

# The Explorer





## PORTFOLIO GROWTH IN NEW ZEALAND AND INDONESIA

**New Zealand Oil & Gas acquired interests in three new permits in the New Zealand Government's 2013 Block Offer on 5 December: One off Taranaki, one off Canterbury and the third in the Great South Basin.**

In two new deepwater permits, Vulcan and Toroa, we welcomed a new exploration partner: Woodside Petroleum, Australia's largest independent oil and gas company.

Deepwater exploration adds a new dimension to the New Zealand Oil & Gas portfolio in offshore New Zealand. It's not cheap or easy to explore in deepwater permits. They bring a requirement for sophisticated capability and substantial investment. But with Anadarko drilling in deepwater Taranaki and Canterbury this summer, and Shell committing to a well in the Great South Basin, interest in New Zealand deepwater is high.

Woodside brings deepwater operational capability to the partnership, to combine with New Zealand Oil & Gas's understanding of local conditions.

In each permit the joint venture committed to seismic surveys within 12 months from formal award of the block on 1 April 2014.

In the same Block Offer, New Zealand Oil & Gas was awarded 100 per cent of PEP 55792 'Galleon' off Canterbury. Galleon is immediately south of the Clipper permit and covers 1,654 km<sup>2</sup>. The conditions of the award of the Galleon permit required a modest seismic programme, which has already been satisfied.

### **NEW INTEREST IN INDONESIA**

New Zealand Oil & Gas has also picked up a new interest in a Production Sharing Contract in onshore Sumatra, Indonesia.

The Indonesian regulator announced on 23 December 2013 that a joint venture in which New Zealand Oil & Gas has a 36 per cent stake had been awarded the Palmerah Baru block covering approximately 1,000 km<sup>2</sup>.

Exploration in Indonesia complements the core focus on New Zealand, providing diversified exposure to different geological basins and investment risks. New Zealand Oil & Gas has gathered more knowledge about working in Indonesia from its activities in the Kisaran and Bohorok PSCs.

The Palmerah Baru block is in South Sumatra, a prolific oil province. It is surrounded by oil and gas fields, including a very large field to the south and a recent discovery to the south-southeast. Because of developments in the area, the infrastructure necessary to transport product is nearby.

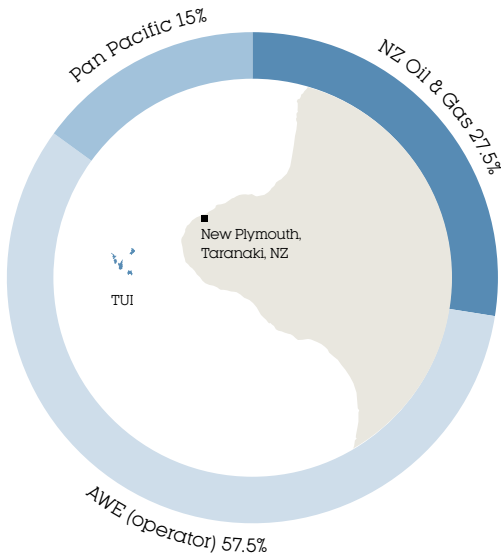


● 14,900km<sup>2</sup>

New acreage in Indonesia  
and New Zealand



NEW PLYMOUTH, NEW ZEALAND



**TUI**

NZOG revenue from Tui in the quarter was NZ\$8.3 million.

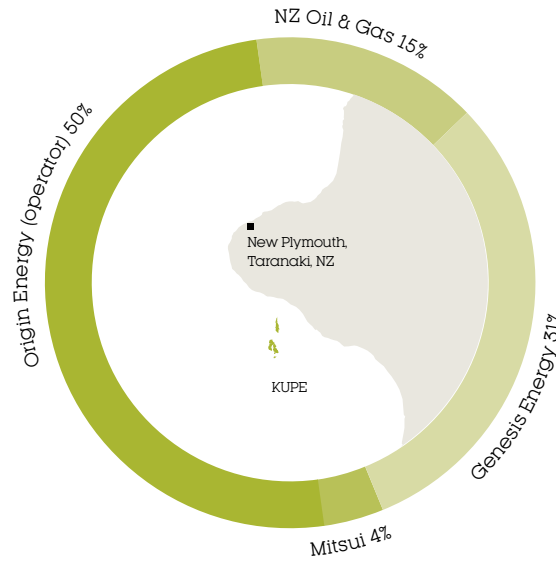
**Tui area oil fields (PMP 38158). NZOG interest 27.5%**

Total oil production at Tui for the three months to the end of 31 December 2013 was 303,211 barrels of oil, at an average rate of 3,296 barrels per day (New Zealand Oil & Gas share was 83,383 barrels).

There was a tanker shipment of 278,683 barrels in the 31 December 2013 quarter (New Zealand Oil & Gas share 59,412 barrels). As at 31 December 2013 there were approximately 137,612 barrels of oil in stock (NZ Oil & Gas share 37,843 barrels).

A two day unplanned shutdown occurred in October for temporary repairs to the production header. The degraded production header pipe work was replaced in a scheduled shutdown commencing November 27th. This shutdown was completed successfully in 14 days, with no HSE incidents or accidents. The crude firing project was fully commissioned and operational by mid-November.

As previously advised, effective from 1 October 2013 New Zealand Oil & Gas increased its share of the Tui oil fields to 27.5% Revenue from Tui in the previous quarter was NZ\$5.1m for NZOG's [then] 12.5% share.



**KUPE**

NZOG revenue from Kupe in the quarter was NZ\$13.0 million.

**Kupe oil and gas field (PML 38146). NZOG interest 15%**

In the three months to the end of 31 December 2013, Kupe produced

- 4,797 PJ of gas (New Zealand Oil & Gas allocation 0.720 PJ)
- 20,670 tonnes of LPG (New Zealand Oil & Gas share 3,100 tonnes)
- 368,451 barrels of light oil (New Zealand Oil & Gas share 55,268 barrels)

Gas sales were stable in the quarter, aside from Scheduled Emergency Shutdown (ESD) system tests mid November. Following this test the Amine unit at Kupe was shutdown due to a valve failing to re-open. This reduced both Condensate and LPG volumes for the remainder of November, while the valve was repaired.

NZOG Production

Product	October - December 2013
<b>Kupe</b>	
Gas	0.720 petajoules
LPG	3,100 tonnes
Light oil	55,268 barrels
<b>Tui</b>	
Tui oil	83,383 barrels

**OFFSHORE TARANAKI BASIN**

**Vulcan** [PEP 55793]

**NZOG 30%, Woodside Petroleum 70%** [Operator]

This permit was awarded in the December Block Offer and will be formally conferred on 1 April 2014. Planning has begun for a seismic survey to be conducted next summer.

‘Vulcan’ is a true frontier permit covering 2418 km<sup>2</sup> with substantial unexplored leads.

**Matuku** [PEP 51906]

**NZOG 12.5%, OMV 65%** [Operator], **Octanex 22.5%**

The Kan Tan IV semi-submersible rig spudded the Matuku-1 exploratory well on 30 November 2013 and reached total depth of 4,846 metres. More detail on the Matuku well is published on the back page of this report.

A 400km<sup>2</sup> 3D survey over the Kaka prospect in the southeast portion of the permit was completed in January.

**Kaheru** [PEP 52181]

**NZOG 35%** [Operator], **TAG Oil 40%, Beach Energy 25%**

Well planning workshops were conducted in Wellington in Q4 2013.

**Kanuka** [PEP 51558]

**NZOG 50%, Todd Energy 50%** [Operator]

This permit was relinquished by the Operator on 2 December 2013, as the JV was unable to commit to a firm exploratory well.

**Taranga** [PEP 52593]

**NZOG 50%** [Operator], **Octanex 50%**

Interpretation of the 298 km<sup>2</sup> Karoro 3D seismic survey, acquired in 2013, continues ahead of a March 2014 commit to drill decision point.

**Takapou** [PEP 53473]

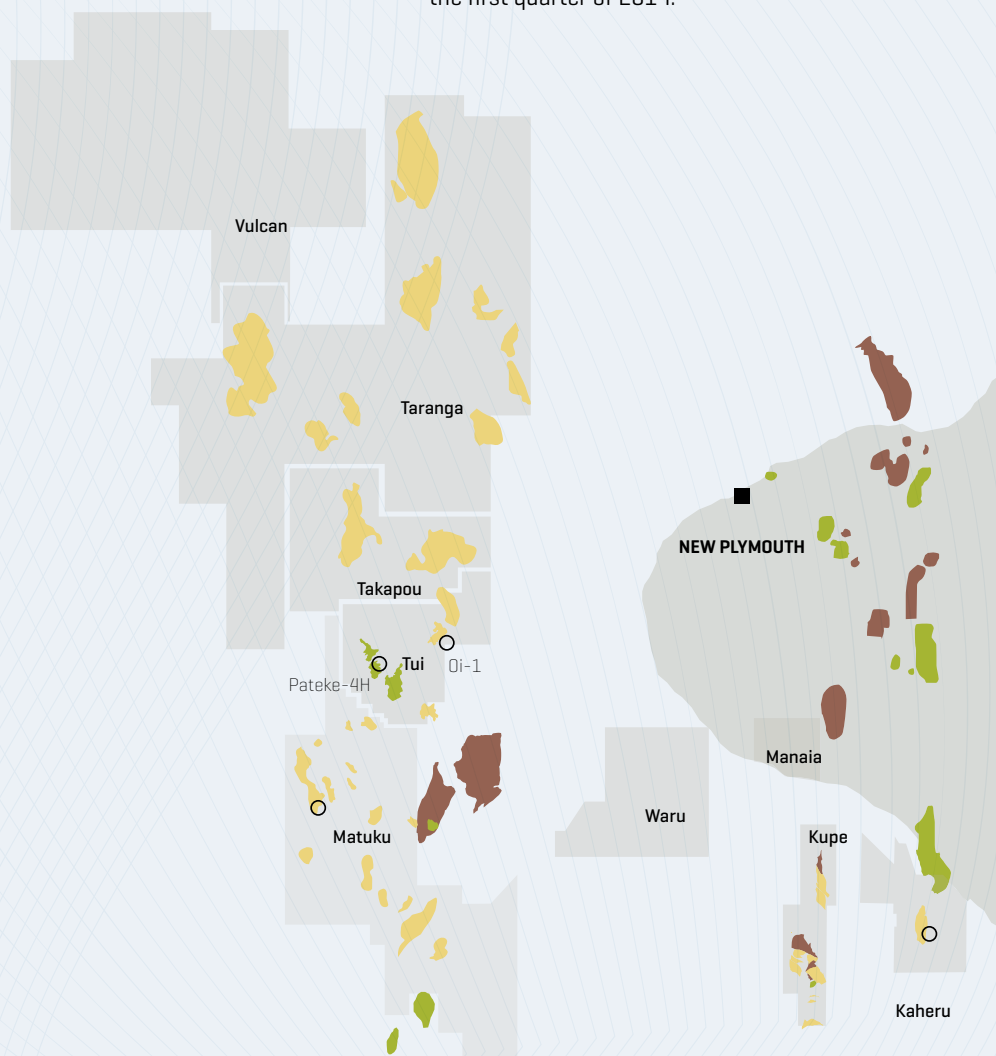
**NZOG 50%** [Operator], **Octanex 50%**

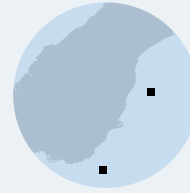
Interpretation of the 595 km<sup>2</sup> Kokako 3D seismic survey, acquired in 2013, continues ahead of a March 2014 commit to drill decision point.

**Waru** [PEP 54857]

**NZOG 100%** [Operator]

Planning was initiated to acquire a 400 km 2D seismic survey. Negotiations to secure a suitable seismic vessel are ongoing, with acquisition anticipated in the first quarter of 2014.





CANTERBURY



NEW PLYMOUTH

### OFFSHORE CANTERBURY - GREAT SOUTH BASIN

#### Tui [PMP 38158]

NZOG 27.5%, AWE 57.5% [Operator], Pan Pacific Petroleum 15%

Oi\* and Pateke-4H

The Kan Tan IV semi-submersible rig will begin operations at Pateke-4H following completion of operations at Matuku-1. It will then move to the Oi-1 location. Preparations are complete for the drilling of both of these wells.

Once drilling begins, New Zealand Oil & Gas will release weekly progress reports to the NZX and ASX and publish those updates at nzog.com

\*Pan Pacific Petroleum will increase its participation in the Oi well to 50% under the sole risk provisions of the Tui Joint Venture Operating Agreement. AWE and New Zealand Oil & Gas will participate in the Oi exploration well at reduced equities of 31.25% and 18.75% respectively, with the option to restore their full equities in any development subject to their reimbursement of pro-rata costs and payment of a buy back premium.

#### ONSHORE TARANAKI

#### Manaia [PEP 54867]

NZOG 40%, New Zealand Energy Corp. 60% [Operator]

The Operator continued with planning for a 70 km 2D seismic survey, with acquisition anticipated in Q2 2014.

#### Clipper [PEP 52717]

NZOG 50% [Operator]\*, Beach Energy 50%

\* Ministerial consent granted 3 October 2013

The company completed an incident-free 3D seismic survey covering approximately 650 km<sup>2</sup>.

The programme commenced on 17 December 2013 and was completed on 31 December 2013, more than a week ahead of schedule as a result of favourable weather and sea state.

The survey deployed round-the-clock trained observers using both visual and passive acoustic monitoring techniques to comply with the Department of Conservation's mandatory Code of Conduct. It requires operations to be suspended if whales or dolphins are near the vessel.

Data from the survey will be processed overseas. Preliminary assessments suggest the data gathered is high quality.

The terms of the Clipper exploration permit required a 3D survey to be completed by October 2014. The survey will be used to better identify hydrocarbon prospectivity in the Barque structure 50 kilometres east of Oamaru.

#### Toroa [PEP 55794]

NZOG 30%, Woodside Petroleum 70% [Operator]

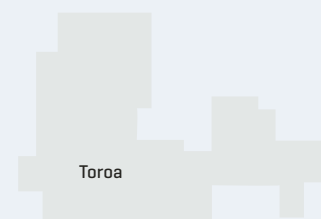
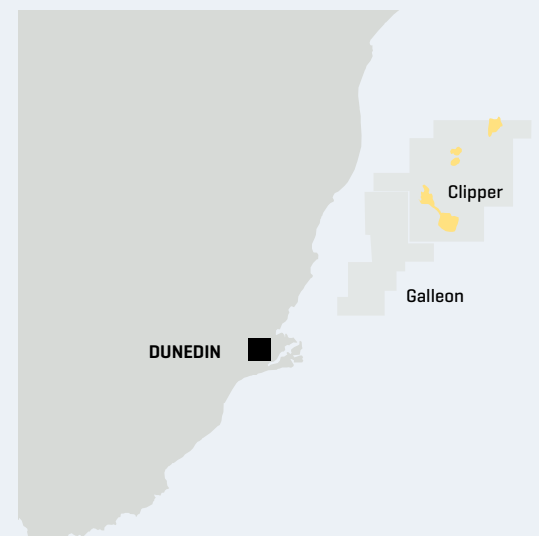
This permit was awarded in the December 2013 Block Offer, and will be formally conferred on 1 April 2014. Planning has begun for a seismic survey to be conducted next summer.

'Toroa' is in the Great South Basin south east of the South Island and covers 9835 km<sup>2</sup>. Two wells have previously been drilled in the permit and encountered non-commercial shows.

#### Galleon [PEP 55792]

NZOG 100% [Operator]

New Zealand Oil & Gas was awarded 100 per cent of Galleon in the 2013 Block Offer, after bidding a modest seismic programme. The seismic commitment was completed in early January. The survey mapped a tie line from a previous well drilled in Galleon in the 1980s to the Clipper prospects, which helps geophysicists analyse the Clipper subsurface by tying seismic lines to actual drill results.



- Gas
- Oil
- Prospects & Leads
- NZOG Permits
- Wells



INDONESIA



TUNISIA

**INDONESIA**

**Palmerah Baru Production Sharing Contract**

NZOG 36%, Bukit Energy Palmerah Baru 54% (Operator), PT SNP Indonesia 10%

This Production Sharing Contract in onshore South Sumatra, Indonesia was announced on 23 December 2013.

Under the Production Sharing Contract the joint venture will be committed to an initial three year exploration work programme to include both 2D and 3D seismic acquisition and one exploration well.

**Kisaran Production Sharing Contract**

NZOG 22.5%, Pacific Oil & Gas 55% (Operator), Bukit Energy 22.5%

Both the Parit Minyak 2 and 3 wells have been suspended as potential future production wells with the wellsites fenced for health and safety compliance. The next phase is generating a draft Plan of Development (POD) to determine whether the well results support further appraisal and/or development activities. Approval and initial pursuit of a final POD will take 6-12 months.

**Bohorok Production Sharing Contract**

NZOG 45%, Bukit Energy 45% (Operator), Surya Buana Lestarijaya Bohorok 10%

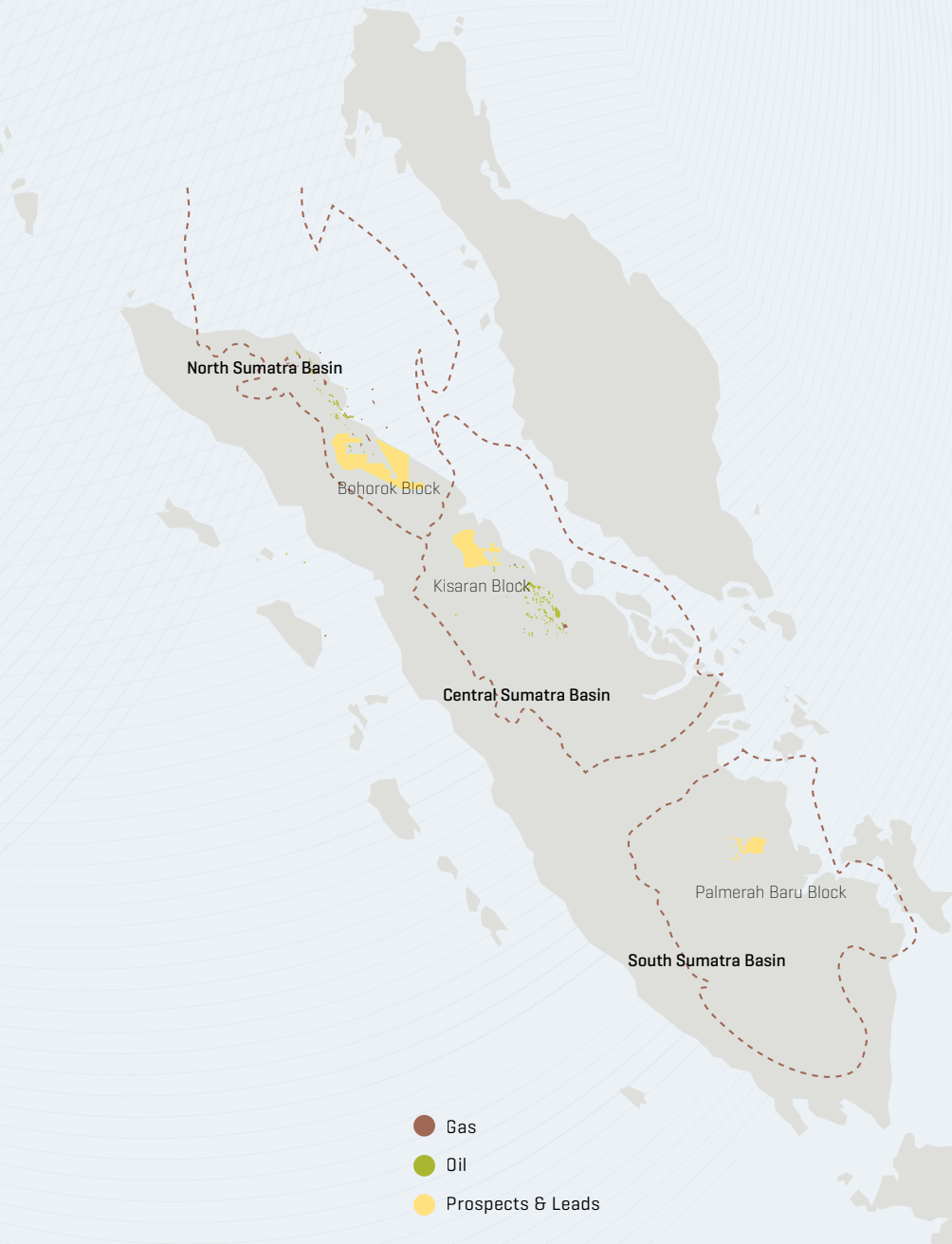
The Operator is currently conducting a 2D seismic survey of approximately 200km. Acquisition is expected for the first half of 2014.

**TUNISIA**

**Diodore Prospecting Permit**

NZOG 100% (Operator)

Contractor work on seismic reprocessing continued, with final data expected to be delivered in Q1 2014.



## COMING UP

### DRILLING IN PATEKE-4H

Pateke-4H is expected to begin drilling shortly after publication date and take around two months to drill to a depth of 3,655 metres. It will be drilled using the Kan Tan IV when the rig has finished at Matuku.

4H is a northern extension of the existing Pateke reservoir, which is part of the Tui fields. Pateke-4H is seen as a development well because Tui is already producing. The chances of success are improved by the joint venture partners' knowledge of the field, although the prospective resource is modest.

If commercial volumes of oil are found in the lobe, they would be produced using the existing Tui infrastructure.

### WHAT LIVES DOWN UNDER

New Zealand Oil & Gas is working with the Science Roadshow Trust to help New Zealanders understand how geoscience is used to discover oil and gas deposits.

In February a roadshow will take displays to schools and communities around Taranaki.

It invites young imaginations to conceive the creatures that roamed the Earth twenty, thirty or forty million years ago. Living things from back then formed deposits that over years have turned into hydrocarbons that we are searching for today.

Participants can learn more and win prizes at:

[www.whatlivesdownunder.co.nz](http://www.whatlivesdownunder.co.nz)

The What Lives Down Under website and exhibition have been created by the partners in the Kaheru prospect, which is due to be drilled in 2015.



WHAT  
**LIVES**  
DOWN UNDER?

### FINANCIAL UPDATE

New Zealand Oil & Gas operating revenue for the quarter was NZ\$21.3 million. This included revenue from the sale of Tui oil of NZ\$8.3 million and revenue from the sale of Kupe sales gas, LPG and light oil of NZ\$13.0 million.

As at 31 December 2013, New Zealand Oil & Gas's cash balance was NZ\$164.2 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 2013 Quarterly Cash Flows Report, which has been released to the NZX and ASX.

### DIVIDEND 2013

No decisions have yet been made on a dividend for this financial year. The New Zealand Oil & Gas Board will make a decision when it considers the half year result, due for release on the 19th of February 2014.

Shareholders resident in New Zealand or Australia are able to choose to invest all or part of their future dividends in taking up additional New Zealand Oil & Gas shares instead of receiving cash. The plan is a convenient way to reinvest dividends in Shares without incurring brokerage charges.

Shareholders can join or leave the plan by contacting the share registry Computershare at 0800 467 335 [NZ] or 1800 501 366 [Australia].

# EXPLORATION IN THE MATUKU PERMIT

**After being drilled over the Christmas period, the Matuku prospect in PEP 51906 didn't discover significant volumes of oil or gas, but other prospects in the permit are still being studied.**

New Zealand Oil & Gas has a 12.5% interest in the permit and could have increased its share in a successful well. The costs of drilling were entirely met by the operator, OMV, who began drilling the well in 130 metres of water on 30 November. It reached a total depth of 4,846 metres on 18 January.

Drilling data indicates that the well conformed to expectations in that the primary targets, Kapuni Group Farewell F Sands, were encountered on structure and were found to be porous. Post-drilling analyses will help to explain whether a commercial resource was not present because hydrocarbons had passed through or never made it to the prospect.

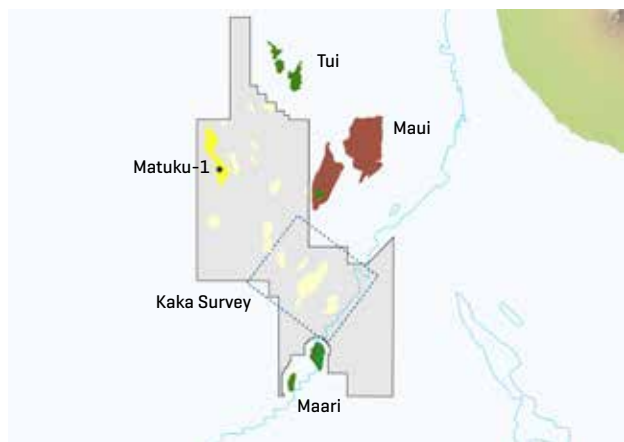
Non-commercial oil shows were seen in D Sands and North Cape Formation units deeper in the well.

So, despite the absence of a discovery at Matuku, the information from the well is still valuable to geoscientists from New Zealand Oil & Gas. Data from drilling provides definitive information about fluids and rocks and helps to complete the picture of reservoir properties in the basin and how they may have been charged.

Also over summer, a 3D seismic survey was completed over an unrelated prospect in the same permit. Known as 'Kaka', the survey used the Polarcus Alima – the same sophisticated seismic vessel New Zealand Oil & Gas used in the Endurance 3D survey in December.

Kaka will provide information about Paleocene Farewell and Eocene Mangahewa Formations.

This dataset, along with the Matuku well results, should assist in understanding the source of the Tui, Maui and Maari fields, all of which are neighbours to PEP 51906.



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