



STOCK EXCHANGE RELEASE

21 November 2005

TUI OIL FIELD RECEIVES GO-AHEAD

- **major contracts signed**
- **petroleum mining permit terms agreed**
- **project investment US\$204m (PPP US\$20.4m)**
- **initial flow rates 50,000 barrels day**
- **FPSO operating lease signed up**
- **Two nearby prospects to be drilled**

Pan Pacific Petroleum NL ("PPP") advises that the Tui project partners have unanimously agreed to immediately develop the Tui Area oil fields. The project is located in the offshore Taranaki Basin, New Zealand and will be the country's first stand-alone offshore oil development.

PPP holds a 10% interest in the Tui project via wholly owned subsidiary WM Petroleum Ltd.

The development decision by the Tui joint venture participants, is supported by extensive engineering and other technical studies and the negotiation of contracts for supply of all the major equipment and services which are required to bring the oil fields into production.

The area and terms of the Petroleum Mining Permit under which the development will occur have been agreed with the NZ Ministry of Economic Development and grant of the permit, PMP38158, by the Minister of Energy is expected shortly.

Tui Project Outline

The Tui Area oil project will comprise the joint development of the Tui, Amokura and Pateke oil accumulations. These adjacent fields were discovered by the current joint venture in 2003 and 2004. The development of these fields, in water depths of around 120 metres, will be undertaken via four horizontally drilled and subsea completed development wells, which will be individually tied back to a leased Floating Production Storage and Offloading vessel ("FPSO"). The capital budget for the development (which excludes the costs of the leased FPSO) is US\$204 million. PPP intends to fund its US\$20.4m share of the development from a combination of cash, and debt financing which is currently being negotiated.

On 18 November 2005 the Operator, on behalf of the Joint Venture, executed a charter contract with Prosafe Production Services Pty Ltd ("Prosafe") for the provision of an FPSO for the Tui Field development. Prosafe will both build and operate the FPSO as part of the charter arrangement. The contract is for a fixed initial term of 5 years which has a contract value of US\$178 million, with options exercisable by the Tui joint venture for five one year extensions. Prosafe have built and now operate a number of similar FPSOs.

Recoverable oil reserves for the Tui Area oil fields are estimated by the Operator to be 26.8 million barrels on a probabilistically derived P50 basis.

The project facilities are designed for a maximum initial oil flow rate of 50,000 barrels of oil per day. Due to the nature of the reservoirs, well productivity is expected to remain high, but with a relatively rapid rise in water production and associated decline in oil rate. To maximise ultimate oil recovery, the FPSO is being designed to handle up to approximately 120,000 barrels per day of liquids. The FPSO oil storage capacity will be in excess of 700,000 barrels, which will allow flexibility to efficiently utilise a range of differently sized offtake oil tankers.

The predominant market for the Tui Area oil is expected to be the Asia Pacific region including Australian East Coast refineries. The light sweet Tui Area oil has similar properties to oil produced from similar aged reservoirs at the Maui Field in offshore Taranaki, and this oil is also similar to Bass Strait produced crude that is a major feed-stock to the East Coast Australian refineries.

Due to a rapidly developing shortage of suitable offshore drilling rigs, the PEP 38460/Tui joint venture signed a contract with Diamond Offshore in May 2005 for the use of the Ocean Patriot semi submersible rig. This early contractual commitment will ensure that the development wells can be drilled to a timely schedule and at a favourable rig day rate. The development drilling operation is expected to commence in the December 2006 quarter and take some six months for the drilling and completion of the four development wells. This drilling schedule will tie in with the scheduled FPSO arrival date early in the June 2007 quarter and the first oil target date in the same quarter ended June 2007.

In addition to the development drilling activity, the joint venture has an option on the Ocean Patriot to drill up to three exploration wells. Several prospects, including Tieke and Taranui, have been identified on the existing 3D seismic grid, within the area that will be encompassed by the Tui Area PMP. Success at any of these exploration targets could be monetised relatively quickly by the tie back of additional subsea wells to the Tui FPSO.

As part of the PMP work program, the Tui Joint Venture has committed to drill two exploration wells within the Tui mining permit within 24 months of permit award. Subject to mutual agreement on rig day rates for the option slots on the Ocean Patriot, these wells may be drilled in conjunction with the Tui development drilling program.

In addition to the drilling rig and FPSO contracts, the joint venture has negotiated commercial terms and is close to finalising contracts for the provision of all other major equipment and services, including wellheads & subsea trees, subsea well control system, subsea flowlines & umbilicals and their installation, and tubulars for the wells.

Participants in the Tui Area oil project PMPA38158 and PEP 38460 are:

Pan Pacific Petroleum NL (via wholly owned subsidiary WM Petroleum Ltd)	10.0%
New Zealand Overseas Petroleum Limited (Operator)	45.0%
AWE New Zealand Pty Limited	20.0%
Mitsui E&P New Zealand Limited	12.5%
Stewart Petroleum Co Ltd (NZ Oil & Gas Ltd)	12.5%

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