

June Target For First Tui Oil

Drilling of the production wells in the Tui oil field area (PMP 38158) is on schedule for production to commence from the fields in June 2007, New Zealand Oil and Gas (NZOG) has announced.

Chief Executive Officer, Tony Radford, said a production peak of 50,000 bopd is anticipated when the project is fully commissioned. "NZOG's share of this production, based on the approved work programme and budget, an oil price of US\$45 bbl per and a NZD: USD exchange rate of 0.65, gives a projected earnings before income tax, depreciation and amortisation for the company in the first production year of approximately NZ\$60 million", Radford said.

NZOG has hedged approximately 36% of the first 12 months of production to guarantee a minimum price of US\$50 bbl. "Commencement of oil production from Tui will give a major boost to NZOG and help set the company on course for future growth", he said.

The shallow sections on three of the Tui Area production wells have been drilled on a "batch-drilling" basis, which involved the drilling of the upper sections and installing subsea wellheads and "trees" on three of the planned four wells, prior to drilling deeper, including the horizontal sections within the oil reservoirs.

Radford said in addition to the drilling programme, construction activities are also making good progress. "The critical path item is the delivery of the Umuroa floating production storage and offload vessel (FPSO) which is

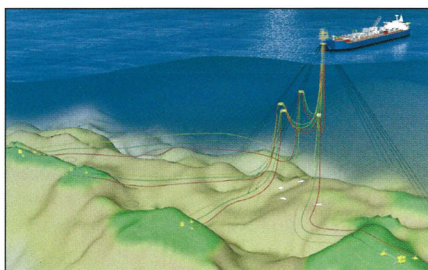


Illustration of the Umuroa FPSO in production with umbilical lines connecting to subsea wells. The FPSO is designed to handle weather conditions by enabling the vessel to rotate around the turret which remains anchored.

under conversion in Singapore and on target to arrive in New Zealand waters in April", he said.

Other Tui construction activities continued worldwide, with good progress achieved on the subsea flowlines in France, midwater arches in New Zealand and the FPSO in Singapore. Radford said development costs are on track with the current Tui construction budget of US\$225 million.

The Tui oil field is located in the Taranaki basin, approximately 50 km offshore of the west coast of the North Island of New Zealand. Participants in PMP 38158 are: (New Zealand Oil & Gas Ltd - through subsidiary Stewart Petroleum Co. Ltd 12.5%), AWE (operator and 42.5%), Mitsui E & P New Zealand Ltd (35.0%) and Pan Pacific Petroleum Ltd - through subsidiary WM Petroleum Ltd (10.0%) ■