



29 June 2006

KUPE PROJECT GETS GREEN LIGHT

The parties to the Kupe Project today announced that the project will proceed to construction following a final investment decision made unanimously by the joint venture parties.

"We are delighted to be a part of this decision to proceed to development of Kupe following NZOG's long involvement in the field, which NZOG discovered in 1986," said NZOG's chairman Tony Radford.

Mr Radford commented "The final decision to proceed was made only after a large amount of pre-development effort, covering technical design, consultation and assessment work."

That work has included:

- design of a new onshore production station to process gas from offshore;
- extensive community consultation resulting in the obtaining of resource consents for the project;
- project reserves being increased to 389 petajoules (PJ) equivalent;
- a contractor Alliance project delivery strategy; and
- a renegotiated gas supply contract to partly accommodate the higher capital costs resulting from the booming oil & gas construction market.

The operator of the Kupe Project expects the final development to be on-line by mid-2009, to produce around 20 PJ per annum of sales gas – approximately 15% of New Zealand's current annual demand. The project will also produce light oil condensate and LPG, commencing at 1.7 million barrels p.a. and 90,000 tonnes p.a. respectively.

Mr Radford said "This high level of liquids production will benefit the owners, particularly given an expectation that current high oil prices are likely to continue through to the production stage".

The investment decision was based on a development budget of NZ\$980 million (NZOG share NZ\$147 million) which includes appropriate project contingencies such as for weather downtime during drilling of development wells.

As was the case with Tui, the company plans to obtain bank project finance for the bulk of this investment which will be spread over approximately two and half years. This finance will be supplemented by Genesis Energy to the extent of NZ\$20 million.

The Kupe Joint Venture announced in October 2005 that estimated project costs were higher than originally anticipated, as a result of higher commodity prices and the unprecedented level of activity in the oil and gas market around the world.



However, a renegotiated gas supply agreement with Genesis Energy, coupled with higher condensate and LPG prices and the increased reserves announced last year, have assisted in offsetting project costs to the extent that all of the participants have the confidence to proceed.

The Kupe Joint Venture has taken a progressive approach to the construction management of the project through an Alliance contracting arrangement with the major contractor, Technip. Having one owner/contractor Alliance team to manage all the major activities (other than drilling) will lead to more effective and efficient execution of the project.

The Kupe Project will comprise:

- an unmanned offshore platform constructed above the Kupe Field production wells and supporting up to six wellheads;
- a new onshore production station;
- a shore-crossing, bored under the coastline cliffs, connecting the offshore pipelines from the platform to the production station; and
- a network of onshore pipelines.

Construction is expected to commence in Taranaki in September 2006. The first development well is scheduled to be spudded in the first half of 2007.

A media conference will be held today at 12.30pm at *Parliament House*, Wellington, in the Theatrette. Present will be Deputy Prime Minister, the Hon. Dr Michael Cullen together with representatives of the Joint Venture companies and the Operator's Kupe Project staff.

Participants in the Kupe development are:

Origin Energy (via subsidiaries)	Operator	50%
Genesis Energy (via subsidiaries)		31%
New Zealand Oil & Gas Limited (via wholly owned subsidiaries)		15%
Mitsui E&P New Zealand Limited		4%

FOR FURTHER INFORMATION PLEASE CONTACT:

Gordon Ward or Tony Radford
Telephone: (04) 495 2424

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