



16 January 2007

## NZOG'S TUI OIL SET TO DELIVER

New Zealand Oil & Gas Limited advises that drilling of the production wells in the Tui Oil Area is on schedule for oil production to commence from the fields in June 2007.

When fully commissioned, production peaking at 50,000 barrels of oil per day is anticipated. NZOG's share of this production, based on the approved work programme and budget, an oil price of US\$45 per barrel and a NZD:USD exchange rate of 0.65, gives a projected EBITDA\* for the company in the first production year of approximately NZ\$60 million.

NZOG has hedged approximately 36% of the first 12 months of production to guarantee a minimum price of US\$50/barrel.

"Commencement of oil production from Tui will give a major boost to NZOG and help set the company on course for future growth" said Executive Chairman Tony Radford.

As at 0600 hours today, the Tui-2H well had been drilled to a measured depth of 3,427 metres. During the past week, progress on the current hole section has been 1,289 metres. The Tui-2H drilling programme involves the drilling of a pilot hole to approximately 4,200 metres measured depth through the F-Sand oil reservoir section, to guide the placement of the well in the reservoir. A horizontal production hole will then be drilled close to the top of the reservoir.

The shallow sections on three of the Tui Area production wells have been drilled on a "batch-drilling" basis, which involved the drilling of the upper sections and installing subsea wellheads and "trees" on three of the planned four wells, prior to drilling deeper, including the horizontal sections within the oil reservoirs.

In addition to the drilling programme, construction activities are also making good progress. The critical path item is the delivery of the "Umuroa" Floating Production Storage and Offload vessel (FPSO) which is under conversion in Singapore and on target to arrive in New Zealand waters in April 2007. Other construction activities, which are being carried out within New Zealand, are also running to schedule.

\* EBITDA = Earnings before income tax, depreciation and amortisation.

Participants in PMP 38158 are:

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

\*\* New Zealand Overseas Petroleum Pty Ltd (22.5%)

AWE New Zealand Pty Limited (20.0%)

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



Illustration of *Umuroa* FPSO in production with umbilical lines connecting to subsea wells. The FPSO is designed to handle weather conditions by enabling the vessel to rotate around the turret which remains anchored.