



25 February 2005

## **Tui Area Oil Fields Move To FEED**

New Zealand Oil & Gas Limited advises that the PEP 38460 joint venture has approved commencement of Front End Engineering and Design ("FEED") work for the development of the Tui and Amokura/Pateke ("Tui Area") oil fields.

The recently completed pre-FEED studies have confirmed that the most economically attractive development concept for the Tui Area fields will involve four to five subsea oil production wells tied back to a floating production, storage and offloading facility ("FPSO").

The capital expenditure estimates for the project, allowing for contingency commensurate with this stage of engineering, is still considered to be within the range previously announced of US\$120 – 150 million. This excludes the capital cost of an FPSO which is likely to be leased.

The estimate of proved and probable reserves also remain within the previously announced range of 20-30 million barrels of recoverable oil. Latest subsurface modelling work indicates that relatively long horizontal wells and/or multi-lateral wells will be preferred to optimise economic recovery. These are designed to allow high initial oil production rates, and initial oil rates in the vicinity of 30,000 barrels per day are expected. The nature of the thin reservoirs will lead to a rapid rise in water production, so facilities will be designed to handle large volumes of water.

The FEED is expected to be completed by August 2005 as well as the engineering Basis of Design to generate a capital expenditure estimate to +/-15% accuracy.

Some commitment to a suitable drilling rig may need to be made within a few months, to secure a 'slot' in the increasingly tight schedules of rigs in the Australasian region. Development drilling is currently scheduled to commence Q2, 2006. The possibility of drilling at least one exploration well in the permit, within tie-in distance of the Tui Area facilities, ahead of development drilling, is also being considered.

The joint venture has also approved the acquisition of 72 km<sup>2</sup> of 3D seismic data over the northern part of the Pateke structure that is not covered by existing 3D coverage. This data is expected to be shot in April 2005 in conjunction with acquisition of 3D seismic in PEP38483. The 3D seismic data, will assist the finalisation of reserve estimates and development drilling requirements for the Pateke oil accumulation.

On the basis of the current development timetable, the joint venture expects to be in a position to make a Final Investment Decision ("FID") for the Tui Area oil development during 3Q 2005, leading to first oil in Q4 2006.

Participants in PEP 38460 are:

<b>Stewart Petroleum Company Limited ("NZOG")</b>	<b>12.5%</b>
AWE New Zealand Pty Ltd ("AWE")	20.0%
New Zealand Overseas Petroleum Limited (operator) ("NZOP")	45.0%
Mitsui E&P New Zealand Limited ("Mitsui")	12.5%
WM Petroleum Limited ("Pan Pacific")	10.0%

**FOR FURTHER INFORMATION PLEASE CONTACT:**

Gordon Ward

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

NZOG stock symbols: NZX shares - NOG      options - NOGOC  
ASX shares - NZO      options - NZOOA