ActivitiesReport

for the quarter ended 30 September 2009

Dear investor

While NZOG's Quarterly Reports are by definition a review of the last three months, it is hard not to look to the summer ahead and a significant drilling programme.

NZOG is participating in the drilling of at least four exploration and appraisal wells in offshore Taranaki. Albacore is the first well to be drilled, in a permit in which NZOG acquired a 40% interest in August. This well will be followed by Hoki, and two Tui wells. More details on each of this summer's drilling targets are provided later in this report.

It needs to be remembered that drilling thousands of metres into the earth's surface is by its very nature a risky business. There is no guarantee of success. But the drill bit offers the possibility of substantial reward, such as the reward from our participation in Tui.

At the beginning of October around two-thirds of NZOG shareholders received a 5 cents per share dividend, which had been announced in August when the annual results were released. The remaining one-third of shareholders elected to exchange their cash dividend payment for additional NZOG shares. As a result, around 3.9 million new shares were issued. NZOG chose to offer a Dividend Reinvestment Plan in response to shareholder requests and it was pleasing to see such a strong take-up of the Plan in its first year.

In the three months to the end of September NZOG received NZ$22.1m in revenue from the Tui oil fields, which continue to perform well. In the next quarter NZOG also expects to receive the first revenue from the Kupe field. The production station near Hawera is mechanically completed and the first gas is due to be run through the plant in November. As the project approaches completion the operator has advised that the final cost will be higher than previously estimated. NZOG has contributed NZ$180m to date and our final bill appears likely to be in the range of NZ$195-$200m. While disappointing, expected revenues have also increased since the project was approved and the development cost needs to be seen in the context of a field with a value of several billion dollars. Kupe will provide a solid revenue stream for the next 15 years.

In September, NZOG drew down NZ$50m from a revised NZ$75m funding facility with Westpac secured against the Kupe project. This is an excellent outcome for the company. The facility is available on very favourable terms and can be used to meet New Zealand dollar expenses, such as dividends, royalties and taxes. This preserves our US dollar holdings. The US dollar is the primary currency of the international oil industry. A large proportion of exploration and investment costs are either in US dollars or set by reference to US dollars, providing a natural hedge against currency fluctuations. NZOG keeps its currency holdings under review and considers its present holdings to be appropriate.

David Salisbury CEO
22 October 2009

KEY POINTS

- 5 cents per share dividend paid
- Exploration portfolio expanded
- Summer drilling programme set to begin
- Kupe mechanical completion
- New funding facility in place

Production and development assets

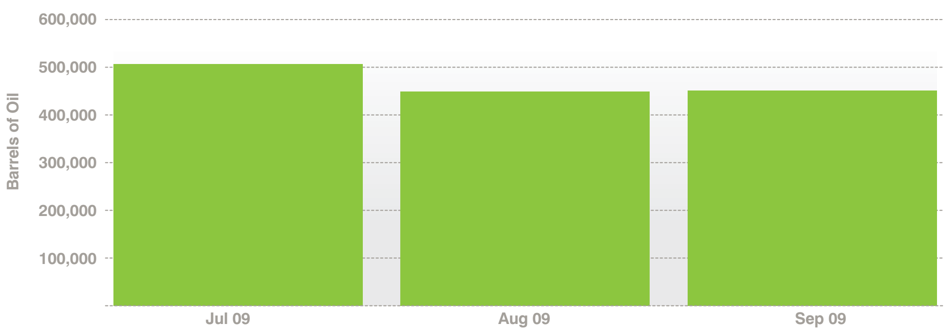
Tui

Tui Area Oil Fields (PMP 38158, NZOG interest 12.5%)

There was another solid three month production performance from the Tui area oil fields. Total Tui production for the quarter was over 1.4 mmbbls (million barrels) at an average rate of 15,300 barrels of oil per day. Total forecast production for the financial year to the end of June 2010 is 5.1 mmbbls (NZOG share 0.63 mmbbls). The operator has a continuing process to maximise the efficiency of the facilities.

Tui oil continues to be a well regarded product in the region. A competitive process was run as a result of which a forward term sales contract has been signed. Shell in Australia will take a large proportion of Tui's production from January 2010. The terms are favourable, with a premium being paid above the regional Tapis crude benchmark.

TUI AREA OIL FIELDS - SEPTEMBER QUARTER PRODUCTION



Kupe

Kupe Oil and Gas Field (PML 38146, NZOG interest 15%)

An important milestone for the Kupe project was achieved in mid October, with mechanical completion of the production station near Hawera. At that point, the plant was officially handed over from the project team to the operations team. What remains now is a commissioning period. Pipeline gas is to be introduced to the plant in November and then the first raw gas will be brought ashore from the Kupe field, effectively signalling the start of production. At the completion of the commissioning period, Kupe will go into permanent production.

Kupe Production Station

Exploration

TARANAKI BASIN

PEP 38491 (Albacore)
NZOG interest 40%

In August 2009, NZOG agreed to acquire a 40% stake in this permit in the northern offshore Taranaki Basin. It contains a number of identified oil and gas prospects and one of those, Albacore, is ready to be drilled. The ENSCO-107 jack-up rig is currently scheduled to begin drilling the Albacore-1 well in November.

NZOG has also submitted a Priority in Time (PIT) application for acreage immediately to the north of PEP 38491. On acceptance, NZOG will own 100% of this new permit. A response from Crown Minerals is expected shortly.

PEP 38401 (Hoki)
NZOG interest 10%

In July 2009, NZOG reached agreement to acquire a 10% stake in this permit, which lies approximately 150km northwest of New Plymouth. It contains the Hoki oil prospect, which is to be the first well drilled in this summer's programme by the semi submersible rig Kan Tan IV.

Investments

PIKE RIVER

Pike River Coal Limited (PRC)
(NZOG interest 29.6%)

In August, PRC announced that initial production from the mine was at lower rates than envisaged, delaying the first shipment of coal until the first quarter of 2010. This further delay, while disappointing, is a short-term issue, and NZOG remains confident in the development at Pike. PRC has indicated that as a result of the delays it has further working capital requirements and is currently examining various options.

Further details on Pike River Coal are available at www.pike.co.nz

PAN PACIFIC

Pan Pacific Petroleum (PPP)
(NZOG interest 14.9%)

There was no change during the quarter to the shareholding in PPP that NZOG acquired in December 2008. PPP will be participating, along with NZOG, in the drilling of at least two Tui wells this summer. PPP also announced during the quarter that it was acquiring a 15% stake in a permit in the Timor Sea. PPP's 15% stake in a permit in Vietnam is subject to the exercise of pre-emption rights by PetroVietnam.

Further details on Pan Pacific Petroleum are available at www.panpacpetroleum.com.au

PMP 38158 (Tui)
NZOG interest 12.5%
This permit includes the producing Tui area oil fields. The semi-submersible drilling rig Kan Tan IV will be used to drill at least two near field prospects. The joint venture is intending to drill the Tui North East prospect, followed by either the Tui South West prospect or the Tui South East prospect, depending upon the results of the first well.

PML 38146 (Kupe)
NZOG interest 15%
This permit includes the Kupe Central Field but also contains a number of other potential structures containing oil or gas. The joint venture is engaging in an exploration work programme over the next year which involves further geological and geophysical assessment of those structures.

PEP 51311 (Gamma)
NZOG interest 100%
In January 2009, NZOG was awarded a new five year exploration permit which lies to the west and south of the Kupe field. 500km of new 2D seismic was shot in February 2009. The seismic data is currently being interpreted and evaluated. The permit area contains a fairway of structures that NZOG has labelled the Gamma prospects. The permit conditions allow two years for seismic data acquisition and analysis with a decision on drilling an exploration well to be made by January 2011.

PEP 38483 (Aihe and Bahamas)
NZOG interest 18.9%
New 2D seismic was shot over part of this permit in late 2008. This has been processed and evaluated. The permit contains the Aihe prospect and numerous prospects within a newly identified biogenic gas play, which has been named Bahamas. Assessment is ongoing. The permit conditions require a decision on drilling an exploration well to be made by December 2009.

PEP 51321 (Kahurangi)
NZOG interest 18.9%
In March 2009, NZOG and its Tui joint venture partners were awarded a new five year exploration permit covering 3000 sq km immediately to the south of PEP 38483. Vintage seismic data is being reprocessed using modern analysis techniques. The permit conditions require 200km of new 2D seismic data to be acquired by March 2011.

CANTERBURY BASIN

PEP 38259 (Barque)
NZOG interest 40%
This permit lies in the offshore Canterbury Basin and contains the promising Barque prospect. A 2D seismic survey was undertaken in February 2009 and the results of this survey are currently being evaluated. A decision on drilling an exploration well has to be made by August 2010.

ROMANIA

In March 2009, NZOG took a 33% stake in a consortium, which for the past two years has been gathering data and research on Romania. The consortium partners are AuDAX and Nexus, both ASX-listed E&P companies. This is a low cost entry to a potentially lucrative opportunity. Romania is a significant oil and gas producing region but remains underexplored using modern techniques. In September 2009, the Romanian Government released over 25,000 sq km for new permit applications. The consortium is assessing the most attractive areas to determine whether any bids for acreage should be made.

Financial update

NZOG's operating revenue from Tui for the September quarter was US$15.1m (NZ$22.1m). The average price per barrel received for oil sold during the quarter was US$71.

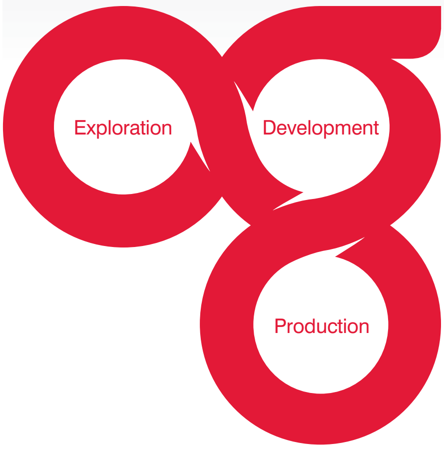
In September, NZOG drew down NZ$50m from a revised NZ$75m funding facility with Westpac. The facility is secured against NZOG's share of the Kupe field. The draw down was used in part to meet a dividend payment of NZ$14m and a royalty payment to the New Zealand Government of NZ$16m.

At 30 September 2009, following those payments, NZOG's cash balance was the equivalent of NZ$177.7m. However, approximately 80% of this cash is held in US dollar denominated accounts with major NZ-based banks. This summer's drilling programme will be funded from these US dollar holdings.

More financial information is contained in the September 2009 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

Our new look nzog

New Zealand Oil & Gas



We have introduced a new company logo, which is strong, modern, and reflects the three inter-related key aspects to our business: exploration, development and production. Most people already refer to the company as "En-Zog", and NZOG will now be our logo as well as our name. We have also adopted some other design features, such as the 'depth lines' used on the images in this report, to give our publications a unique look and feel.

WEBSITE

A commitment to openness, transparency and servicing the needs of investors has seen New Zealand Oil & Gas Ltd (NZOG) named the top on-line communicator of New Zealand's 50 largest listed companies.

NZOG has taken out first place in the 2009 Wired Best Investor Website Awards.

The Awards, endorsed by the New Zealand Stock Exchange, are based on a survey of NZX50 company websites, examining how well a website communicates a company's purpose, how well it helps users find content and the degree to which it enhances interaction between investors and the listed entity.

NZOG is committed to keeping the investment community well informed and since picking up the top Award has already made some further improvements to the website. See for yourself at **www.nzog.com**

Summer of drilling

NZOG is a prominent participant this summer in what will be one of the most active offshore exploration programmes seen in New Zealand.

ALBACORE

First up is the Albacore-1 well, which will be drilled by the ENSCO-107 jack-up rig. The ENSCO-107 is due to be released from the Maari oil field in the southern Taranaki Basin in early November and will require a 36 hour window of calm weather to relocate to the Albacore well site, which lies approximately 60kms north of New Plymouth.

NZOG acquired a 40% interest in the Albacore permit (PEP 38491) in August 2009. The other partners are Westech (a subsidiary of Energy Corporation of America) with 50% and state-owned enterprise Mighty River Power, with 10%.

The permit contains three separate play fairways and a number of prospects, with Albacore the first to be drilled. Albacore is sited on a 3D seismically defined trap, which could not have been identified had only 2D data existed. The three dimensional resolution enables a degree of stratigraphical and sedimentological dissection that is not normally accomplished in “wild cat” exploration.

The first of the three separate play fairways is a Pliocene Fan, at a depth of approximately 1400m below sea level. Similar fan complexes have been found to be productive in the North Sea, the San Joaquin Basin in the USA, and in the Gulf of Mexico.

Below the Pliocene fan are two sequences of a broader and flatter fan system known as the Mangaa sands. A good analogue for this type of fan is found in offshore Brazil.

This will be the first well drilled in this permit. However, Todd Energy’s Karewa gas discovery (200 BCF estimated) is also within the Mangaa sand interval and is located 60 km to the north-east of Albacore. And 16 km to the west, the Kora wells made non-commercial discoveries of oil in the late 1980s.

NZOG believes the northern Taranaki basin is highly prospective and is keenly awaiting the outcome of the Albacore well. The well is expected to take around 20 days to drill through all three target zones. It will then be plugged and abandoned and the results analysed.

HOKI

The arrival in New Zealand waters of the semi-submersible drilling rig Kan Tan IV has been pushed back to early 2010. During the quarter, the rig underwent repairs, upgrades and maintenance at Geelong near Melbourne. It was then delayed by weather in relocating to Bass Strait, between Victoria and Tasmania. By early October the Kan Tan IV was on site in Bass Strait and had begun drilling the first of two, possibly three, wells.

Once that work is completed, the Kan Tan IV will be transported to New Zealand. The first well to be drilled in New Zealand is Hoki-1, in which NZOG has a 10% stake. Hoki is currently expected to spud in January 2010.

Hoki is a large potentially oil-bearing prospect on the western margin of the Taranaki basin. The Hoki-1 well will test both the primary Island Sandstone reservoir and a secondary target in the North Cape formation.

TUI

Following Hoki, the Kan Tan IV will move on to drill at least two appraisal wells in the Tui permit area. The Tui area oil fields are three separate oil reservoirs: Tui, Pateke and Amokura.
Around the largest of these - Tui - there appears good possibilities of further discoveries.

The Tui North East prospect will be tested, followed by either Tui South East or Tui South West, depending upon the results of the first well. Other near field prospects remain under review and may be tested by sidetracks from one or two of these wells.

Any commercial discovery could potentially be brought into production within 12-18 months. This would involve drilling a production well, installing a sub-sea completion and tying it back to the existing floating processing facility, the Umuroa.

NZOG 2010 DRILLING PROGRAMME

Well	NZOG Stake	Drilling Rig	Estimated Timing
Albacore-1	40%	ENSCO-107	Nov 2009
Hoki-1	10%	Kan Tan IV	Jan 2010
Tui North East	12.5%	Kan Tan IV	Feb/Mar 2010
Tui South East or Tui South West	12.5%	Kan Tan IV	Mar/Apr 2010

Offshore drilling does not come cheap. NZOG expects to spend at least NZ$30m this summer. But as several broker analysts have recently noted, the potential rewards are great.

For further information please contact:

David Salisbury, Chief Executive Officer
Chris Roberts, Public Affairs Manager

Call +64 4 495 2424
Toll free 0800 000 594 (NZ)
Email enquiries@nzog.com
Visit www.nzog.com

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

New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland
New Zealand

Freephone:
0800 467 335
Telephone:
+64 9 488 8777

Australia

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne
Victoria 3001
Australia

Freephone:
1 800 501 366
Telephone:
+61 3 9415 4083