospect in the permit has a well commitment and is expected to be drilled before the end of 2018. The target is expected to be gas condensate. Kohatukai is analogous to the nearby Pohokura gas field that currently provides about a third of New Zealand's total gas production.

The prospect is in proximity to existing infrastructure and local gas markets. Being onshore, the drilling costs are reasonable.

The farm-in agreement is subject to conditions, including regulatory approvals.

### Kaipatiki prospect in the Great South Basin

New Zealand Oil & Gas has agreement in principle to acquire Woodside Energy's 70 per cent interest in the Toroa permit PEP 55794 in the Great South Basin, increasing the company's interest to 100 per cent. Regulatory approval is required for the transfer. The Toroa permit will be marketed in conjunction with Clipper in the Canterbury Basin where the regulator has approved an extension to 2019 for a commitment to drill a well or relinquish the permit.

Toroa is a 9,835-square kilometre exploration permit south east of Stewart Island. Two wells have previously been drilled in the permit and encountered hydrocarbon shows that were considered non-commercial at the time.

The Kaipatiki prospect in the permit is a 162-square kilometre structure. New Zealand Oil & Gas estimates it contains prospective resources of 5.6 trillion cubic feet of gas and 272 million barrels of gas condensate [gross unrisksed prospective, assuming a gas gas-to-shore development scenario]. [See disclaimer, back page of this report.]

### Indonesia: Well at Bohorok, sale of Palmerah Baru

A well is due to be drilled in the Bohorok production sharing contract, onshore North Sumatra, Indonesia, later this calendar year. In a series of transactions following quarter end, New Zealand Oil & Gas has sold down its interest in the permit from 45% to 20% of the PSC to the operator, Bow Energy, and assumed the 5% interest of another party, SBL, leaving New Zealand Oil & Gas with a working interest of 25%. The transactions are subject to approval by the Indonesian regulator.

A 205-square kilometre seismic survey over the block was completed in 2015 de-risking the Bukit Kaya prospect which lies on a highly prospective gas-prone trend. The nearby city of Medan is Indonesia's fourth largest and significantly energy constrained, making a ready market for the gas in a success case. Because of previous developments in the area, the infrastructure necessary to process and transport product is nearby.

Meanwhile, as part of the continuing strategy of exiting lower priority exploration, the company has disposed of its 36% interest in the Palmerah Baru production sharing contract in Central Sumatra to the operator, Bow Energy.

### Government policy change

Following quarter end, the New Zealand government made a sudden announcement that it would not issue new permits for offshore exploration in New Zealand. The announcement will not have any immediate material impact on the operations or financial position of the company. The offshore Barque and Torora exploration permits are unaffected by the announcement.

New Zealand Oil & Gas intends to manage the risks associated with the government's policy change by investing in exploration and production assets in other jurisdictions. We are focusing on assets where our New Zealand capability can add value, with a preference for gas assets because gas is seen in most jurisdictions as a vital energy source for the transition to a lower carbon world.

### Share register clean up

Around half the shareholders on the New Zealand Oil & Gas register hold fewer than 500 shares, or can't be contacted at the address currently held for them. Small holdings effectively can be locked in because brokerage in any sale would significantly reduce or eliminate the proceeds of that sale. The company has decided to provide a facility that will enable those shares to be sold free of brokerage charges. If you hold fewer than 500 shares, you should have heard from us recently. To find out about your options, please visit our website: [www.nzog.com](http://www.nzog.com).

Some of the Gone No Address holdings date back to shares purchased in the 1980s and 1990s. Shareholders who haven't heard from the company in the past year should contact Computershare [see contact details on the back page].

## FINANCIAL SUMMARY

- Cash balance \$89.5m
- Steady revenue from production

Revenue from Kupe was \$3.4 million and revenue from Cue's Maari and Sampang production assets was \$7.3 million. \$3.6 million was paid for production costs. Administration costs across the group were \$1.9 million. Exploration costs were \$0.6m for activities related to the Clipper permit, Indonesia and Cue's exploration activity.

Receipts of \$0.6 million related to reimbursement of take-over costs. Further reimbursement is expected next quarter.

During the quarter 4.9 million partly-paid shares were converted to fully paid shares. Proceeds of \$3.2 million were received after the conversion.

## PERFORMANCE

	Comparable quarter a year ago	Previous quarter	3 months to 31 Mar 18
Revenue from production NZ\$m	9.9	7.5	10.7
Cash balance NZ\$m	234.0	83.6*	89.5

\*Updated following previous quarter end.

## GROUP REVENUE BY QUARTER



## PRODUCTION

FIELD		Total field for quarter [gross]	Our share previous quarter [net]	Our share Mar 2018 [net]
Kupe <sup>^</sup> Taranaki, New Zealand	Oil Barrels	288,035	11,735	11,521
	Gas Petajoules	6.47	0.26	0.26
	LPG Tonnes	25,971	981	1,039
	Revenue NZD\$m		1.4	3.4
Maari* Taranaki New Zealand	Oil Barrels		34,866	31,225
	Revenue AUD\$m		2.2	3.5
Sampang* Java, Indonesia	Oil Barrels		731	795
	Gas Petajoules		0.36	0.37
	Revenue AUD\$m		3.3	3.2

\*The New Zealand Oil & Gas interest in Maari and Sampang is held through Cue Energy. New Zealand Oil & Gas has a 50.04% interest in Cue. Table shows Cue's full interest.

<sup>^</sup> Acquisition of Kupe interest was completed in December 2017. This table shows Kupe production performance for the entire quarter and revenue from the date of acquisition.

## KUPE

### **Kupe oil and gas field** [PML 38146]

4% New Zealand Oil & Gas

50% Beach Energy [Operator]

46% Genesis Energy

Production through the quarter has been in-line with prior quarters.

LPG yields improved through the quarter with better equipment availability.

Maintenance and repairs continued to key pieces of equipment to help maintain these rates and yields. Further optimisation projects are being pursued.

## MAARI

### **Maari and Manaia oil field** [PML 38160]

5% Cue Energy\*

69% OMV New Zealand [Operator]

16% Todd Maari

10% Horizon Oil International

During the quarter, production from Maari was interrupted for four days as multiphase pumps were installed on the wellhead platform as part of the Flowing Bottom Hole Pressure project, to reduce production pressure and expand production.

The project was completed and was being optimised at the end of the quarter.

The joint venture partners continued with technical and commercial reviews of a potential appraisal well targeting the Manaia Moki reservoir .

## SAMPANG

### **Sampang Production Sharing Contract**

15% Cue Energy\*

45% Santos Sampang [Operator]

40% Singapore Petroleum Company

Sampang continued to perform strongly after the completion of the conversion to gas only production in December 2017.

Wortel production was temporarily reduced during February due to operational issues at Indonesia Power's Grati Power Plant, the field customer, which reduced demand. The operator worked with other operators and customers to divert other gas supplies and bring demand for Wortel gas back to normal levels by March. The problem at the Indonesia Power plant has not been resolved but is currently not affecting Sampang production levels.

Planning for Paus Biru-1 exploration well continued during the quarter with the results of site surveys incorporated into well site selection. The operator continued rig procurement processes and discussions with nearby operators on rig sharing opportunities.

\*New Zealand Oil & Gas has a 50.04% interest in Cue. Cue's full interest is shown.

## CANTERBURY-GREAT SOUTH

### Clipper [PEP 52717]

50% New Zealand Oil & Gas [Operator]

50% Beach Energy

The regulator has approved a change of conditions to allow extra time before a well commitment needs to be made. A decision whether to drill a well in the prospect or relinquish the permit now needs to be made by April 2019.

The extension will allow more time to analyse new geological information that has come to light during discussions with potential farm-in partners.

Discussions are continuing with potential farm-in partners reviewing the Barque opportunity. A natural alignment exists in the timetable for Toroa and Clipper.

### Toroa [PEP 55794]

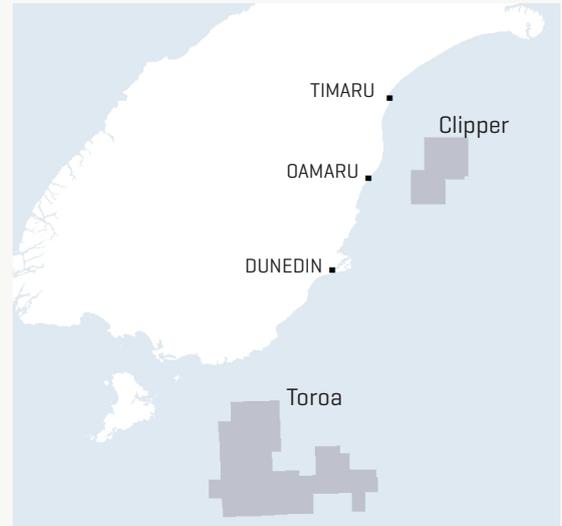
100% New Zealand Oil & Gas<sup>^</sup>

During the quarter New Zealand Oil & Gas reached an agreement to take over the 70% interest currently held by Woodside Energy (New Zealand 55794) Limited, and become the permit operator. The transfer of interest is subject to approval by the regulator. A marketing campaign will commence soon to promote the opportunity to potential farm-in partners.

The Kaipatiki prospect in the permit is a 162-square kilometre structure located about 150 kilometres southeast of the South Island. New Zealand Oil & Gas estimates it contains prospective resources of 5.6 trillion cubic feet of gas and 272 million barrels of gas condensate [gross unrisksed prospective, assuming a gas-to-shore development scenario].

See disclaimer, back page of this report.

<sup>^</sup>Subject to regulator approval.



OFFSHORE CANTERBURY - GREAT SOUTH BASIN



## ONSHORE TARANAKI

### Kohatukai [PEP 55768]

New Zealand Oil & Gas 25%

O.G. Oil & Gas Limited 25%

Mitsui E&P Australia Pty Ltd [Mitsui] 37.5%

AWE Holdings NZ Limited [AWE] 12.5% [Operator]

After quarter end New Zealand Oil & Gas announced it had agreed to acquire a 25 per cent interest in PEP 55768, onshore northern Taranaki. The farm-in agreement is subject to conditions, including regulatory approvals.

The Kohatukai prospect in the permit is expected to be drilled in the fourth quarter of 2018. Preparations to drill the well are underway.

The Kohatukai well will test dual objectives in the Eocene Matapo and Mangahewa sands targeting a prospect that is analogous to the nearby Pohokura Gas Field.

The prospect is in proximity to existing infrastructure and local gas markets, with an expectation of a gas condensate discovery. The prospect offers reasonable drilling costs and the opportunity to participate in a New Zealand well this year.



TARANAKI BASIN



## AUSTRALIA

### WA-359-P

#### 100% Cue Energy (Operator)\*

Cue has submitted a Suspension, Extension and Variation application to the National Offshore Permit Titles Administrator (NOPTA) to allow time for analysis and review of new data as part of the Ironbark-1 drill planning.

As of the date of this report, Cue had not received any notification of a decision on the application. The permit will remain in full force while the application with NOPTA is pending.

On 17 April 2018, Cue announced the extension of the BP option to acquire 42.5% equity in WA-359-P until 25 October 2018.

### WA-409-P

#### 20% Cue Energy\*

80% BP Developments Australia Pty Ltd (Operator)

The operator continued to analyse reprocessed seismic data.

### WA-389-P

#### 100% Cue Energy\*

Mapping and evaluation of the permit is continuing, with two leads analogous to the Ironbark project identified from this work.

## INDONESIA

### Bohorok

#### 25% New Zealand Oil & Gas^

75% Bow Energy International Holdings^ (Operator)

Plans for a well to be drilled in the fourth quarter of 2018 have been submitted to the regulator for approval.

^Interests are subject to regulator approval of a series of transactions agreed following quarter end. At 31 March 2018 the relevant interests were 45% New Zealand Oil & Gas, 50% Bow Energy, and 5% Surya Buana Lestarijaya Bohorok (SBL).

### Kisaran

#### 22.5% New Zealand Oil & Gas

55% Pacific Oil & Gas (Operator)

22.5% Bukit Energy

There was minimal activity in the production sharing contract. The company continues to review strategic options to extract value, including potentially selling out of the Kisaran development.

### Palmerah Baru

#### 36% New Zealand Oil & Gas

The company agreed to dispose of its interest in this production sharing contract to the operator, Bow Energy, following quarter end, subject to regulator approval.

### Mahato

Production Sharing Contract

#### 12.5% Cue Energy\*

The Mahato partners continue discussions to move forward with exploration and sign a legally binding operating agreement.

The current exploration period of the Mahato PSC expires 20 July 2018. Operator discussions with SKKMigas regarding an application for replacement of time lost during the exploration period of the permit are continuing.

Should the exploration period lapse on 20 July 2018 the PSC partners will have an exposure to penalties of up to US\$8m.

### Mahakam Hilir

Kutei Basin Production Sharing Contract

#### 100% Cue Energy\*

Cue Kalimantan Pte Ltd (Operator)

During the quarter Cue completed further technical work required for the Naga Utara-4 appraisal well planning.

Cue continued discussion with the Indonesian regulator, SKKMigas, for a variation to the work program to enable the May 2018 deadline for the optional well commitment to be deferred for 12 months.

## MANAGE YOUR SHAREHOLDING

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from outside New Zealand, use +64 9 488 8777

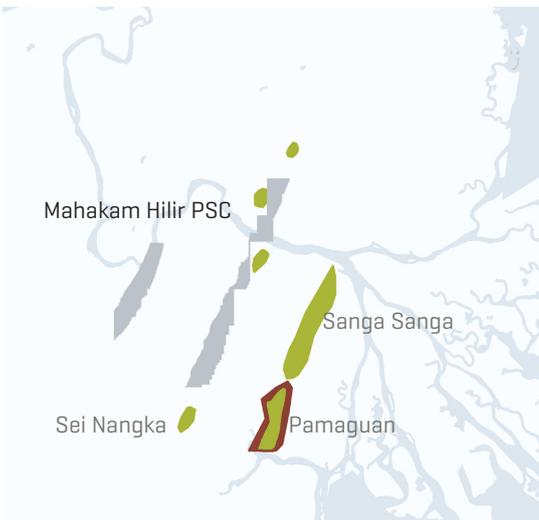
You can email your enquiry to [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

or visit Investor Centre online: [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

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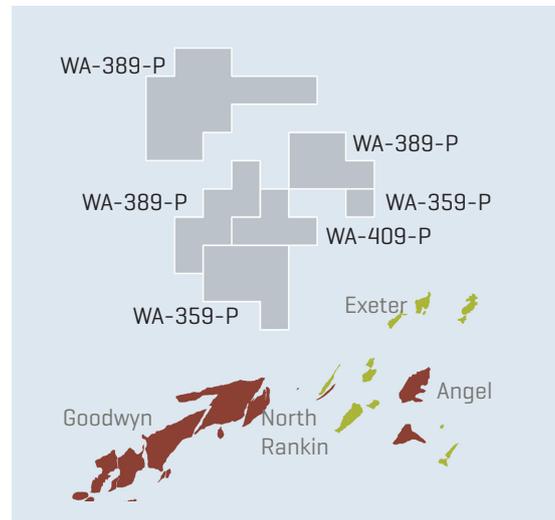
JAVA



KALIMANTAN



SUMATRA



AUSTRALIA



**DISCLAIMER**

\* FOR RESOURCES REFERRED TO ABOVE Estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) 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. All volumes presented are based on a best estimate, derived from a probabilistic methodology, are net of royalties and have not been adjusted for risk. Toroa oil and gas prospective resources reported in this statement are as at 28 February 2018 and follow the guidelines set out by Chapter 5 of the ASX listing rules (July 2014) and the PRMS Guidelines (2011). Prospective Resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations. For the conversion to equivalent units; standard industry factors have been used of 6Bcf:1mmboe and 1Bcf:1.05PJ. Nothing in this document constitutes an offer of financial products or an invitation to treat or submit any offer for any financial products. No money is currently being sought and shares or other financial products of New Zealand Oil & Gas Limited or any other entity referred to in this document cannot currently be applied for. If an offer is made, it will be made in accordance with the Financial Markets Conduct Act 2013 (NZ) and any other applicable legislation.

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