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NZOG takes 40% stake in Albacore permit

New Zealand Oil & Gas Ltd (NZOG) has extended its offshore drilling programme this summer by entering into a conditional agreement to acquire a 40% stake in permit PEP 38491, which lies in the northern Taranaki Basin.

PEP 38491 covers an area of 715 sq kms and is approximately 80 km north of New Plymouth, in water depths of around 95 metres.

PEP 38491 is currently held 90% by Westech, a wholly owned subsidiary of Energy Corporation of America and 10% by the State-Owned Enterprise, Mighty River Power (MRP). Westech is the operator.

Subject to regulatory and partner approvals, the new participating interests will be:

Westech	50%
NZOG	40%
MRP	10%

The permit contains a number of identified prospects and preparations are already in place to drill one of those prospects, called Albacore.

NZOG will participate at 40% in the drilling of the Albacore-1 exploration well by the jack-up rig, ENSCO-107. The well is expected to be drilled in October/November at a total estimated cost of NZ\$20-25 million.

Chief Executive David Salisbury says PEP 38491 is a further exciting addition to NZOG's expanding exploration portfolio.

"Our assessment is that the central northern Taranaki Basin is a very prospective part of the Taranaki Basin. There are three separate play fairways within PEP 38491 – a Pliocene Fan and two Mangaa sands - and it contains half a dozen interesting prospects. The first prospect to be targeted is Albacore, which contains three separate target zones that may contain hydrocarbons.

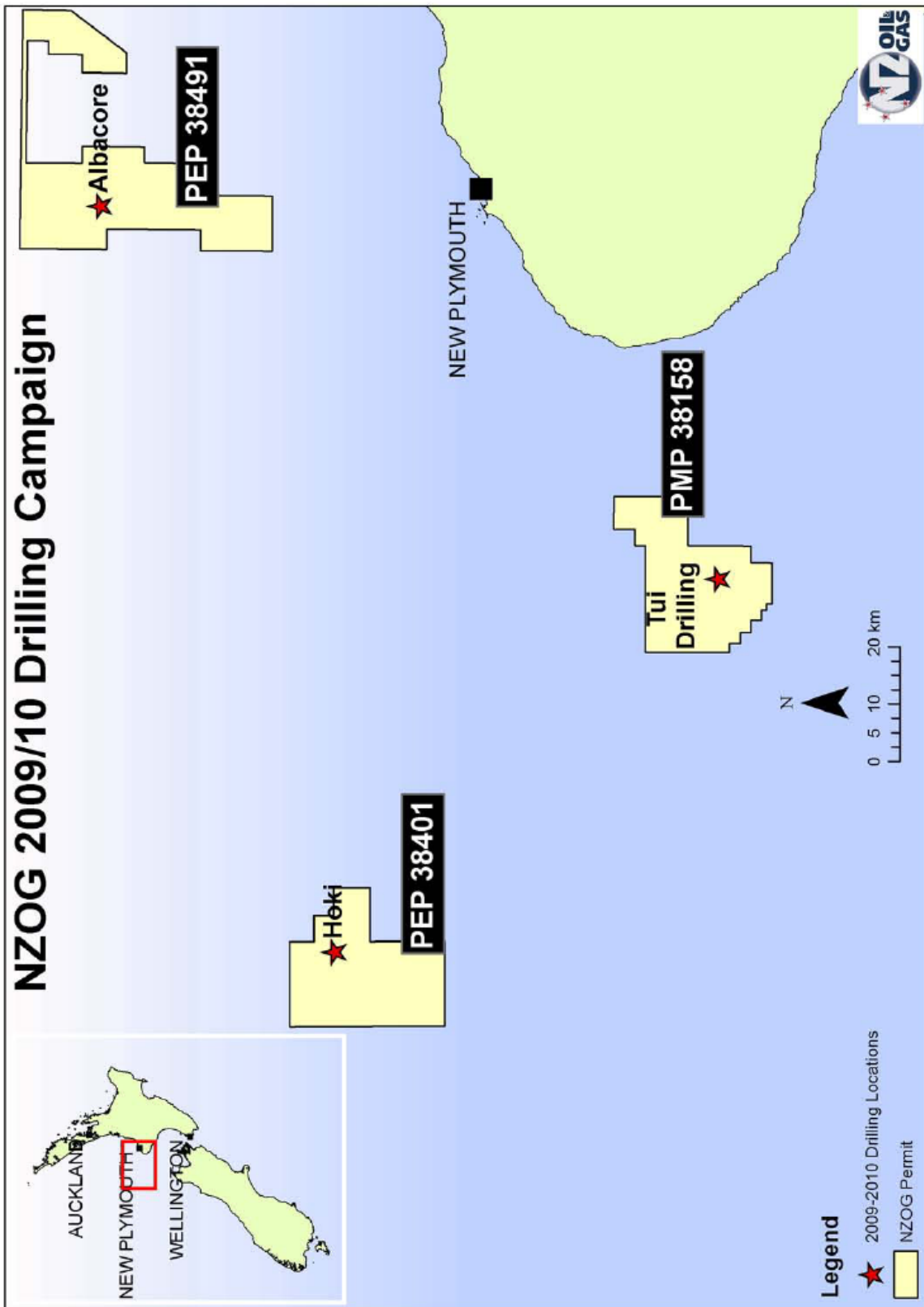
"The Albacore-1 well will target structures recently defined by 3D seismic at depths of 1400 to 1800 metres, which could not have been mapped if only 2D data had existed. It is the three dimensional resolution that enables a degree of stratigraphical and sedimentological dissection that has identified this as an exciting block.

"Having said that, exploration is always risky. The well will need to be drilled to determine whether hydrocarbons have been trapped in any of the identified structures. However, the potential is significant. NZOG's internal analysis is that Albacore is more likely to contain oil than gas and, if successful, could support an offshore development similar to Tui."

NZOG now has interests in seven permits in the offshore Taranaki Basin and one in the Canterbury Basin. NZOG will be participating in the drilling of at least four wells this summer.

ENDS

Map showing Petroleum Exploration Permit 38491 and NZOG's summer drilling campaign



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NZOG stock symbols: NZX shares - NZO
ASX shares – NZO