

# ACTIVITIES REPORT

FOR THE QUARTER ENDED 31 MARCH 2009

## KEY POINTS

- Exploration portfolio expanded
- Three seismic surveys conducted
- Oil price stabilises
- Pike River Rights Issue supported
- NZOG joins Romanian study group

## DEAR INVESTOR

With ongoing production from Tui and the Kupe field getting close to commissioning, New Zealand Oil & Gas Ltd will soon have two producing assets and sound revenues going forward for the next decade and more. At this time a key focus for the company is to find and develop the next Tui or Kupe.

In this regard, it is pleasing that we have been able to significantly expand our exploration portfolio.

In January, NZOG was awarded 100% of a new exploration permit, PEP 51311, which lies to the west and south of Kupe. In March, along with our Tui partners, we were awarded another new Taranaki permit,

PEP 51321. These acquisitions follow the securing a few months earlier of a 40% interest in the Canterbury Basin permit PEP 38259.

Over the summer the visiting vessel Pacific Titan was used to conduct seismic surveys over exploration permits 38259, 51311 and another NZOG Taranaki permit, 38483. After the information collected from the three permits is processed, interpretation of the data will be carried out with the initial results expected mid-year.

If the results are encouraging, there is the potential for exploration drilling in 2010. Ahead of that, it has been confirmed that at least two exploration wells will be drilled

within the Tui permit, probably in the 4<sup>th</sup> Quarter of 2009.

We are continuing to screen a steady stream of new investment opportunities. These are located both in New Zealand and overseas and we have taken our first small step abroad (see the back page for more details). We have also welcomed Craig Jones to our management team as Chief Financial Officer. Craig joins us from Australian oil explorer and producer Petsec, and I expect him to contribute strongly to the company's ongoing success.



David Salisbury CEO  
20 April 2009

## Tui Area Oil Fields

(PMP 38158, NZOG INTEREST 12.5%)

Total Tui production for the three month period was just over 2 million barrels (mmbbls), at an average rate of 22,700 barrels of oil a day. This took total production since start up on 30 July 2007 to almost 22 mmbbls – NZOG's share 2.75 mmbbls.

The joint venture had forecast Tui production of 9 mmbbls for the financial year to the end of June 2009. Going into the final months that forecast looks like being comfortably met, reflecting the continuing excellent performance of the fields and facilities.

Tui oil continues to be sold mainly into Australia and Southeast Asia. During the quarter the first shipment was sold to the Marsden Point Refinery near Whangarei. Marsden Point generally requires a different grade of oil, but there is the possibility of further local sales in future.

Tui oil is sold against the regional Tapis benchmark, which has stabilised since January at around US\$50 per barrel. In NZ dollar terms, our returns to date in 2009 have been around \$90 a barrel – which is higher than when Tui began production in July 2007.

## Kupe Field

(PML 38146, NZOG INTEREST 15%)

The Kupe development is now very much on the home straight. All of the offshore facilities were completed in 2008. At the Omata Tank Farm near New Plymouth two condensate storage tanks are being erected and at the onshore Production Station near Hawera virtually all of the major components are in place. Around 800 workers are on site involved in work such as welding pipes, installing electrical connections, and providing all the finishing touches.

In the next few months testing and commissioning of the equipment will get underway, with commercial production still scheduled for the third quarter of 2009.

## Pike River Coal

(NZOG INTEREST 29%)

The Pike River coal mine suffered a temporary setback in February when a ventilation shaft partially collapsed, delaying production. As a result, PRC went to the market with a Rights Issue and share placement to raise an additional \$45m. Approximately \$7m is to fix the ventilation shaft and the rest will meet the remaining capital costs of the project and provide working capital. As the largest shareholder in PRC, NZOG partly underwrote the Rights Issue reflecting our confidence in the project. PRC had short-term funding requirements which due to the state of the debt markets needed to be addressed through equity raising. NZOG was very comfortable to support PRC. NZOG paid \$11.8m for an additional 17.3 million PRC shares and associated options.

Further details of the status of the Pike coal mine can be obtained at [www.pike.co.nz](http://www.pike.co.nz)

## Exploration

### PEP 51311 (GAMMA) (NZOG INTEREST 100%)

In January, NZOG was awarded a new exploration permit which lies to the west and south of the Kupe development. 500km of new 2D seismic was shot in February. The permit area contains a fairway of structures that NZOG has labelled the Gamma prospects. The permit conditions allow two years for data analysis with a decision on drilling an exploration well to be made by the end of the two years.

### PEP 51321 (KAHURANGI) (NZOG INTEREST 18.9%)

In March, NZOG and its Tui joint venture partners were awarded a new exploration permit in the offshore Taranaki Basin. PEP 51321 covers 3000 sq km and lies immediately to the south of PEP 38483, which the joint venture already holds.

From analysis of existing data the joint venture believes there are several promising structures. In the next 12 months historic seismic data will be reprocessed using modern analysis techniques, and geological and geophysical studies will be conducted.

In year two, the joint venture will acquire and interpret 200km of new 2D seismic data. A decision on drilling an exploration well is to be taken at the end of year two.

### PEP38483 (AIHE) (NZOG INTEREST 18.9%)

The 2D seismic survey carried out in this permit in November/December 2008 is now being processed and evaluated.

### PML38146 (KUPE) (NZOG INTEREST 15%)

The Operator, Origin Energy, has a work programme underway to further assess the three discovered accumulations that lie to the south east of the central field, along with potential accumulations nearby.

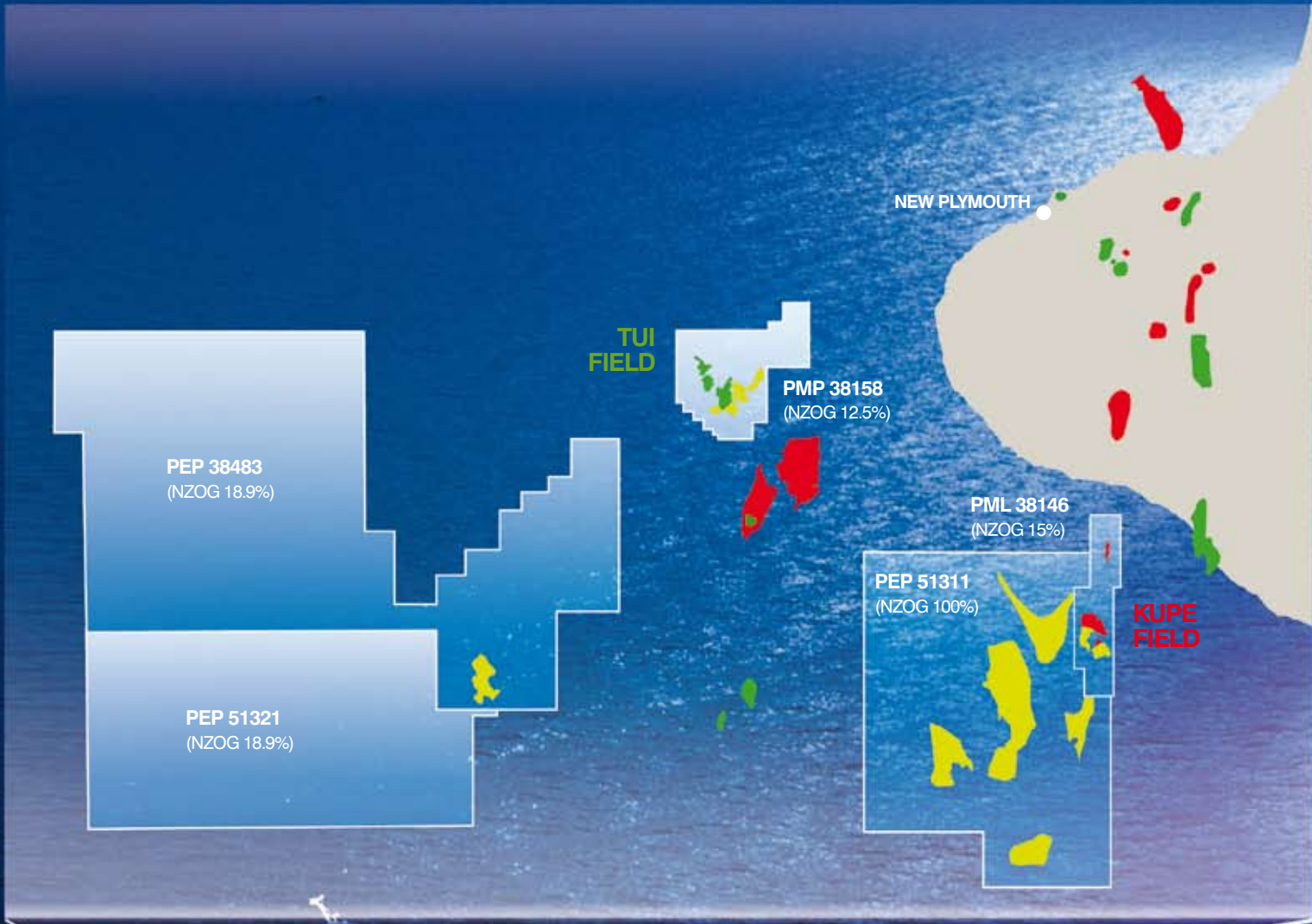
### PMP38158 (TUI) (NZOG INTEREST 12.5%)

The semi-submersible drilling rig Kan Tan IV has been secured for a drilling programme in late 2009. Within PMP 38158 there are five identified prospects near to the existing producing reservoirs. The joint venture is still to confirm its preferences, but NZOG anticipates that at least two of these prospects will be drilled by the Kan Tan IV. Seabed site surveys were carried out in April to determine the best locations for the drilling rig.

### PEP38259 (BARQUE) (NZOG INTEREST 40%)

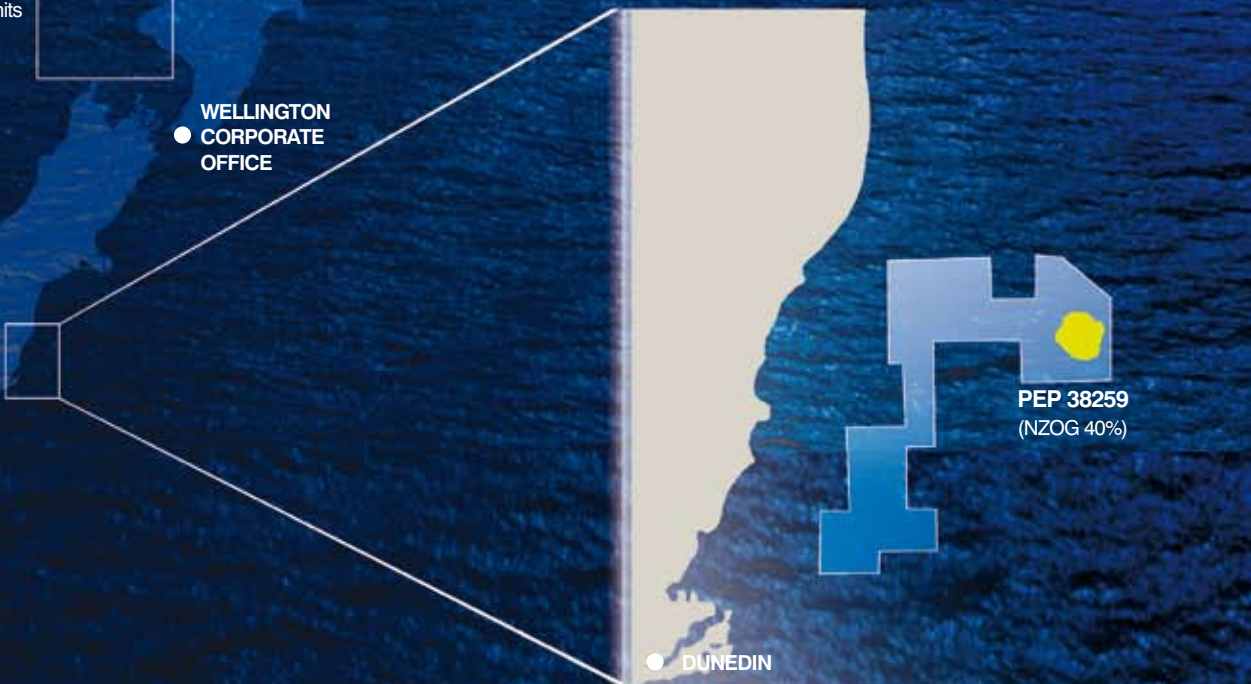
A 2D seismic survey was undertaken in February, focussing on the Barque prospect. NZOG's technical team has independently assessed Barque as having potential for P50 (best estimate) recoverable resources of 600 billion cubic feet (BCF) of dry sales gas and 58 million barrels (mmbbls) of light oil/condensate. The seismic data is now being processed and evaluated. A decision whether or not to commit to drilling an exploration well is to be made by August.

# NZOG Assets



-  NZOG Permits
-  Gas Fields
-  Oil Fields
-  Prospects

● WELLINGTON  
CORPORATE  
OFFICE



## FOR FURTHER INFORMATION PLEASE CONTACT:

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## Looking Further Afield

For the past year or so New Zealand Oil & Gas Ltd has been actively pursuing new growth opportunities. We have been looking both at home and overseas. New Zealand has good remaining potential and remains an attractive investment destination. We have successfully expanded our local exploration portfolio in the past six months. However, the available opportunities in New Zealand do not provide sufficient depth and breadth for a company our size to be confident of meeting our growth objectives.

One relatively small overseas deal that has been concluded is a Joint Study and Bid Agreement (JSBA) with two Australian companies to look at Romania.

NZOG has taken a 33% stake in the JSBA, which has already gathered substantial data and research. This is a very low cost entry to a potentially lucrative opportunity. NZOG has made an upfront payment of just 44,330 Euros, with a total payment obligation for entry to the JSBA of 235,000 Euros if certain milestones are all met.

### Romania – Oil and Gas Rich

Romania is not only a country associated with Transylvania and its famous inhabitant, Count Dracula. In the 19th century Romania was one of the first oil producing countries in the world and it was a major oil and gas producer and exporter throughout much of the 20th century.

Peak production was achieved in 1976, gradually declining in subsequent years due to inefficient production methods and technology. As the Romanian economy stuttered and then collapsed, there was very little investment in new exploration. As a result, Romania remains underexplored using modern techniques.

In recent years annual production has still been around 110 million barrels (In comparison, NZ's oil production was a record 22mmbbls in 2008). Romania has the largest remaining identified petroleum reserves in Eastern Europe, and the third largest in all of Europe behind Norway and UK, at around 1 billion barrels of oil and 3,500 BCF of natural gas (proved reserves). With 10 refineries and an overall refining capacity of more than 400,000 bbl/d, Romania also has the largest refining industry in the region.

Romania entered the European Union in 2007 and is now tied into EU markets and pricing. It has petroleum infrastructure in place, and onshore exploration is relatively low cost.

Later this year the Romanian government is expected to release in excess of 25,000 sq km of exploration and development acreage for new permit applications. NZOG's partners in the JSBA have already identified promising areas. The further study work will aim to put the partners in a good position to bid for attractive acreage during the permitting round.

This is an interesting, low cost investment for NZOG and represents just the start of an expansion beyond New Zealand as we pursue sensible, value-adding investment opportunities.

## Financial Update

NZOG's operating revenue for the March quarter was NZ\$21.6m. All of this revenue came from Tui. Operating revenue for the nine months to the end of March was NZ\$124.8m.

At 31 March 2009, NZOG's total cash on hand was NZ\$208.7m. Around three-quarters of these funds were held in US denomination accounts with NZ-based banks. During the quarter NZ\$12.3m was invested in capital projects; largely the Kupe project. This was funded from NZOG's cash balance. NZOG has no debt.

More financial information is contained in the December 2008 Quarterly Cash Flow Report, which has been released to the NZX and ASX.

## Share Registrars Contact

For information about your share holding or to change your address, please contact the share registrars as follows:

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## NZOG stock symbols

NZX SHARES – NZO ASX SHARES – NZO