

# nzog

## Company Profile

**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, 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 2010 NZOG had the following securities on issue:

<b>Listed Ordinary Shares</b>	<b>393,712,727</b>
<b>Unlisted Partly Paid Shares</b>	<b>4,415,000</b>

As at 31 December 2010 NZOG's largest single shareholder was the Accident Compensation Corporation of New Zealand (ACC) with 27.1m ordinary shares, or 6.9%.

## Financial Strength

NZOG is in a secure financial position. As at 31 December 2010, our cash balance was the equivalent of NZ\$112m. Approximately half of this cash is held in US dollar denominated accounts with major Australasian banks.

As at 31 December 2010, NZOG had drawn down NZ\$63m from a NZ\$75m debt facility with Westpac giving NZOG a net cash position of NZ\$49m.

Financial Highlights (In NZ\$m)	FY 2010
Revenue	99.4
EBITDAX*	64.5
EBITDA	33.8
EBIT	18.1
Net Profit After Tax	(3.3)
Normalised Profit After Tax**	13.8
Net Operating Cash Flow	47.4
<b>NZ Cents</b>	
Dividend per share (fully imputed)	5

\* Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration.

\*\* Adjusting for forex losses (net of 30% tax) and share of PRCL losses.

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 2010 were:

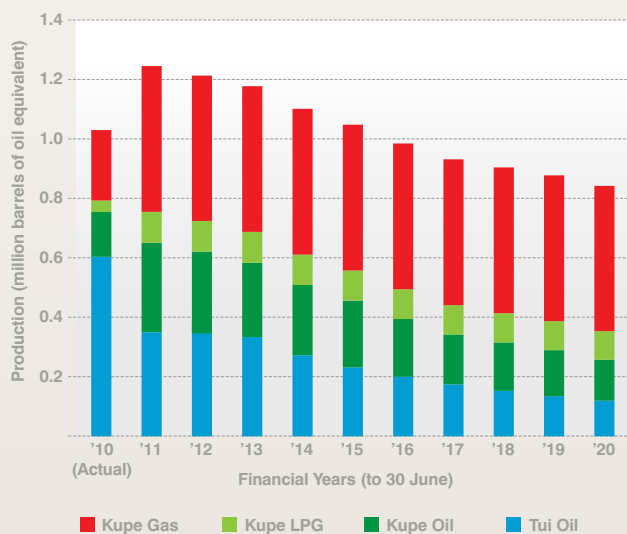
	Oil & Condensate (million barrels)	Natural Gas (petajoules)	LPG (kilotonnes)	Million Barrels of Oil Equivalent*
<b>Tui</b>	2.6			2.6
<b>Kupe</b>	2.5	38	156	9.8
<b>Total</b>				<b>12.4</b>

\*Million barrels of oil equivalent has been calculated as the total oil equivalent of the oil, condensate/light oil, natural gas and LPG figures, using conversion factors consistent with Society of Petroleum Engineers (SPE) guidelines.

## Production

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

**NZOG PRODUCTION: ACTUAL AND FORECAST**

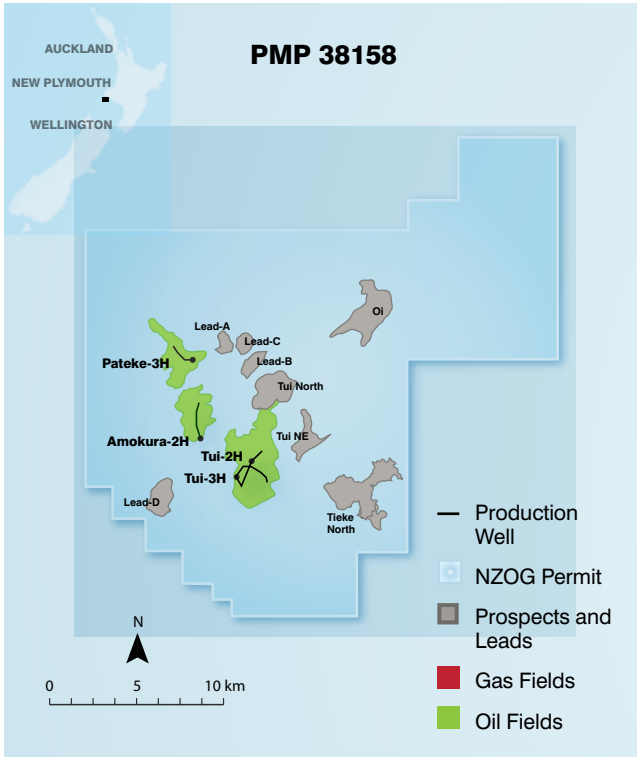




The Tui production facility, the Umuroa

# Production

## Tui



The Tui area oil fields are located in the offshore Taranaki basin, New Zealand, approximately 50km off the coast in water depth of about 120m.

### THE DEVELOPMENT

Tui was New Zealand's first stand-alone offshore oil 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. The fixed charter term runs through to the end of 2015. After that date the Tui joint venture 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 most recent full-life reserves assessment in August 2009 was 50.5 mmbbls – NZOG's share 6.3 mmbbls.

### PRODUCTION

Production began on 30 July 2007 – just 4½ years after discovery by NZOG and its partners, and 20 months after the investment decision. As expected, production rates from Tui are declining over time. However, overall production 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.

Financial Year	Total Production	NZOG's 12.5% share
2008	14.23 mmbbls	1.78 mmbbls
2009	9.12 mmbbls	1.14 mmbbls
2010	4.83 mmbbls	604,000 barrels

### SALES

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

The Tui joint venture partners are:

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

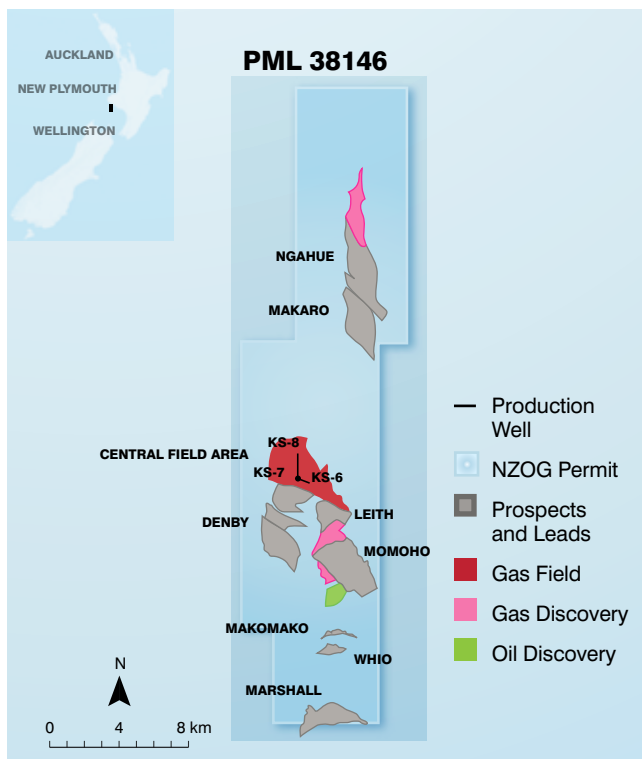
**AWE NZ Pty Ltd 42.5%**

**Pan Pacific Petroleum NL 10%**

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

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

# Kupe



Kupe is a gas and light oil field discovered by NZOG that lies in the offshore Taranaki basin, New Zealand, approximately 30km off the coast in water depth of about 35 metres.

## 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 investment decision was taken in June 2006 and the final development cost was around NZ\$1.3 billion (US\$900m).

## RESERVES

A reserve reassessment in 2010 saw the initial Proven and Probable (2P) reserves increased significantly to:

- 273 PJ of sales gas (NZOG's share 41 PJ)
- 18.6 mmbbls of light oil (NZOG's share 2.8 mmbbls)
- 1.11 million tonnes of LPG (NZOG's share 167,000 tonnes)

## PRODUCTION

Production began in December 2009. Following a comprehensive commissioning period, permanent production began in March 2010.

Production	Total Production	NZOG's share
<b>FY2010 (Dec09-June10)</b>		
Sales Gas	10 PJ	1.5 PJ
Light Oil	1 million barrels	150,000 barrels
LPG	32,000 tonnes	4,800 tonnes
<b>1HFY2011 (July10-Dec10)</b>		
Sales Gas	8.8 PJ	1.2 PJ
Light Oil	950,000 barrels	143,000 barrels
LPG	39,000 tonnes	5,800 tonnes

The Kupe joint venture partners are:

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

**Origin Energy Ltd 50%**

**Genesis Energy 31%**

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

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

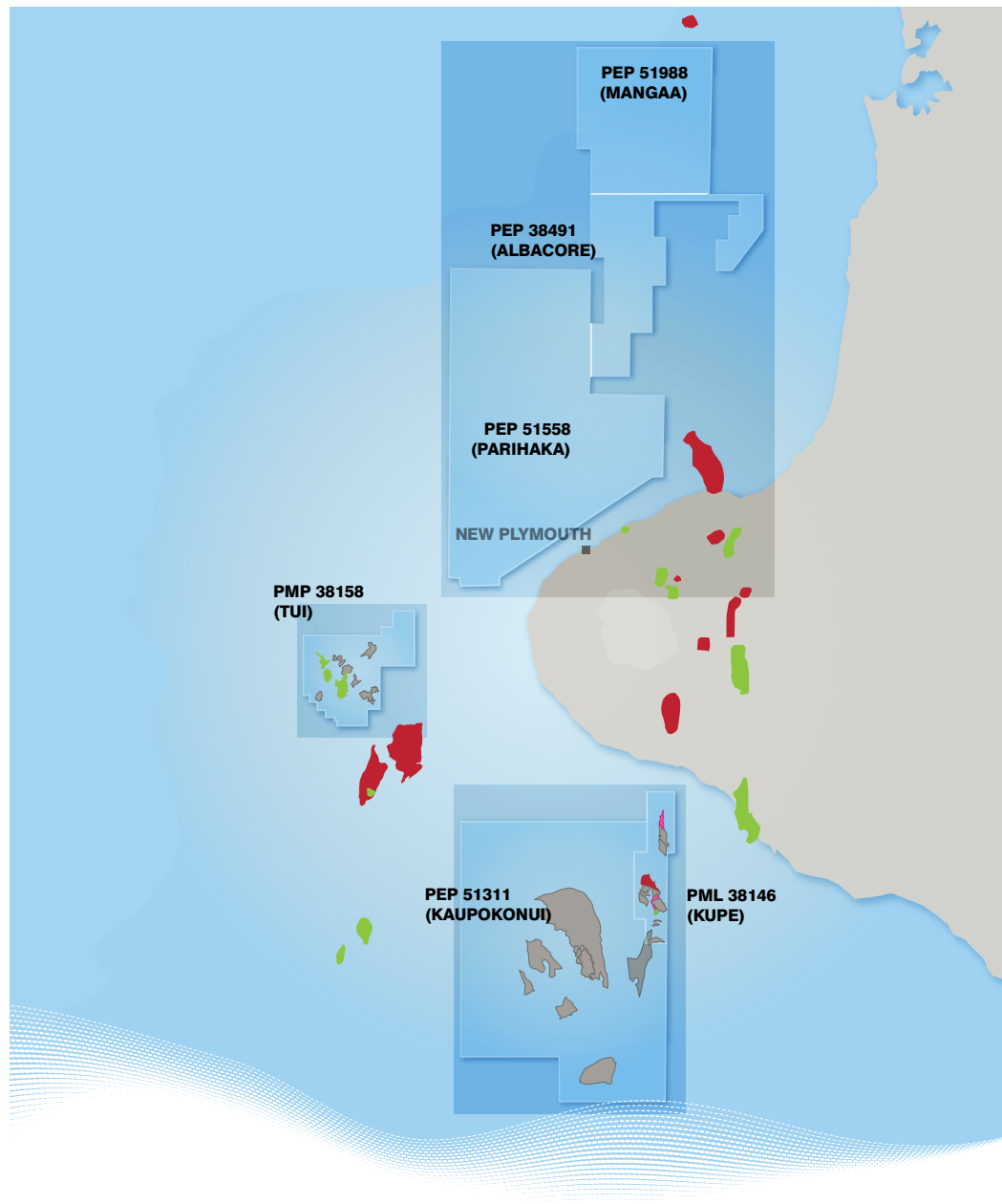
## SALES

NZOG has 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 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 is exported.

# Exploration

**NZOG has exploration acreage in New Zealand's only hydrocarbon-producing region, the Taranaki Basin, and interests in the offshore Canterbury Basin. NZOG maintains an active programme of farming-out and farming-in to New Zealand ventures, and screening of other opportunities overseas.**



## TARANAKI BASIN

NZOG is currently focused on the underexplored Southern and Northern parts of the offshore Taranaki Basin.

### PEP 51311 (Kaupokonui) NZOG Interest 90%

In 2009 NZOG was awarded an exploration permit which lies to the west and south of the Kupe field. 500km of new 2D seismic has been comprehensively interpreted and a number of leads and prospects have been mapped including Kaupokonui. The Kaupokonui prospect is a stacked series of Motueka coastal sands, which are

laterally truncated and prognosed to be sealed by deep canyons. Estimates of mean prospective resources are 200+ million barrels.

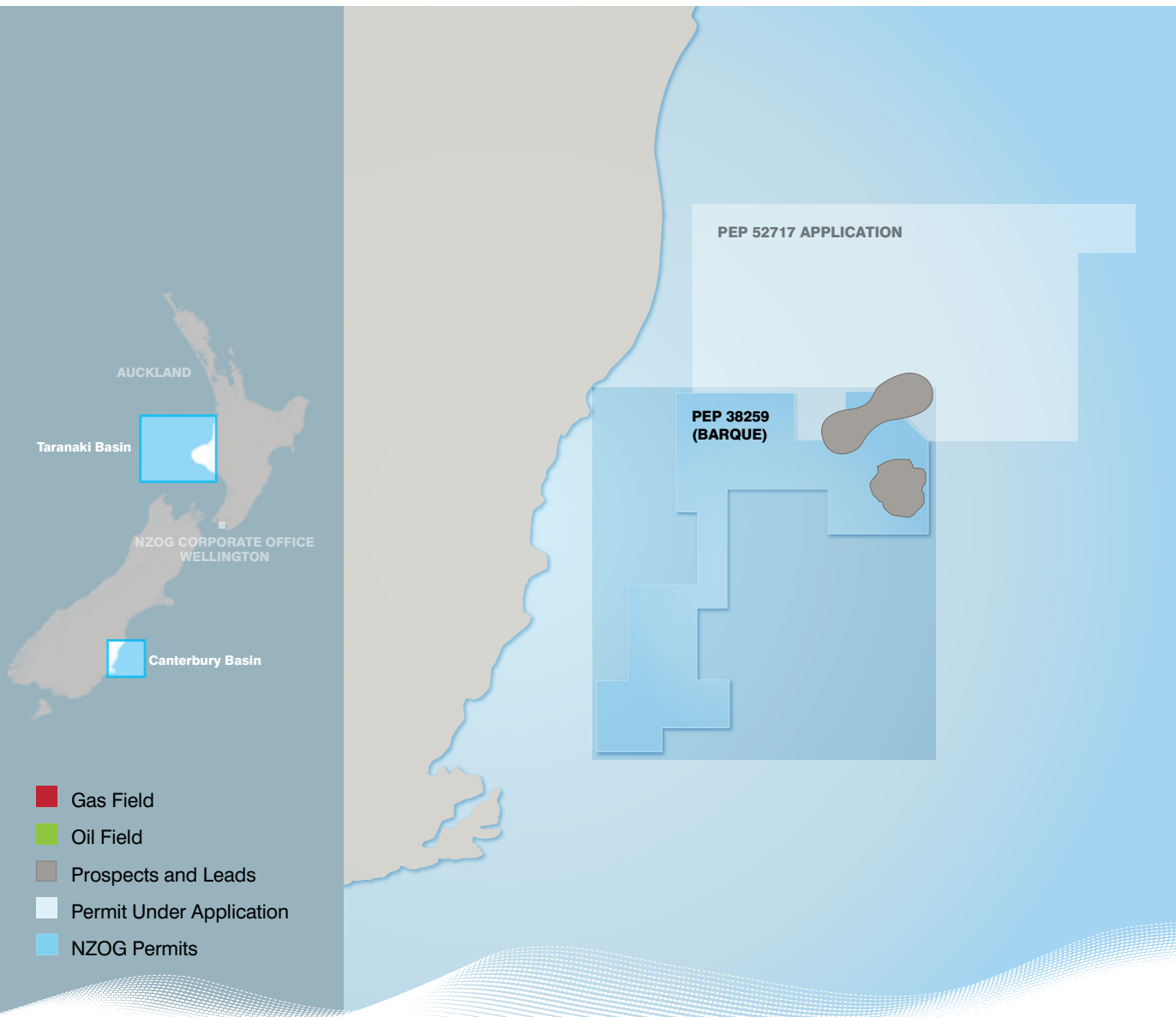
NZOG has entered into a farm-out agreement with Peak Oil & Gas, with Peak earning a 10% permit interest by contributing 20% of the cost of a first well. Further partners are being sought. Kaupokonui is 'drill-ready' and NZOG is looking at drilling options for 2011/12.

### PMP 51558 (Parihaka) NZOG Interest 20%

This permit is the largest of three adjacent permits through which NZOG has built a dominant position in the relatively lightly explored northern offshore Taranaki Basin. A 1500 sq km 3D seismic survey acquired by a previous venture will be reprocessed with a new focus on deeper targets within the Kapuni sandstones, which have proven effective reservoirs in onshore northern Taranaki.

### PEP 38491 (Albacore) NZOG Interest 44%

This permit in the northern offshore Taranaki Basin contains a number of identified oil and gas prospects, although a well drilled in December 2009 only found traces of hydrocarbons. The prospectivity of several undrilled structures is being examined in conjunction with work in the adjacent permits.



**PEP 51988 (Mangaa)**  
**NZOG Interest 100%**

NZOG was granted this northern offshore Taranaki Basin block in January 2010. The permit work programme requires NZOG to undertake technical studies during the first 24 months of the permit term.

**PMP 38158 (Tui)**  
**NZOG Interest 12.5%**

This permit includes the producing Tui area oil fields and a number of prospects and leads. 3D seismic data is being reprocessed including pre-stack depth migration. This is expected to improve the resolution of the reservoir interval and enable

a thorough evaluation of the undrilled oil prospects.

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

This permit includes the producing Kupe central field area and also contains a number of other potential structures containing oil or gas. The joint venture is conducting further geological and geophysical assessment of those structures, with the possibility of drilling one or more prospects in conjunction with scheduled 2nd stage development drilling in 2012/13.

**CANTERBURY BASIN**

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

This permit in the offshore Canterbury Basin contains the Galleon well, which was drilled in 1986 and discovered what was at the time considered to be sub-commercial quantities of gas and light oil. The larger Barque prospect is considered to be structurally similar to Galleon but more favourably located for oil and gas charge. The joint venture is evaluating the cost of drilling and developing the prospect and looking at the availability of a suitable rig.

**PEP 52717 Application**  
**NZOG Interest 40%**

The Barque joint venture expects to be awarded this permit which lies to the north of Barque. Existing seismic data will be reprocessed in order to map a newly recognised potential reservoir system that lies across both the permit and the Barque permit. NZOG will be operator of the new permit.

# 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 reliable cash flows. NZOG has expanded its exploration

portfolio and plans for an average spend of NZ\$20-30m p.a. on exploration.

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:

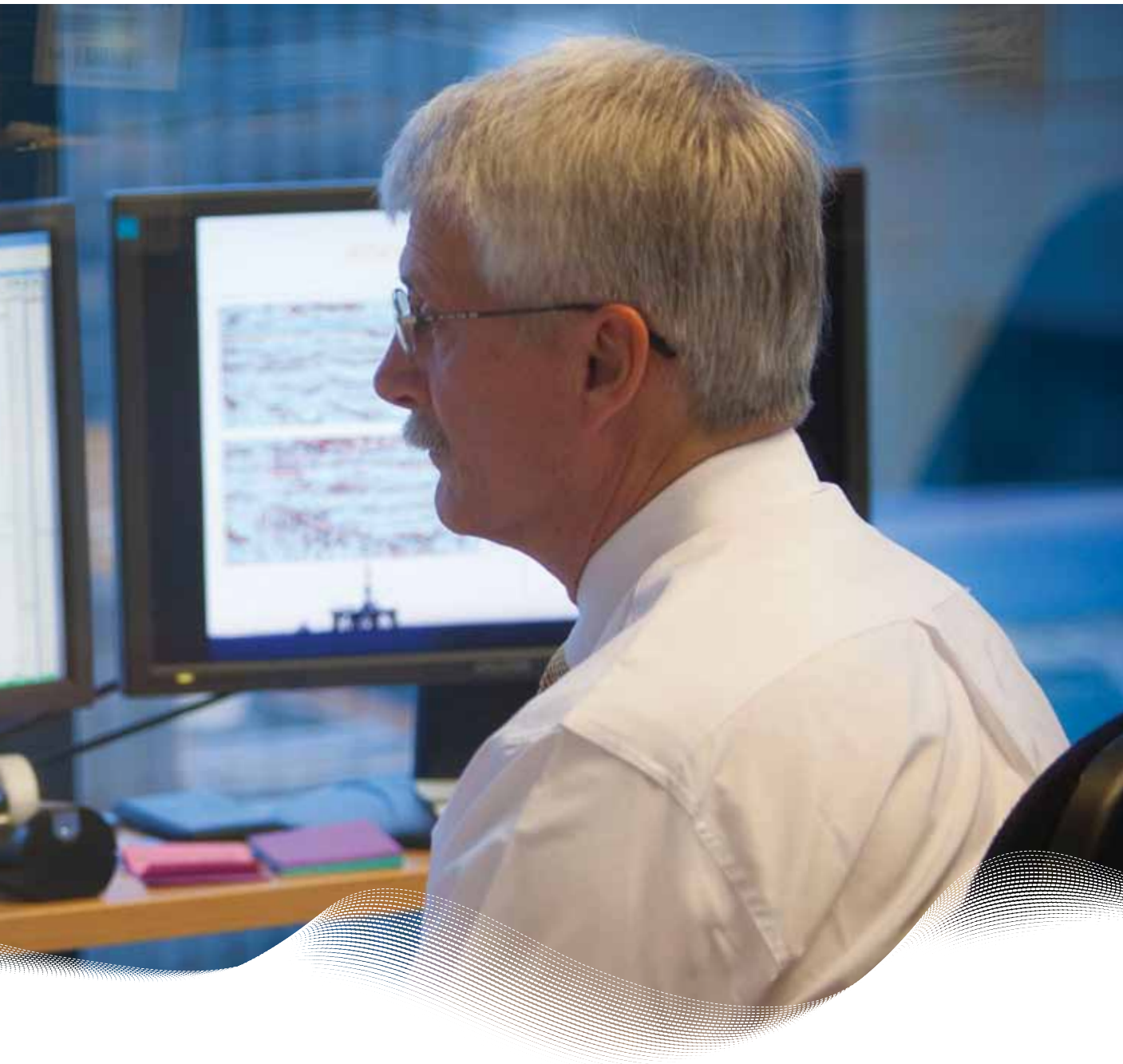
- Proven hydrocarbon systems
- Quality business partners
- Suitably attractive fiscal regime
- Access to markets and infrastructure
- Manageable regulatory and political risk
- Manageable financial exposure
- Near term payback as opposed to long term horizons
- Future growth and upside potential

- 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, to enhance shareholder value.

### **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



## Investments

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

### **Pike River Coal Ltd (PRC)**

The Pike River coking coal mine is on the West Coast of New Zealand's South Island. A former subsidiary of NZOG, PRC became a separately listed company on the NZX and ASX following an initial public offering (IPO) in July 2007.

In November 2010 a series of gas explosions occurred in the mine and 29 men lost their lives. In December 2010 PRC was placed in receivership.

NZOG has a shareholding of just under 30% in PRC. NZOG also holds approximately NZ\$64m in PRC debt. Recovery of this investment is being pursued but the outcome is uncertain.

### **Pan Pacific Petroleum (PPP)**

In December 2008, NZOG acquired a strategic stake of 15% in PPP, one of NZOG's partners in the Tui oilfields. 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.

## 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. 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. 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.



**R A (Tony) Radford**  
Chairman

Tony Radford CA, is a founding director of New Zealand Oil & Gas Limited, which was established in 1981. Tony used his accounting background to build a career in the petroleum and mining industries. Since retiring as CEO of NZOG in 2007 he has continued as non-executive Chairman of the company. Tony is a fellow of the Australian Institute of Company Directors.



**Peter Griffiths**  
Independent Director

Peter Griffiths joined the board of NZOG in December 2009, having recently retired after 21 years with BP, the last 10 years of which he was Managing Director of BP New Zealand Ltd. Peter was previously involved in offshore oil and gas field operations in Australasia, Malaysia and the United Kingdom. He holds a BSc (Hons) from Victoria University in Wellington. Peter chairs the Executive Appointments and Remuneration Committee and is a member of the NZOG Audit Committee.



**Paul G Foley**  
Independent Director

Paul Foley became a director of NZOG in 2000. He is a senior corporate/commercial lawyer based in Wellington, where he is a partner at Minter Ellison Rudd Watts. He has over 20 years experience working with companies in the financial services, manufacturing and energy fields, with significant involvement with major petroleum exploration and production companies. Paul is chair of the NZOG Audit Committee and a member of the Executive Appointments and Remuneration Committee.

## NZOG Board

**NZOG has 7 directors;  
6 independent directors  
and managing director  
David Salisbury.**



**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 before moving into private legal practice. Prior to returning to New Zealand, Ralph was a partner at Australian national law firm, Holding Redlich.



**Chris Roberts**  
**Corporate 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).



**Andrew T N Knight**  
**Independent Director**

Andrew Knight joined the Board of NZOG in January 2008. He has his own consultancy business and previously held executive management roles with Vector and NGC. He has worked in New Zealand and Australia with The Australian Gas Light Company, Fletcher Challenge Energy and Coopers & Lybrand. Andrew is a member of the Audit Committee and the Executive Appointments and Remuneration Committee.



**Steve J Rawson**  
**Independent Director**

Steve Rawson joined the Board of NZOG in 2000. He has an MSc in geophysics from Auckland University. His career started in petroleum geophysics, later followed by managerial positions with Fletcher Energy and Mighty River Power.



**David R Scoffham**  
**Independent Director**

David Scoffham joined the Board of NZOG in June 2003. He is a geophysicist with more than 40 years international experience in the upstream oil and gas industry, including Egypt, Gabon, Oman and Venezuela with Shell; and in exploration management with both Shell International and UK independent Enterprise Oil plc. David is a member of the NZOG Audit Committee.



**For further information please contact:**

David Salisbury, Chief Executive Officer  
Chris Roberts, Corporate Affairs Manager

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**Visit** [www.nzog.com](http://www.nzog.com)

Image: Dawn at the Kupe Production Station