



13 March 2007

NZOG'S TUI PROJECT UPDATE

New Zealand Oil & Gas Ltd ("NZOG") provides the following update on progress of Tui Area oil development activities.

The project risks continue to be reduced and the project remains on schedule for first oil by June 30, 2007. The joint venture has approved a 9% budget increase to account for slower drilling rates than anticipated, but also because of the lengthening of the Tui-2H production well which intersected a more extensive oil column than predicted.

The Tui Area Development is located within PMP 38158, in the Taranaki basin, approximately 50 kilometres offshore of the west coast of the North Island of New Zealand. When fully commissioned, a production rate peaking at 50,000 barrels of oil per day is anticipated.

Progress on Construction of Facilities

Significant progress has been made on the construction activities, commensurately reducing the project risks.

All of the development's major construction components are now manufactured, and most have been delivered to New Zealand. This equipment includes the tubulars and other well related equipment, subsea trees, FPSO anchors and associated mooring components, flowlines, gas lift lines, umbilicals, risers and mid-water arches.

Installation of the facilities is now well underway: The anchors and chains for the FPSO have been successfully pre-installed. Two of the four mid-water arches, the most weather-sensitive installation activity, were installed in a favourable weather window last week.

The FPSO, which is to be leased from the Norwegian company Prosafe, is also in the final stages of construction in Singapore and is scheduled to arrive in New Zealand in mid-April.

Progress on Development Drilling

Three of the four production wells (Tui-2H, Tui-3H and Pateke-2H) have had the top-hole sections drilled and cased with the subsea production trees installed. The fourth well, Amokura-2H, will be drilled and have the last subsea tree installed immediately after completing the well currently being drilled, Tui-3H.

The first production well in the programme (Tui-2H) has been completed and is suspended ready for production. Tui-2H intersected a thicker oil column than expected which led to the well being lengthened and completed with a 1,850 metre horizontal producing section in the oil reservoir. The cost of drilling the extended well, and the slower drilling rates generally have resulted in a 9% (US\$20 million gross) budget increase.

As at 0600 hours today, preparations were being made to recommence drilling operations in the Tui-3H well after having run and cemented casing to a depth of 3,917 metres measured depth. Progress for the week was 854 metres.

Commenting on the update, NZOG's Chairman Mr Tony Radford said:

"The progress achieved to date on the Tui project is very positive. The remaining risks associated with this type of development are being carefully and competently managed through the joint venture operator."

ENDS

Participants in PMP 38158 are:

New Zealand Oil & Gas Ltd (through its subsidiary Stewart Petroleum Co. Ltd)	12.5%
AWE * (Operator)	42.5%
Mitsui E & P New Zealand 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%)

FOR FURTHER INFORMATION PLEASE CONTACT:

Gordon Ward or Helen Mackay

Telephone: (04) 495 2424 Toll free 0800 000 594

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