

# nzog



**NZOG (New Zealand Oil & Gas Ltd) is an independent exploration and production company listed on both the New Zealand (NZX) and Australian (ASX) stock exchanges.**

The company has 30 years E&P experience and currently has two key production assets, two substantial investments in listed resource companies, a promising exploration portfolio and is actively pursuing a growth strategy through exploration and acquisition.

NZOG is constantly screening new petroleum opportunities, both within New Zealand and overseas, with the intention of bringing the best of those opportunities into its portfolio.

# Corporate Information

## Registered and Head Office

Level 20, 125 The Terrace, PO Box 10725  
Wellington 6143, New Zealand

## Securities on Issue

As at 31 December 2009 NZOG had the following securities on issue:

<b>Listed Ordinary Shares</b>	<b>389,037,572</b>
<b>Unlisted Partly Paid Shares</b>	<b>4,320,000</b>

As at 31 December 2009 NZOG's largest single shareholder was the Accident Compensation Corporation of New Zealand (ACC) with 17.5m ordinary shares, or 4.5%.

## Financial Strength

NZOG is on a secure financial footing. As at 31 December 2009, our cash balance was the equivalent of NZ\$176.4m. Approximately 80% of this cash is held in US dollar denominated accounts with major NZ based banks.

As at 31 December 2009, NZOG had drawn down NZ\$57.8m from a NZ\$75m funding facility with Westpac and had a net cash position of the equivalent of NZ\$118.6m.

### FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

<b>Operating Revenue</b>	<b>NZ\$138.7m</b>
<b>EBITDA</b>	<b>NZ\$88.9m</b>
<b>NPAT</b>	<b>NZ\$53.2m</b>

More financial details are available from [www.nzog.com/financialsummary](http://www.nzog.com/financialsummary)

## Oil and Gas Reserves

NZOG's remaining Proven and Probable (2P) Reserves as at 31 December 2009 were:

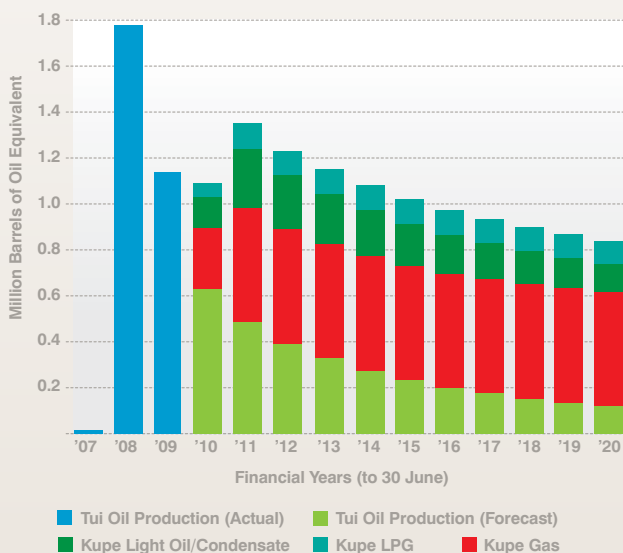
	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
<b>Tui</b>	3.1			3.1
<b>Kupe</b>	2.2	38	159	9.9
<b>Total</b>				<b>13.0</b>

\*Million barrels of oil equivalent has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures

## Production

NZOG has existing production from the Tui area oil fields (12.5% partner) and the Kupe oil and gas field (15% partner). NZOG's expected aggregate production profile from Tui and Kupe is shown in the graph below.

**NZOG PRODUCTION: ACTUAL AND FORECAST**

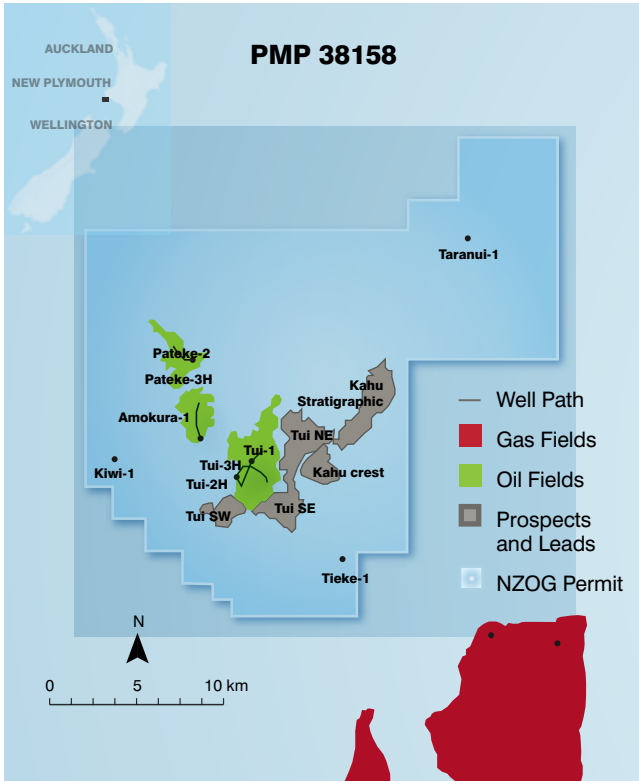




The Tui production facility, the Umuroa

# Production

## Tui



The Tui joint venture partners are:

**New Zealand Oil & Gas Limited 12.5%**

**Australian Worldwide Exploration (AWE) 42.5%**

**Pan Pacific Petroleum 10%**

**Mitsui E&P Australia Pty Limited 35%**

**AWE is the operator of the Tui area oil fields, on behalf of the joint venture.**

The Tui area oil fields are located in the offshore Taranaki basin, New Zealand, approximately 50km off the coast in water depth of about 120m. Production began on 30 July 2007 – just 4½ years after discovery by NZOG and its partners, and 20 months after the investment decision. Tui was New Zealand’s first stand-alone offshore oil development.

### THE DEVELOPMENT

The Tui area oil fields lie within Petroleum Mining Permit (PMP) 38158. Three separate oil accumulations have been developed - Tui, Amokura and Pateke. The development comprises four horizontally drilled and subsea completed wells, each tied back to a leased Floating Production Storage and Offtake (FPSO) vessel, the “Umuroa”.

The Tui area oil fields were developed at a total cost of US\$274m. The FPSO lease contract and the operating and maintenance contract are the main operating costs. In May 2008 an agreement was signed extending the fixed charter term through to the end of 2015. After that date the Tui joint venture now has seven, one-year options to extend, giving a maximum term of 15.4 years from the date of first production.

### RESERVES

The initial Proven and Probable (2P) Reserves for the Tui area oil fields have been increased several times. The pre-production estimate was 27.9 mmbbls – NZOG’s share 3.5 mmbbls. The most recent

full-life reserves assessment in August 2009 was 50.5 mmbbls – NZOG’s share 6.3 mmbbls.

### PRODUCTION

Production from Tui has been higher than originally expected. Associated water has been produced at a lower rate than that predicted by the original field simulation models, allowing a high oil production rate to continue for longer.

The facilities have also performed extremely well. Oil has been produced on every day apart from a scheduled six day maintenance shutdown in December 2008.

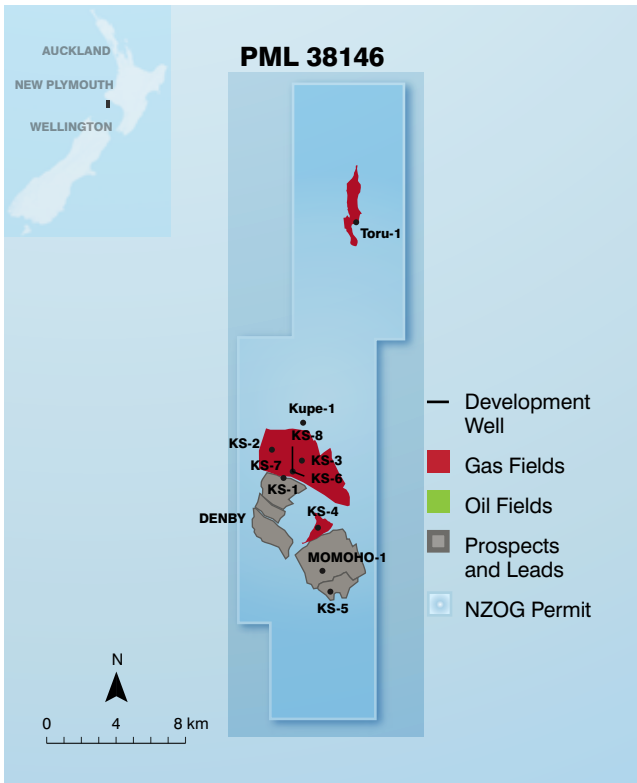
Production for the period ended 30 June 2008 was 14.23 mmbbls, against a pre-production estimate of around 9 mmbbls. Production for the year ended 30 June 2009 was 9.12 mmbbls, against an original forecast of 6 mmbbls and a revised forecast of 9 mmbbls. Forecast production for the year ended 30 June 2010 is for between 4.7 and 5.1 mmbbls.

### SALES

Tui oil is a light, sweet crude that has been typically sold into refineries on the east coast of Australia or in south-east Asia.

A forward sales contract has been signed with Shell in Australia for all Tui production in 2010, at a premium above the regional Tapis crude benchmark.

# Kupe



The Kupe joint venture partners are:

**New Zealand Oil & Gas Limited 15%**

**Origin Energy 50%**

**Genesis Energy 31%**

**Mitsui E&P Australia Pty Limited 4%**

**Origin Energy is the operator of the Kupe field, on behalf of the joint venture.**

Kupe is a gas and light crude field discovered by NZOG that lies in the offshore Taranaki basin, New Zealand, approximately 30km off the coast in water depth of about 25 metres. The project commenced production in December 2009.

## THE DEVELOPMENT

The project has developed the Kupe central field area, within Petroleum Mining License (PML) 38146. The development comprises three production wells, a normally unmanned offshore platform, a 30 km pipeline to shore, an onshore production station near Hawera, and oil storage facilities at New Plymouth.

The Final Investment Decision was made in June 2006 and the development cost was around NZ\$1.3 billion (US\$900m).

## PRODUCTION

Production began in December 2009. The life span of the production is estimated to be 15-19 years.

NZOG has entered into a long-term gas sales agreement with Genesis Energy for its share of Kupe gas. Genesis Energy is a state owned electricity generator and retailer, and gas wholesaler and retailer, and a 31 per cent partner in the Kupe project.

NZOG has entered into a long-term sales agreement with Vector Ltd for its share of Kupe LPG. Vector is a publicly listed gas and electricity network company. NZOG's share of the Kupe light oil/condensate will be exported.

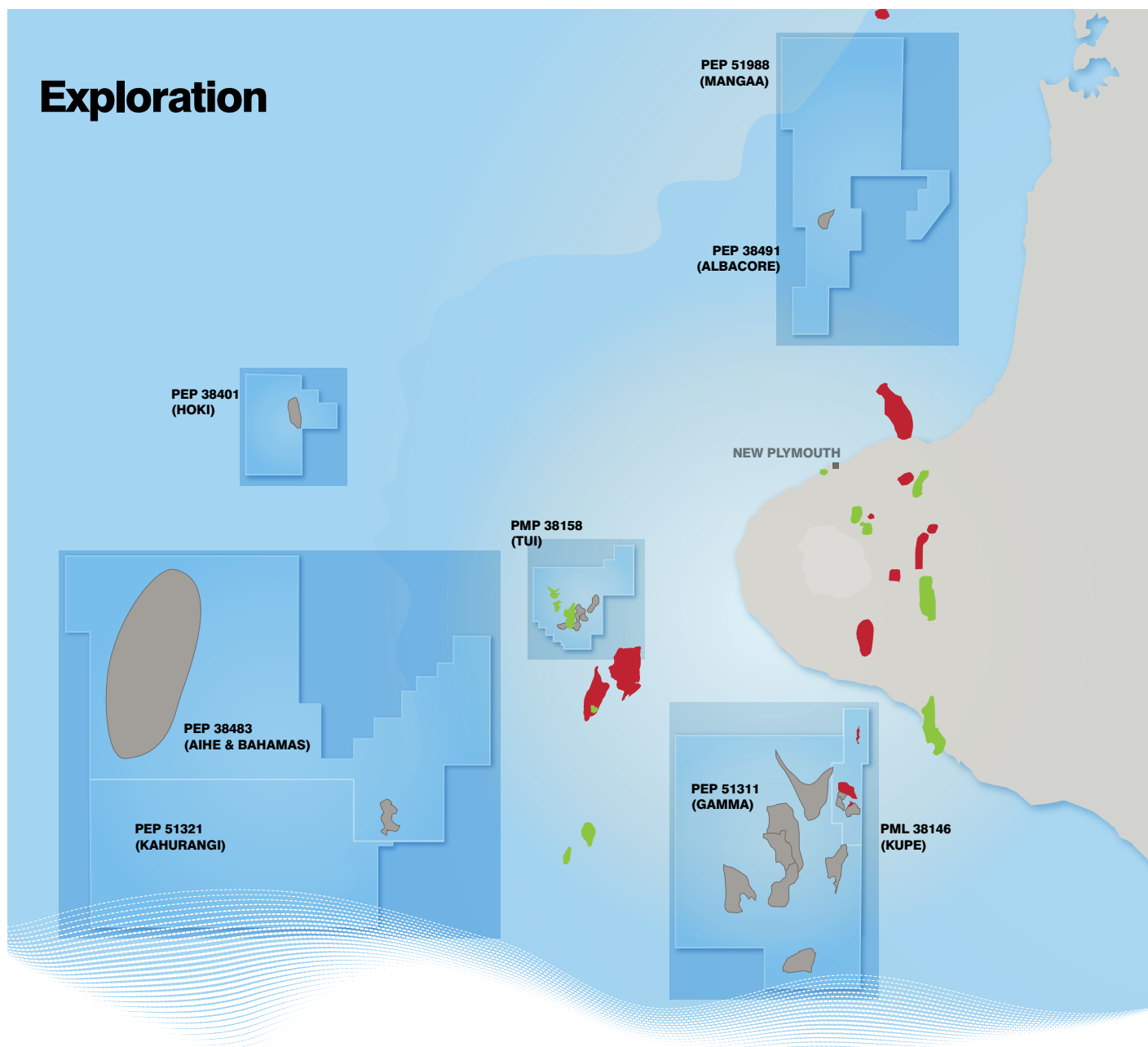
## RESERVES

At the time of the investment decision in June 2006, Proven and Probable (2P) Reserves for the Kupe central field area were estimated to be:

- 254 petajoules of sales gas (NZOG's share 38PJ)
- 14.7 mmbbls of light oil/condensate (NZOG's share 2.2 mmbbls)
- 1.1 million tonnes of LPG (NZOG's share 165,000 tonnes)

A reserve reassessment is expected in 2010.

# Exploration



**NZOG has exploration acreage in New Zealand's only hydrocarbon-producing region, the Taranaki Basin, and a 40% share of a permit in the offshore Canterbury Basin. NZOG is actively looking for other opportunities in New Zealand and overseas.**

## TARANAKI BASIN

### PEP 51311 (Gamma) NZOG Interest 100%

NZOG was awarded a new five year exploration permit in 2009 which lies to the west and south of the Kupe field. 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.

506km of new 2D seismic was shot in February 2009,

as soon as the permit was granted. 2,266km of pre-existing 2D seismic data was reprocessed. Following delivery of processed data, the prospective features identified prior to applying for the block have been mapped with improved resolution and several prospects and leads are under detailed evaluation. It is anticipated that NZOG will offer selected peer companies the opportunity to farm in to the project.

### PEP 38491 (Albacore) NZOG Interest 40%

This permit in the northern offshore Taranaki Basin

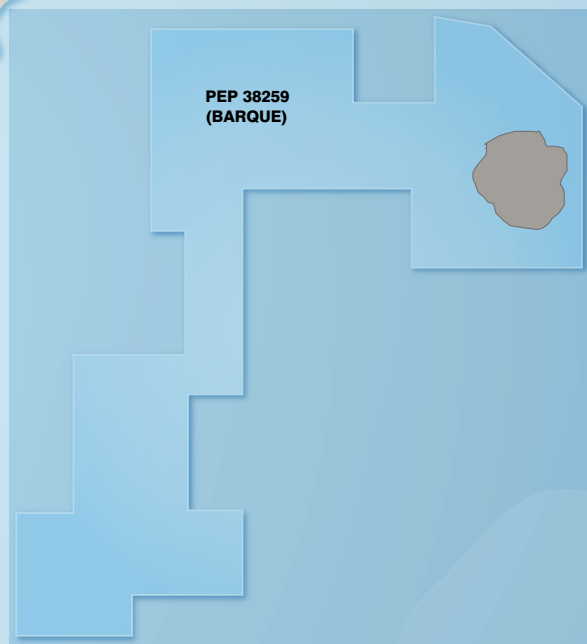
contains a number of identified oil and gas prospects. The first of these, Albacore, was drilled in December 2009 by the jack-up drilling rig, ENSCO-107. Only traces of hydrocarbons were found. Information from the drilling will be incorporated into our ongoing assessment of the permit.

### PEP 51988 (Mangaa) NZOG interest 100%

NZOG's Permit in Time (PIT) application for a block immediately to the north of PEP 38491 was granted on 15 January. The permit work programme requires NZOG to undertake technical studies



- Gas Field
- Oil Field
- Prospects and Leads
- Permit Under Application
- NZOG Permits



during the first 24 months of the the permit term.

**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 in 1stH 2010.

**PML 38146 (Kupe)**  
**NZOG Interest 15%**

This permit includes the Kupe Central Field and also contains a number of other potential structures containing oil or gas. The joint venture has agreed to an exploration work programme

in 2010 which involves further desktop assessment of those prospects.

**PEP 38483 (Aihe and Bahamas)**  
**NZOG Interest 18.9%**

The permit contains the Aihe oil prospect and the Bahamas biogenic gas play. In December 2009 the joint venture proposed to the Government a change of terms for the permit and is waiting for a decision.

**PEP 51321 (Kahurangi)**  
**NZOG Interest 18.9%**

A new five year exploration permit covering 3000 sq km immediately to the south of PEP 38483 was awarded in

March 2009. Historic 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.

**PEP 38401 (Hoki)**  
**NZOG Interest 10%**

This permit, which lies approximately 150km northwest of New Plymouth, contains the Hoki oil prospect, which is to be drilled by the semi submersible rig Kan Tan IV around February 2010. The Hoki-1 well will test a sizable prospect on the western margin of the Taranaki basin that has the potential to be a large oil-bearing reservoir.

**CANTERBURY BASIN**

**PEP 38259 (Barque)**  
**NZOG Interest 40%**

This permit in the offshore Canterbury Basin contains the Barque prospect. A 2D seismic survey was undertaken in February 2009. Crown Minerals has granted an extension to the permit conditions, which will allow time for the results of this survey to be fully evaluated. A decision on drilling an exploration well has to be made by August 2010.

# Investments



## PIKE RIVER COAL LTD (PRC)

**The Pike River coal mine is on the West Coast of New Zealand's South Island. It is an underground mine producing high value coking coal.**

A former subsidiary of NZOG, PRC became a separately listed company on the NZX and ASX following a successful initial public offering (IPO) in July 2007.

The seam of high quality coking coal was reached in October 2008. An estimated 17.6 million tonnes will be recovered over the life of the mine with production expected to build to over one million tonnes per annum.

NZOG currently has a stake of just under 30% in PRC, through 85.4m shares.

PRC is a significant investment for NZOG. In due course PRC is likely to be less relevant to NZOG's future as a focussed oil and gas company, but there are no immediate plans to dispose of the stake.

## PAN PACIFIC PETROLEUM (PPP)

In December 2008, NZOG acquired a strategic stake of 15% in PPP, one of NZOG's partners in the Tui oil fields. PPP is an Australian-based E&P company.

NZOG identified a value creating opportunity and has a cornerstone shareholding in a successful business, whose main asset is well understood by NZOG.

# Growth Strategy



NZOG is pursuing growth off a solid base – optimising our existing assets and pursuing new opportunities.

NZOG has a strong balance sheet and positive operating cash flows, and is well positioned to secure new opportunities to further build shareholder value.

The Kupe oil and gas field and the Tui area oil fields provide a reliable cash flow. NZOG is expanding its exploration portfolio and anticipates offering several interesting farm-in opportunities in 2010.

The combination of a strong balance sheet, ongoing

production revenue and a diverse portfolio places NZOG in a strong position.

NZOG has an ongoing process of identifying and assessing new business opportunities.

Our criteria for investment include:

- Focus on oil and gas exploration and production
- Proven hydrocarbon systems
- Quality business partners
- Suitably attractive fiscal regime
- Access to markets and infrastructure

- Manageable regulatory and political risk

- Manageable financial exposure

- Near term payback as opposed to long term horizons

- Establishing one or two new core areas (in addition to offshore Taranaki)

Within these definitions we look to identify a range of potential investments and work hard to secure the best of them.

We are building on the success of the past few years as we pursue sensible growth opportunities to enhance shareholder value.

# Our People



## NZOG Management

### David Salisbury CEO and Managing Director

David Salisbury joined NZOG in April 2007. He obtained his LLB and BCA from Victoria University in Wellington. His career includes senior commercial positions with Petrocorp Exploration, Fletcher Challenge Energy, Preussag Energie and OMV. Before joining NZOG he was Vice President Business Development for OMV based in Vienna, with responsibility for OMV's worldwide business development activities.

### Mac Beggs Exploration Manager

Mac Beggs joined NZOG in May 2009 as interim Exploration Manager and accepted the permanent role in October 2009. Before joining NZOG he was founder and Managing Director for 12 years of GeoSphere Ltd, an exploration geoscience consultancy. Prior to that he was Group Manager Resources with GNS Science and a petroleum geologist with its predecessor DSIR divisions from 1988 to 1997. Earlier he worked as a petroleum exploration geologist for the US affiliate of BP in Texas. Mac has BSc and MSc degrees in geology from the University of Otago and a PhD in geological sciences from the University of California.

### Hugh Steed New Ventures Manager

Hugh Steed joined NZOG in August 2008. He obtained a Joint Honours degree in Physics and Geology from Manchester University, a PhD in Geophysics from Cambridge University, and attended the Executive Development Program at Northwestern University, Chicago. He has 30 years of international experience in the energy industry covering exploration, production, business development and strategic planning with BP, Fletcher Challenge Energy, Shell and Transpower.

## NZOG Board

The Board currently has 8 directors, with this number to reduce to 7 ahead of the 2010 Annual Meeting. The maximum number of directors was temporarily increased to 8 in 2009 to assist with renewal and succession planning.

Director	Appointed	Position	Expertise
<b>Tony Radford ACA</b>	1981	Chairman	Resource company management
<b>Prof Ray Meyer ONZM, BE, PhD, DistFIPENZ</b>	2000	Deputy Chairman (Independent)	Engineering and energy
<b>Paul Foley BCA, LLB</b>	2000	(Independent)	Legal and finance
<b>Peter Griffiths, BSc(Hons)</b>	2009	(Independent)	Energy operations and finance
<b>Andrew Knight BMS(Hons)</b>	2008	(Independent)	Energy operations and finance
<b>Steve Rawson BSc, MSc</b>	2000	(Independent)	Energy and trading
<b>David Salisbury BCA, LLB</b>	2007	CEO and Managing Director	Worldwide oil & gas exploration
<b>David Scoffham MA, MSc</b>	2003	(Independent)	Worldwide oil & gas exploration



**Markus Schuh**  
**Reservoir Engineering**  
**Manager**

Markus Schuh joined NZOG in November 2007 after working with companies across Central Europe, Asia and New Zealand. He started his career with ExxonMobil and subsequently joined OMV where he was responsible for OMVs' assets in Pakistan as Chief Reservoir Engineer. Before joining NZOG he was working for Shell Todd Oil Services in New Zealand. Markus holds a MSc. in Reservoir Engineering from Mining University Leoben, Austria.



**Craig Jones**  
**Chief Financial Officer**

Craig Jones joined NZOG in April 2009. He has 20 years broad experience in the corporate and financial management of listed companies. Craig joined NZOG from Petsec Energy Ltd, a Sydney-based ASX listed oil & gas exploration and production company with interests in the USA and China. He is a Fellow of both the Australian Society of CPAs and the Institute of Chartered Secretaries and has a Business degree from the University of Southern Queensland.



**Ralph Noldan**  
**General Counsel**

Ralph Noldan joined NZOG in November 2009. After graduating with a BCA from Victoria University of Wellington, Ralph worked as an accountant in the petroleum industry in New Zealand and the UK. In Sydney, Ralph graduated as a lawyer and was Company Secretary for an ASX listed petroleum exploration company for over 8 years. He then moved into private legal practice, working in the resources group of one of Australia's pre-eminent law firms, Mallesons Stephen Jaques. Prior to returning to New Zealand, Ralph was a partner at another Australian national law firm, Holding Redlich.



**Chris Roberts**  
**Public Affairs Manager**

Chris Roberts joined NZOG in September 2007. After graduating with a BA in Politics and History from University of Waikato, Chris worked as a journalist for more than ten years, becoming a senior editor at Radio NZ. He then spent three years as a Parliamentary Press Secretary followed by five years in senior public affairs roles at Transpower NZ Ltd. Chris is on the Executive Committee of the Petroleum Exploration and Production Association of New Zealand (PEPANZ).

**NZOG's**  
**Technical Team**

It is only possible to pursue a strategy of sensible growth, thorough evaluation of new opportunities and active involvement in our business interests, because we have put together a strong, accomplished and experienced staff.

At the core of the company is our technical team – our geologists and geophysicists and reservoir engineer. Between them they have over 200 years of worldwide industry experience.

We have engaged two senior explorationists from the UK and Canada to act as our Northern Hemisphere scouts – identifying and investigating new investment opportunities.



**Standing (from left to right):** Mark Wallis, *Geoscience Co-ordinator*; Jeff Beckett, *Staff Geophysicist*; Markus Schuh, *Reservoir Engineering Manager*; Hugh Steed, *New Ventures Manager*; Jonathan Salo, *Chief Geologist*; Mac Beggs, *Exploration Manager* **Seated (from left to right):** Nick Johnston, *UK Consultant*; Tim England, *Canada Consultant*; Sam Bowler, *Staff Geologist*; Paul Wagenhofer, *Chief Geophysicist*. **Absent on Maternity Leave:** Bernice Herd *Staff Geophysicist*



**For further information please contact:**

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