

news release

10 June 2014

New well drilled at Oi

A new well will be drilled in the Oi prospect in Petroleum Mining Permit 38158 after encountering difficulties setting casing.

Oi-1 had drilled a 17 ½ inch hole to a depth of 1,507 metres when operational difficulties were encountered setting casing. Attempts to install cement plugs and sidetrack the well were also unsuccessful.

The joint venture has decided to seal Oi-1 and abandon it, drilling a new well, Oi-2, nearby.

To improve conditions in Oi-2, 13 3/8 inch casing will be set at 550 metres rather than 1,500 metres planned in Oi-1. This will enable a drilling fluids system to be established at a shallow depth and improve management of conditions in the well bore. Then a 12 ¼ hole will be drilled to 1,500 metres before 9 5/8 inch casing is set. An 8 ½ inch hole will then be drilled to the target depth of 3,881 metres.

The drilling programme is now planned to take up to 48 days at a cost of around USD40 million (\$7.5 million to New Zealand Oil & Gas).

Oi is about 37 kilometres off the coast of Taranaki, New Zealand in about 120 metres of water.

The operator has publicly stated a pre-drill un-risked best estimate prospective resource of 11 million barrels of recoverable oil. The New Zealand Oil & Gas share at drilled equity of 18.75 per cent is 2.06 million barrels, with the option to restore to 27.5 per cent equity (3 million barrels) in exchange for reimbursement of pro-rata costs and a buy back premium. A further joint venture partner, Pan Pacific Petroleum, has publicly released its own estimates of the prospective resource. New Zealand Oil & Gas considers the well has a 17 per cent geological chance of success, and a 16 per cent chance of commercial development.

Resources in this statement have been evaluated using a probabilistic methodology. The estimate of prospective resources referred to in this statement is based on, and fairly represents, information and supporting documentation prepared by New Zealand Oil & Gas Vice President of Operations and Engineering Andrew Jefferies (B Eng Mech Hons, Msc Pet Eng, MBA), a Society of Petroleum Engineers Certified Petroleum Engineer who has over 23 years of industry experience, and reflects and summarises the most current information supplied by the joint venture operator. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project 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.

The joint venture partners in the Oi exploration well are:
AWE Limited: 31.25% (Operator).

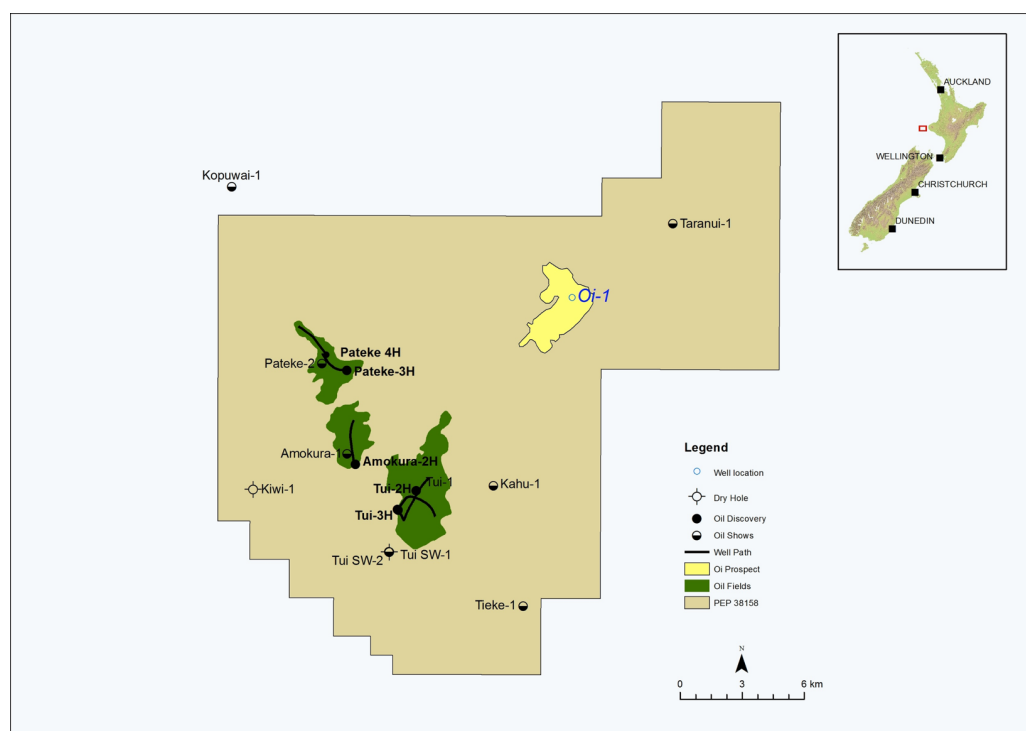
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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

Pan Pacific Petroleum: 50%
New Zealand Oil & Gas (through subsidiary): 18.75%.



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