

14 July 2010

## Increase in Kupe Reserves

NZOG (New Zealand Oil & Gas Ltd) is pleased to advise that following a detailed reserves review, the initial proved and probable (2P) reserves in the Kupe Field have been increased.

The initial 2P sales gas reserves have increased by 8%, LPG reserves by 5% and light oil (condensate) reserves by 27%.

NZOG Chief Executive David Salisbury said the outcome of the reserves review is very good news.

“The light oil provides the greatest financial return of the three products, so confirmation that the field is more ‘liquids-rich’ than initially estimated is particularly significant.

“At current prices, the additional NZOG reserves have a sales value of nearly NZ\$100 million.”

NZOG’s share of the reserves increase is approximately 3 petajoules (PJ) of gas, 8,000 tonnes of LPG and 600,000 barrels of light oil.

The Kupe gas and oil field lies 30km off the south Taranaki coast. It has been producing natural gas, LPG and light oil since the wells were opened in early December 2009. Following a commissioning period, permanent production commenced in March 2010. The project was developed for a total cost of approximately \$1.3 billion.

The reserves review has integrated new petrophysical, fluid sample and well test information with full field static and dynamic reservoir models. As a result of this modeling, initial 2P reserves have been revised to 273 PJ of sales gas, 1,114 kilotonnes of LPG and 18.6 million barrels of light oil.

Production since commissioning commenced on 3 December 2009 until 30 June 2010 has totaled 10 PJ of sales gas, 32 kilotonnes of LPG and around 1 million barrels of light oil. The remaining 2P reserves at 30 June 2010 are therefore 263 PJ of sales gas, 1,082 kilotonnes of LPG and 17.6 million barrels of light oil.

The reserves review has also clarified the anticipated requirements for additional capital expenditure later in the field’s life. It is now expected that this will include two additional production wells and full field compression. NZOG estimates its capex share will be NZ\$20-30m. The costs and the precise timing will be refined over the coming year.

“Kupe will be able to achieve higher production for relatively little incremental cost,” David Salisbury said.

“Kupe will meet a significant portion of New Zealand’s energy needs over the next 15 years or more. For NZOG, it will provide long term cash flows from three revenue streams.

“Developing the Kupe field was a major undertaking but the rewards are significant. This reserves upgrade is more icing on the cake,” David Salisbury said.

	<b>Pre-production Initial 2P Reserves</b>	<b>2010 Revision Initial 2P Reserves</b>	<b>Reserves Increase</b>	<b>% Increase</b>
<b>Sales Gas:</b>	254	273	19	8
(PJ)				
NZOG share	<b>38</b>	<b>41</b>	<b>3</b>	
<b>LPG:</b>	1062	1114	52	5
(kilotonnes)				
NZOG share	<b>159</b>	<b>167</b>	<b>8</b>	
<b>Light Oil:</b>	14.7	18.6	3.9	27
(mmbbls)				
NZOG share	<b>2.2</b>	<b>2.8</b>	<b>0.6</b>	

**Kupe participants are:**

Origin Energy Resources (Kupe) Limited	50 per cent (Operator)
Genesis Energy	31 per cent
New Zealand Oil & Gas Limited	15 per cent
Mitsui E&P Australia Pty Ltd	4 per cent

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**NZOG stock**

**symbols:**  
NZX shares – NZO  
ASX shares – NZO