

26 September 2012

NZOG confirms commitment to drill

The Kakapo prospect off the South Taranaki coast will be drilled when a suitable rig can be negotiated, New Zealand Oil & Gas Limited confirmed today.

NZOG was awarded the permit for the Kakapo prospect (Permit 51311) in 2009. The terms of the permit required the company to choose by this week whether to commit to drill or relinquish the permit.

Chief executive Andrew Knight says the drill commitment reflects the company's enthusiasm for the prospect and emphasises NZOG's intention to step up its exploration activity.

"NZOG has assessed the potential for Kakapo to be several times the size of the Tui or Maari fields. This has the potential to make a considerable contribution to our community and the New Zealand economy.

"NZOG has sought to further reduce equity in the prospect beyond our previously announced arrangement with Raisama Energy Ltd. We have made this commitment in the confident expectation that additional partners will join the venture ahead of drilling.

"NZOG is confident enough to move forward with the commitment at its current equity level. The prospect looks attractive as part of a portfolio of opportunities for new entrants to New Zealand," Andrew Knight said.

NZOG is reviewing options to secure a rig to drill Kakapo and expects the drill timetable to be confirmed within the next 6 months.

Kakapo lies in about 95 metres of water 25 kilometres west of the Kupe gas/condensate field. An exploratory well will be drilled to confirm seismic indications of the prospect.

The Kakapo prospect is a stacked series of inter-bedded Miocene coastal sands and shale from a depth of about 1600 metres, which are laterally truncated and considered to be sealed by deep, shale-filled canyons. It has prospective recoverable resources of 41 million barrels of oil in the "most likely" (P50) case for the main target sand alone; allowing for additional levels both above and below, and the possibility that the trap is filled all the way to its maximum spill point, there is potential (P10, "possible") for up to several hundred million barrels of oil in total.

NZOG has an agreement for Kakapo with ASX-listed Raisama Energy Ltd, which will earn a 10% stake in the permit by paying 20% of the first well costs, with the carry capped at US\$3 million. The well is expected to cost in the range of US\$25-30 million.

Attachment: NZOG South Taranaki permits

For further information please contact:

Andrew Knight, CEO John Pagani, External Relations Manager
Telephone: +64 4 495 2424 DDI: +64 4 471 8333 M: 021 570 821

**NZOG stock
symbols:**

NZX shares – NZO
ASX shares – NZO

