



27 August 2007

NZOG UPGRADES TUI OIL RESERVES

New Zealand Oil & Gas Ltd (“NZOG”) is pleased to report an upwards assessment of reserves for the Tui Area oil project, and also provide an update on recent oil production performance.

Oil Reserves

A preliminary post-drilling reserves review by the Tui project operator AWE indicates that the proved and probable (“2P”) developed reserves for the project are 32.0 million barrels of recoverable oil. This compares to the 27.9 million barrels of undeveloped reserves reported prior to drilling the development wells and represents an upgrade of around 15%. The developed reserves are forecast to be recovered from the four operating production wells within the next ten years.

In addition, potential for further “undeveloped” reserves has been identified in the Tui Area. A more comprehensive reserve study incorporating production trends from the wells and re-processed 3D seismic data has commenced. The comprehensive study will also evaluate the economic potential of the undeveloped reserves in the area. This study is expected to be completed in 2-3 months and the results will be released after it has been considered by the joint venture.

Oil Production Rates

Since the last reported production update on August 16, production rates and facility up-time performance have improved considerably. Currently a production rate of approximately 47,000 barrels of oil per day is being reliably achieved although production has reached 50,000 barrels per day. Further minor improvements are being made to achieve the full 50,000 barrels of oil per day design capacity of the Umuroa on a consistent basis.

All four subsea production wells have been successfully commissioned and are flowing strongly as expected with minimal quantities of water. These four wells, which have a current combined production capacity well in excess of 100,000 bopd, are being “choked back” to the rate that can be processed on the FPSO facility.

Since first oil on 30 July 2007, approximately one million barrels of oil have already been produced.

Oil marketing and shipping logistics are proceeding well, with six 300,000 barrel shipments sold to date to refineries in Australia and Southeast Asia, two of which have been successfully lifted and shipped to market.

NZOG CEO David Salisbury said “NZOG is very pleased that Tui production is on target as these oil revenues will give NZOG a solid platform to pursue our growth strategy. The 15% increase in 2P reserves will, at current oil prices and exchange rates, deliver NZOG approximately NZ\$50 million in additional revenues, with only minor associated operating costs.”

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 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%)

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

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