

The Explorer

In a volatile global market where oil prices are materially affected, New Zealand Oil & Gas shareholders have voted to return capital to shareholders.

IN THIS ISSUE

- Share buyback planned
- 19.99% interest in Cue Energy
- Production to begin from Pateke mid-2015
- Exciting results from testing in the Kupe gas and oil field



CAPITAL RETURN APPROVED

With an enhanced capital focus this quarter, shareholder approval and a favourable binding ruling from IRD, New Zealand Oil & Gas has received court approval to return approximately NZD\$63 million to shareholders.

The return of capital will take place by way of a Scheme of Arrangement under Part 15 of the Companies Act 1993.

A special meeting of shareholders on 19 December 2014 voted in support of the scheme with approximately 97% support.

The company has also received a binding ruling from Inland Revenue confirming that the return of capital will not be treated as a dividend for New Zealand tax purposes and therefore will not be subject to tax in New Zealand.

The company will cancel 1 in every 5 ordinary shares and pay NZ\$0.75 per ordinary share cancelled – effectively returning 15 cents per share. Payments will be made within five business days of the date for determining the entitlements of shareholders to participate in the Scheme [13 February 2015].

Australian shareholders will receive an AUD equivalent per cancelled share based on the NZD/AUD exchange rate on or about the record date. A summary of the tax impact for Australian shareholders was contained in the Notice of Meeting sent to all shareholders [available at <http://nzog.today>].

Part-paid shares issued as part of the company's Employee Share Ownership Plan will not participate in the Scheme.

Date	Event
Friday, 13 February 2015	Record date for determining the entitlements of shareholders to participate in the Scheme
Friday, 20 February 2015	Date for dispatch of new holding statements reflecting shareholding movements and date by which payment will have been made to shareholders

PROMISING NEWS FROM KUPE

Tests at the Kupe gas and oil field suggest more resource may be recoverable than previously forecast.

Last year we told you we were working to determine whether more could be recovered from the Kupe field.

Those tests in December and January are looking promising. Further analysis and measurement is needed to provide the certainty necessary to update reserves. This work should be completed in 2015.

Initial analysis of logging results indicates that more gas than expected may be recovered from existing reservoirs because the water contact has not moved as much as modelling predicted. Another promising result was achieved when higher shut-in well head pressures indicated that previously untapped gas reserves may be available.

Meanwhile the Kupe joint venture partners have reached agreement to maintain increased gas production capability. Since the first half of 2012, production capacity from the Kupe facility has been elevated by around 10 per cent.

OIL PRICES DRIVE STRATEGY SHIFT

With materially lower oil prices, the company is focusing on efficiency, opportunities for acquisition, and extension in existing assets.

Oil prices have been significantly lower in recent months. Although long term price forecasts are volatile, the company is preparing for an extended period of materially lower prices.

The company has a cushion because much of its revenue is generated from gas sold out of the Kupe field under longer term contracts. Exploration is a long-term activity and forward plans anticipate that oil prices are volatile over the investment cycle. But the current conditions demand a response.

The company is responding by adopting a higher hurdle for investment in exploration and focusing on acquisition where opportunities can be identified to purchase production at value.

Work is accelerating to extract more value from existing assets and the company is driving for efficiency in its operations.

INTEREST IN CUE ENERGY

On 22 December 2014, New Zealand Oil & Gas made an off-market purchase of 19.99 per cent of Cue Energy from Todd Petroleum Mining. It paid AUD 10 cents a share, for a total cost of A\$13.96 million.

Cue has a 5 per cent interest in the Maari field offshore Taranaki in PMP 38160, which we view as a quality asset. Exposure to it fits our portfolio well.

The company is continuing to screen for acquisition opportunities where we believe the market has over-reacted to the current oil price and where assets are available at value.

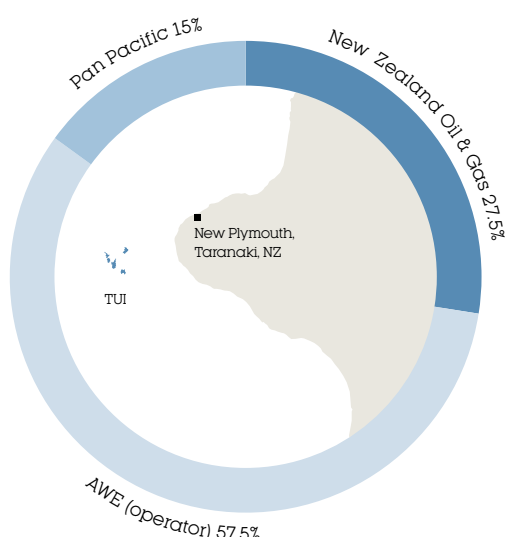
SHARE BUY-BACK

The company is planning another shareholder meeting to approve a plan that will allow it to resume buying back its shares.

The proposal is distinct from the capital return approved at a shareholder meeting in December.

A special meeting is necessary to allow the buy-back to proceed in a form where the largest shareholder would not be required to make a full takeover offer if the buy-back had the effect of pushing that entity over the 20 per cent threshold where an offer has to be made under current rules. The board believes that would be an unfair outcome.

We expect a notice of meeting for a special shareholder meeting will be sent out in the first quarter of 2015.

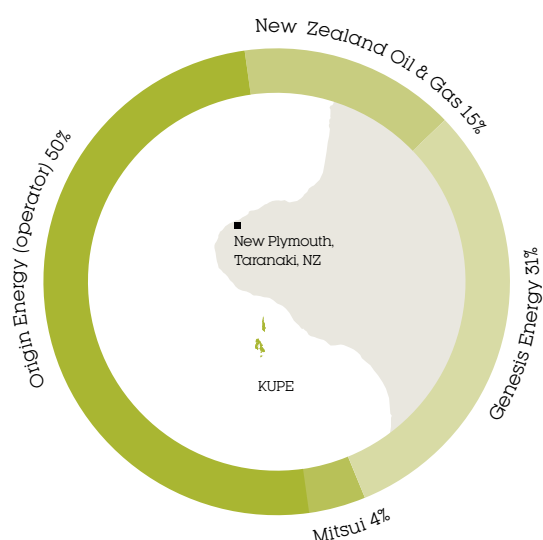


TUI

Tui area oil fields [PMP 38158]
27.5% New Zealand Oil & Gas interest

New Zealand Oil & Gas revenue from Tui in the quarter was NZ\$11.7 million.

Tui production was stable throughout the quarter with production marginally below target by approx. 5,773 barrels. There was one tanker shipment during the period of 501,580 barrels [New Zealand Oil & Gas share 137,935 barrels]. As at quarter end there were approximately 120,884 barrels of oil in stock [New Zealand Oil & Gas share 33,243 barrels].



KUPE

Kupe oil and gas field [PML 38146]
15% New Zealand Oil & Gas interest

New Zealand Oil & Gas revenue from Kupe in the quarter was NZ\$15.6 million.

Gas production was affected in the quarter by a plant shutdown to repair a heat exchanger on the gas cooling system. This was an intermittent failure that was becoming worse over time, and the repair was carried out to maximise LPG yield through the summer/autumn months. The repair took seven days in early December during which the plant remained offline, and was executed successfully with no health or safety incidents.

At the end of the quarter there were also planned outages and capacity reductions relating to the well intervention programme.

There were two export shipments during the quarter totalling 522,450 barrels [New Zealand Oil & Gas share 78,368 barrels]. Inventory and shipments met expectations in the quarter, reducing an inventory surplus from last quarter.

Tui production	Total Field for quarter	New Zealand Oil & Gas share for quarter	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Oil [bbls]	276,926	76,155	84,618	83,383
Revenue [NZ\$m]		11.7	11.0	8.3

Kupe production	Total Field for quarter	New Zealand Oil & Gas share for quarter	New Zealand Oil & Gas share previous quarter	New Zealand Oil & Gas share for comparable quarter a year ago
Gas [PJ]	5.06	0.76	0.92	0.72
LPG [tonnes]	21,285	3,193	4,132	3,100
Light Oil [bbls]	342,494	51,374	63,678	55,268
Revenue [NZ\$m]		15.6	15.8	13

TARANAKI

Tui (PMP 38158)

Development



27.5%	New Zealand Oil & Gas
57.5%	AWE (Operator)
15%	Pan Pacific Petroleum

The Pateke-4H well is scheduled to be connected to the Tui floating production vessel Umuroa in the first quarter, with production expected in the second quarter of 2015.

New Zealand Oil & Gas and Pan Pacific Petroleum have completed a review of the increase in Tui 2P reserves attributable to the Pateke-4H well using a probabilistic methodology, and estimate that 2.4 million barrels of oil will be recovered from the Pateke development after it commences production (660,000 barrels net to New Zealand Oil & Gas as at 1 January 2015). The estimate comprises 1.9 million barrels from the Pateke-4H accumulation and an additional 0.5 million barrels from the other Tui area fields as a result of the extension of economic field life. This estimate excludes any additional oil which will be used as fuel.

The figure is broadly consistent with pre-drill 2C resource estimates.

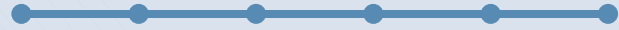
The Pateke-4H estimate will be reviewed and updated when the well is on production and actual performance can be compared with the forecast from the current model. The effect of Pateke-4H on the extension of the economic field life of the Tui area fields is dependent on oil price, and includes an assumption of a return to higher oil prices during the field life.

Reserves are the quantities of petroleum anticipated to be commercially recoverable from known accumulations from a given date forward; that are judged to be discovered, recoverable, commercial and remaining. Probable (2P) reserves are those which have a 50% chance or better of being technically and economically producible.

This statement has been compiled by New Zealand Oil & Gas Vice-President Operations and Engineering Andrew Jefferies BEng (Mech Hons), Msc Pet Eng, MBA, an SPE (Society of Petroleum Engineers) Certified Petroleum Engineer with over 23 years of industry experience.

Kupe (PML 38146)

Development



15%	New Zealand Oil & Gas
50%	Origin Energy (Operator)
31%	Genesis Energy
4%	Mitsui

Over the next 12 months the joint venture is conducting a review of Kupe's field development plan to assess whether opportunities in the permit have the potential to be developed.

This will include the evaluation of infill wells to optimise recovery, a number of near-field exploration prospects, and facility upgrade programmes to add or extend production.

The in-well intervention programme to gather and evaluate information from the current well has produced positive early results.

Initial analysis of logging results indicates the water contact has not moved as much as modelling predicted. This means ultimate recovery from existing reservoirs may be higher than forecast to date.

In addition, the higher shut-in well head pressures indicate that previously untapped gas reserves may be available, trapped beneath shale layers.

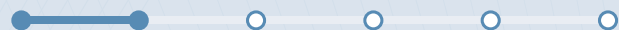
Post re-perforation productivity more than doubled in the KS8 well – the least productive well in the Kupe field. Results also indicate additional productivity in the KS6 well.

The results will require further analysis and production data measurement to provide the certainty required to update reserves. This work should be completed by the end of the current financial year.

Agreement has been reached to enable increased gas production from the Kupe facility in Taranaki to be maintained at elevated levels. Since the first half of 2012, production capacity from Kupe has been elevated by around 10 per cent, to up to 77 terajoules per day, with actual production averaging between 63 to 65 terajoules per day.

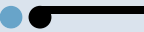
Vulcan (PEP 55793)

Seismic survey



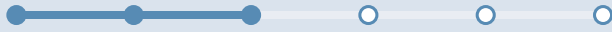
30%	New Zealand Oil & Gas
70%	Woodside Energy (New Zealand) (Operator)

A 3D seismic survey of approximately 1100 square kilometres will be acquired by Dolphin Geophysical over the Vulcan permit in the first quarter of 2015 and at production deadline was on schedule to begin in January.



Matuku [PEP 51906]

Further evaluation

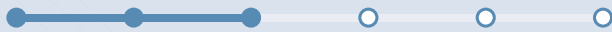


12.5% New Zealand Oil & Gas
65% OMV [Operator]
22.5% Octanex

The 400-square kilometre Kaka 3D seismic survey was acquired in the southeast of the permit in 2014. The survey is currently being processed, with delivery of final data expected in February 2015. The joint venture applied to relinquish 50 per cent of the permit area in November 2014. The application is being processed by New Zealand Petroleum & Minerals.

Waru [PEP 54857]

Further evaluation

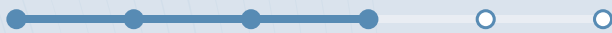


100% New Zealand Oil & Gas [Operator]

Processing of the 548 kilometre 2D seismic survey acquired in April 2014 was completed in late December 2014. This processed data along with the reprocessing of older seismic data is now being interpreted to determine the hydrocarbon potential of the area. A 6-month extension was granted by New Zealand Petroleum & Minerals to complete this work. A decision to either acquire a 3D seismic survey or to surrender the permit will be made during the second quarter of 2015.

Kaheru [PEP 52181]

Drilling 2015



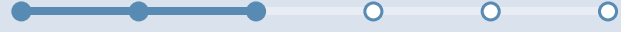
35% New Zealand Oil & Gas [Operator]
40% TAG Oil
25% Beach Energy

Planning for an exploration well is continuing. Negotiations are ongoing to secure a jack-up drilling rig, which is not expected to be available until July 2015, depending on the progress of earlier wells being drilled by the rig. An extension of duration was applied for and has been granted, extending the permit term for a further 7 years, expiring in May 2022. As part of this extension, the time to drill the exploration well is extended to May 2016.

CANTERBURY

Clipper [PEP 52717]

Further evaluation

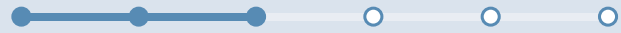


50% New Zealand Oil & Gas [Operator]
50% Beach Energy

The Endurance 3D seismic survey data is now approaching the final processing stages. Probabilistic resource evaluations are expected in the fourth quarter of 2015. Geoscientists are continuing to evaluate the prospectivity of the entire permit.

Galleon [PEP 55792]

Further evaluation

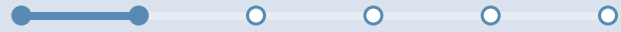


100% New Zealand Oil & Gas [Operator]

Endurance 3D seismic survey data is now approaching the final processing stages. New Zealand Oil & Gas has successfully completed year one work commitments. Geoscientists are working towards completing year two work commitments, which require a seismic decision to be reached by the fourth quarter of 2015.

Toroa [PEP 55794]

Seismic survey

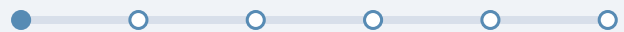


30% New Zealand Oil & Gas
70% Woodside Energy [New Zealand 55794] [Operator]

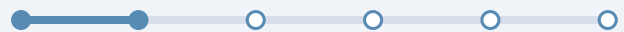
A 3D seismic survey of approximately 1100-square kilometres will be acquired by Dolphin Geophysical over the Toroa permit in the first quarter of 2015.

PROGRESS BAR KEY

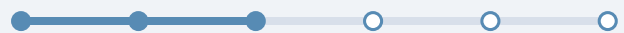
Early exploration



Seismic



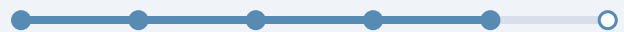
Further evaluation



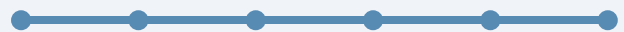
Drilling



Appraisal



Development



INDONESIA

Kisaran Production Sharing Contract

Appraisal



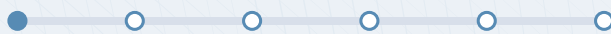
22.5%	New Zealand Oil & Gas
55%	Pacific Oil & Gas (Operator)
22.5%	Bukit Energy

The operator is working with the government regulator on a plan of development. Approval by the regulator and the final investment decision are targeted for mid-2015. The development programme is likely to include the completion of up to three suspended exploration and appraisal wells in addition to a minimum of two new wells.

The current plan is for new well drilling and working over of existing wells to be performed concurrently in the second half of 2015, with initial production expected late 2015/early 2016. Recovery will be dependent on well count, drainage area, geology and well completion practices.

MNK Kisaran Production Sharing Contract (Barumun)

Early evaluation



11.25%	New Zealand Oil & Gas
33.75%	Bukit Energy
55%	Pacific Oil & Gas (Operator)

The joint venture was awarded the MNK Kisaran block by the government regulator. The PSC relates to unconventional resource in the Kisaran PSC area.

The signing of the production sharing contract is expected in the first quarter of 2015.

Palmerah Baru Production Sharing Contract

Seismic survey



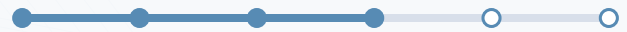
36%	New Zealand Oil & Gas
54%	Bukit Energy (Operator)
10%	PT SNP Indonesia

Scoping data interpretation has high-graded eight promising leads. These will be analysed in more detail via new 3D and 2D seismic data which will be acquired in conjunction with an advanced hydrocarbon micro-seepage geochemical survey [Amplified Geochemical Imaging] which is designed to provide an enhanced view of prospectivity. Planning is underway for a 220-sample AGI survey with acquisition expected by the third quarter of 2015.

Acquisition of a 100-square kilometre 3D survey in the north east of the permit, and a 150-kilometre 2D survey in the south and west of the permit, is targeted for the end of 2015 with processing and interpretation extending into early 2016. An exploration well is targeted for late 2016.

Bohorok Production Sharing Contract

Drilling



45%	New Zealand Oil & Gas
45%	Bukit Energy (Operator)
10%	Surya Buana Lestarijaya Bohorok*

Lion Energy has been granted an option to acquire a 15 per cent interest in the conventional Bohorok Production Sharing Contract (PSC) in North Sumatra in exchange for the joint venture partners receiving a 45 per cent interest in Lion's rights to lodge an unconventional joint study agreement over the unconventional exploration underlying virtually the same area.

If Lion exercises its option, each party will have the following share in the Bohorok conventional PSC: New Zealand Oil & Gas 38.25%, Bukit Energy (operator) 38.25%, Surya Buana Lestarijaya Bohorok 8.50%* and Lion Energy 15%.

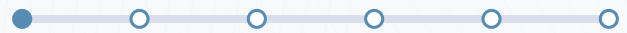
A 205-square kilometre seismic survey over the PSC was completed in 2014 and the joint venture has high-graded a gas condensate prospect to drillable status.

Initial drilling preparation is aimed to commence early 2015 with a well expected to be drilled towards the end of 2015.

The proposed drill location is close to both gas infrastructure and to a robust gas market.

MNK Bohorok

Early evaluation



20.25%	New Zealand Oil & Gas
55%	Lion Energy (Operator)
20.25%	Bukit Energy
4.5%	Surya Buana Lestarijaya Bohorok*

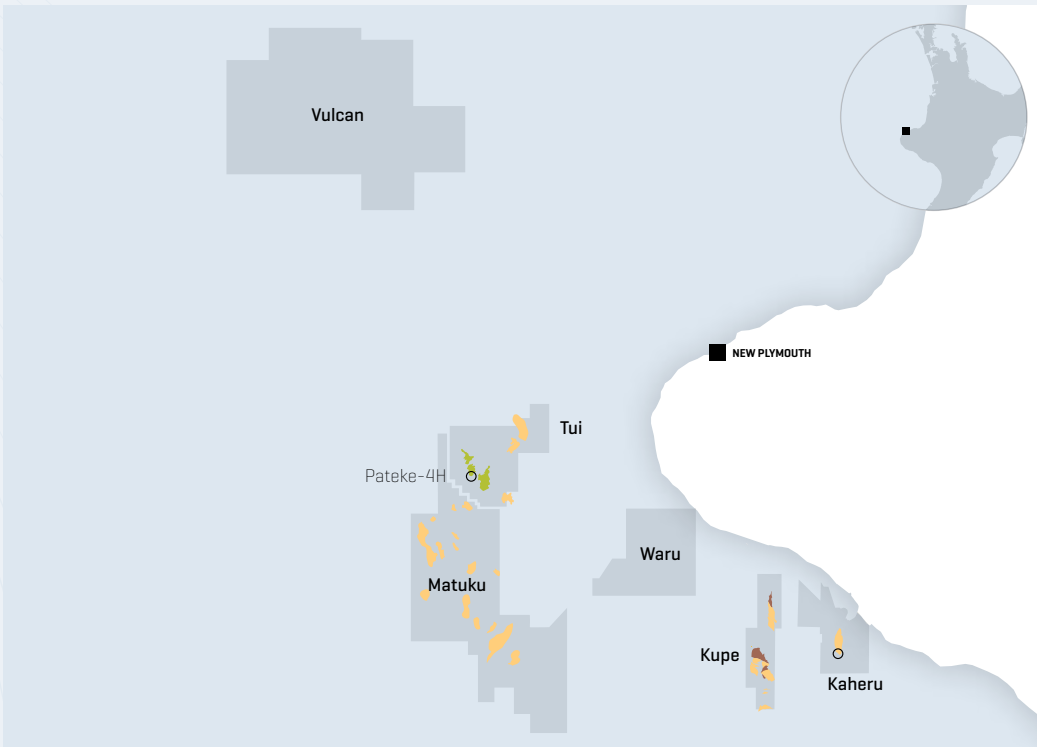
As part of the grant of an option to Lion in relation to the Bohorok Production Sharing Contract, New Zealand Oil & Gas has joined Lion (and Bukit Energy) in applying for a joint study agreement to assess the unconventional resource potential of the Bohorok area. If the joint study agreement is awarded, the Bohorok partners will reimburse Lion for back costs and contribute 45 per cent of third party costs of conducting the unconventional joint study.

*Bukit and New Zealand Oil & Gas have entered into an agreement with SBL, subject to conditions and regulatory approval, to jointly acquire SBL Bohorok's 10 per cent interests in the Bohorok PSC and 4.5 per cent interests in the joint study agreement.



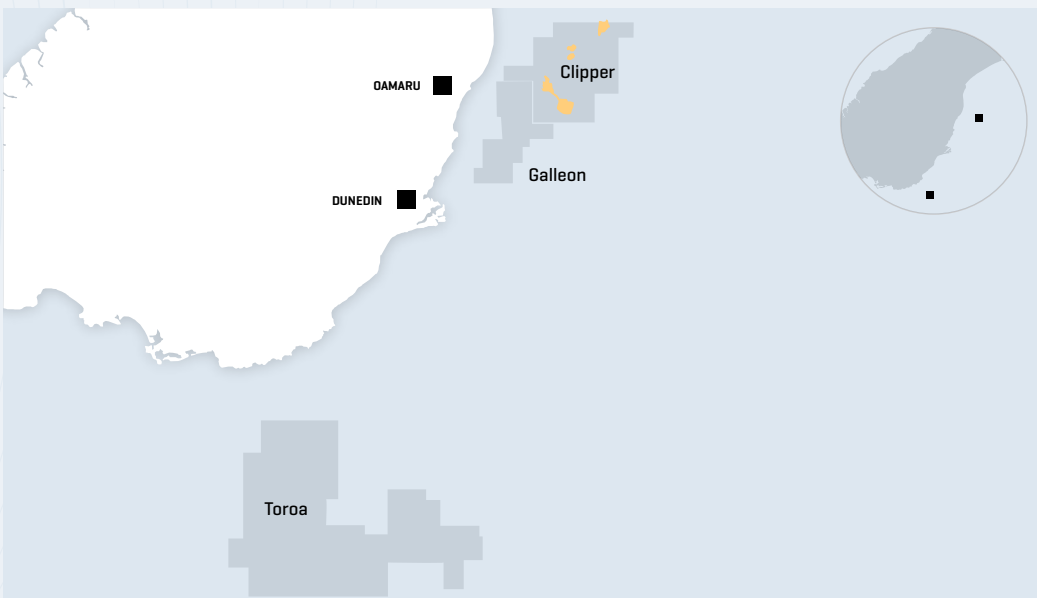
INDONESIA

- Bohorok Production Sharing Contract**
45% New Zealand Oil & Gas
- MNK Bohorok**
20.25% New Zealand Oil & Gas
- Kisanan Production Sharing Contract**
22.5% New Zealand Oil & Gas
- MNK Kisanan Production Sharing Contract**
11.25% New Zealand Oil & Gas
33.75% Bulkit Energy (Operator)
55% Pacific Oil & Gas
- Palmerah Baru Production Sharing Contract**
36% New Zealand Oil & Gas



**OFFSHORE TARANAKI BASIN
NEW PLYMOUTH**

- Vulcan (PEP 55793)**
30% New Zealand Oil & Gas
- Matuku (PEP 51906)**
12.5% New Zealand Oil & Gas
- Tui (PMP 38158)**
27.5% New Zealand Oil & Gas
- Kaheru (PEP 52181)**
35% New Zealand Oil & Gas
- Waru (PEP 54857)**
100% New Zealand Oil & Gas
- Kupe (PML 38146)**
15% New Zealand Oil & Gas



**OFFSHORE CANTERBURY -
GREAT SOUTH BASIN
CANTERBURY**

- Clipper (PEP 52717)**
50% New Zealand Oil & Gas
- Galleon (PEP 55792)**
100% New Zealand Oil & Gas
- Toroa (PEP 55794)**
30% New Zealand Oil & Gas

MAP LEGEND

- Gas
- Oil
- Prospects & Leads
- New Zealand Oil & Gas Permits
- Wells

PERFORMANCE

New Zealand Oil & Gas operating revenue for the quarter was NZ\$ 27.3 million.

This included revenue from the sale of Tui oil NZ\$11.7 million and revenue from the sale of Kupe sales gas, LPG and light oil NZ\$15.6 million.

As at 31 December 2014, the New Zealand Oil & Gas cash balance was NZ\$115.2 million, with cash holdings held in both NZ and US dollar accounts. New Zealand Oil & Gas had no outstanding debt at end of the period.

More financial information is contained in the 31 December 2014 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

Financial Update	3 months to 31 Dec 2014	Previous Quarter	Comparable quarter a year ago
Revenue (NZ\$m)	27.3	26.8	21.3
Cash Balance (NZ\$m)	115.2	130.6	164.2

YOU'RE INVITED

Tauranga-BOP Investor Briefing: April

Coinciding with the release of our next quarterly activities report please join us for our quarterly investor briefing

When: Noon, Wednesday, 29 April 2015
Where: Trinity Wharf, 51 Dive Crescent, Tauranga

Dinosaur Footprints now in New Plymouth

See footprints left by perhaps the largest animal ever to walk on Earth. Proudly sponsored by New Zealand Oil & Gas.

When: January - March 2015
Where: Showcasing at Puke Ariki, New Plymouth

More about the dinosaur footprints tour can be found on the New Zealand Oil & Gas website at www.nzog.com



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