

NZ Oil Exploration & Production

INFINZ Conference
24 September 2008

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A diversified upstream energy player:

- Production - Tui Area Oil Fields
- Development - Kupe Field
- Exploration - Taranaki permits
- Investment - Pike River Coal

- Listed NZX and ASX
- Positioned for Growth - \$285m in cash



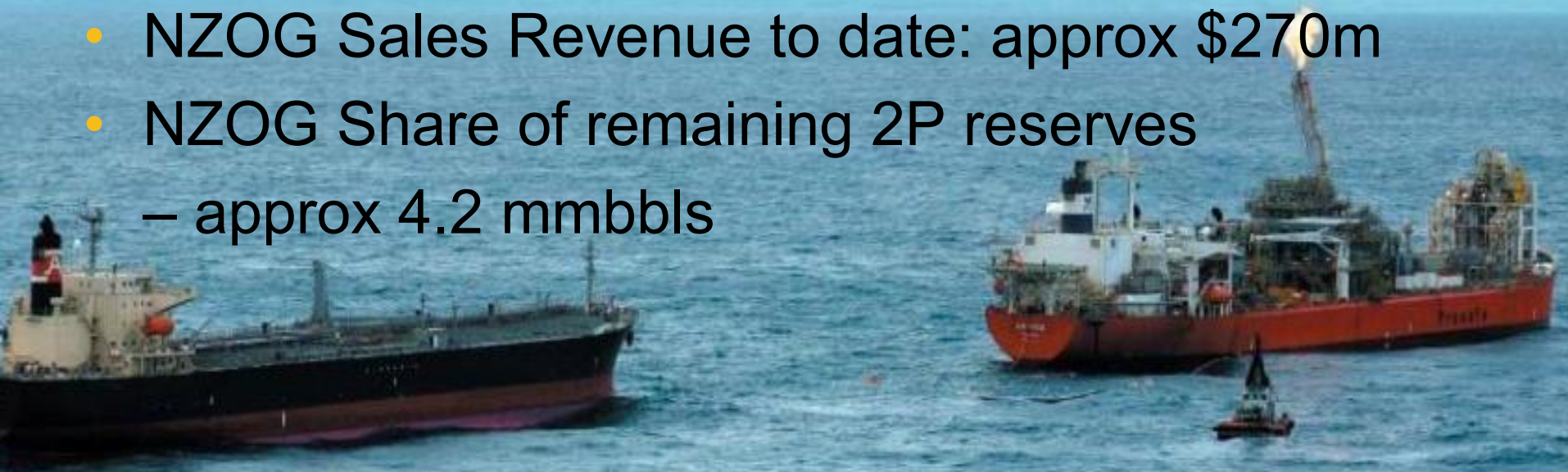
NZOG's Experiences

- Typical for small/mid-cap E&P companies
- Exploration led:
 - Sell down to fund investment
- Funding the early stages is challenging:
 - Exploration is risky
 - High development costs
 - Regulation, business partners, market perception
- Key to success: participation in production phase
 - e.g. Kupe, Tui
- And success can be **very** rewarding



NZOG Success Story 1 - Tui

- Discovered by NZOG and partners in 2003/04
 - First production July 2007
- NZOG a 12.5% JV partner
 - Exploration & Development costs \$52m
 - Project payback in 4 and a half months
- Total Production to date: approx 17.5 mmbbls
- NZOG Sales Revenue to date: approx \$270m
- NZOG Share of remaining 2P reserves
 - approx 4.2 mmbbls



NZOG Success Story 2 - Kupe

- Kupe Project:
 - Discovered by NZOG in 1986
 - Investment decision June 2006
 - First commercial production mid-2009
- NZOG's a 15% JV partner:
- Economics of Kupe have improved
 - Expected development costs are up 20%
 - Expected revenues are up over 50%
 - Three-quarters of value in the liquids



NZOG's Plans for the Future

- Tui cashflows + Kupe development + Capital Raising + Pike River investment = solid/diversified base for NZOG
- Looking to grow by the drill-bit and by acquisition
 - Thoroughly assessed NZ opportunities
 - Some opportunities remain live but in total not enough to meet NZOG's requirements
 - Actively looking overseas



Where does NZ fit?

- Small fry on a global scale:
 - Small production, market, labour pool
 - NZ producing 0.2% of world oil supply
 - Low activity = loss of scale benefits available elsewhere
- Geographically isolated
- Few industry participants and experts
- Limited infrastructure
 - Nothing outside of Taranaki



Where does NZ fit?

- Not on radar screen of most big players
 - Only a few represented in NZ
- NZ previously considered gas prone
 - Gas market risk remains a key investment risk
- Reputation as highly litigious
 - Legal action used as standard business approach
- A lot of acreage is currently unavailable
 - Drip-feed approach needs to be reconsidered



Where does NZ fit?

- Significant regulatory uncertainty
 - ETS
 - Thermal moratorium
 - Section 41 of Petroleum Act
- New Zealand has to work hard to get attention
- International players want depth, liquidity, accessibility, transparency, familiarity
 - NZ not near the top of the list
- The Goal: Energy for the world
 - Energy not just for domestic consumption but as a internationally traded commodity



On the bright side...

- NZ relatively under-explored
 - Further resource potential in Taranaki
 - Other identified basins with good potential
 - Big potential in frontier basins but high risk/costs
 - NZ offers a safe, secure location
- = Good prospects for further NZ exploration
- Oil the preferred target
 - Gas less valuable and more difficult to monetise



Summary

- Tui and Kupe show that E&P can be highly profitable for a NZ-based and focused company
- NZ has good remaining prospectivity
 - But much of the resource is unavailable
- A local partner has much to contribute
- Oil, not gas, is now the target in NZ
- NZOG resourced and pursuing an active growth path – both in NZ and overseas

