



22 November 2007

INCREASE IN RESERVES FOR TUI

Oil Reserves for the Tui Area Oil Project have been increased to 41.7 million barrels, 30% above the previous estimate and nearly 50% above pre-development predictions.

The new figure for proved and probable (2P) reserves compares with estimated reserves of 27.9 million barrels on which the Tui Area Oil Project in off-shore Taranaki was first sanctioned, and an interim re-estimate of 32 million barrels following completion of the development drilling campaign.

New Zealand Oil and Gas Ltd (NZOG) has a 12.5% share of the Tui Area Oil Project. NZOG's share of the reserves has increased from 3.5 million barrels (pre-development) to 5.2 million barrels.

Tui oil is a light sweet crude that is generally sold, with freight and quality differentials, against the Tapis benchmark crude, which has recently surpassed US\$100 a barrel. The reserves upgrade for NZOG of 1.7 million barrels, at current oil prices and exchange rates, has a gross value of more than NZ\$200 million.

The increase in reserves follows a reassessment of the field by the operator (AWE) based on interpretation of re-processed 3D seismic, a more detailed assessment of the Kapuni reservoir and the integration of the production data from the fields since production began on 30 July 2007. The increased reserves assume production from the existing four wells, plus the completion of an additional development well in the Tui oil field, Tui-4H. Preliminary planning for drilling of this well has begun, with drilling targeted for 2009.

Since the start of production on 30 July 2007, the Tui Area Oil Project has produced approximately 4.4 million barrels of oil. Recent production rates of up to 50,000 barrels of oil per day have been achieved, with the current well capacity still substantially higher than the processing capacity of the FPSO Umuroa. Water is being produced from the field, but at substantially lower rates than expected. Based on the current reservoir and facility performance and the upgrade in reserves, AWE has revised the Tui gross oil production for the year to 30 June 2008 up from 10 million barrels to approximately 11 million barrels (approximately 1.4 million barrels net to NZOG).

ENDS

Participants in Tui Area Oil Fields are:

New Zealand Oil & Gas Ltd (through its subsidiary Stewart Petroleum Co. Ltd)	12.5%
AWE * (Operator)	42.5%
Mitsui E & P Australia Pty Ltd	35.0%
Pan Pacific Petroleum NL (through its subsidiary WM Petroleum Ltd)	10.0%

* New Zealand Overseas Petroleum Pty Ltd (22.5%)
AWE New Zealand Pty Limited (20.0%)

market release

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NZOG stock symbols: NZX shares - NZO options - NZOOD
ASX shares - NZO options – NZOO