

news release

15 April 2014

Pateke-4H drilling update

At 6.00 this morning (NZST) preparations were being made to drill a second sidetrack well at Pateke-4H, offshore Taranaki, New Zealand, the operator has advised.

Operations have been unable to drill past an obstruction in the lower portion of the first sidetrack. A second sidetrack will be drilled from a measured depth of 3,587 metres with an 8 1/2 inch drilling assembly.

The forward work plan requires the second sidetrack well to be drilled to a depth of approximately 4,110 metres and intersect the F10 reservoir horizontally. Drilling will continue through the F10 reservoir section to a planned total measured depth of 5,361 metres, and then a 6 5/8 inch production liner will be installed.

The Kapuni F10 sandstone objective has already been intersected as expected with oil shows and real time logging measurements indicating the likely presence of an oil bearing reservoir. The commercial significance of the oil shows will not be clear until the horizontal drilling is completed and the reservoir size and quality is fully assessed.

Based on the additional work required to mitigate the operational difficulties encountered to date, pre-completion well costs have increased beyond the pre-spud estimate. New Zealand Oil & Gas now expects its share to exceed US\$25 million. An updated estimate of well costs will be released after horizontal drilling is completed and the production liner has been installed.

Pateke-4H is targeting a mapped northern extension of the currently producing Pateke field. If successful, the well will be completed for subsequent tie-back to the Tui FPSO ("Umuroa") for production in 2015.

New Zealand Oil & Gas has a 27.5 per cent interest in Tui.

The other Tui joint venture partners are:

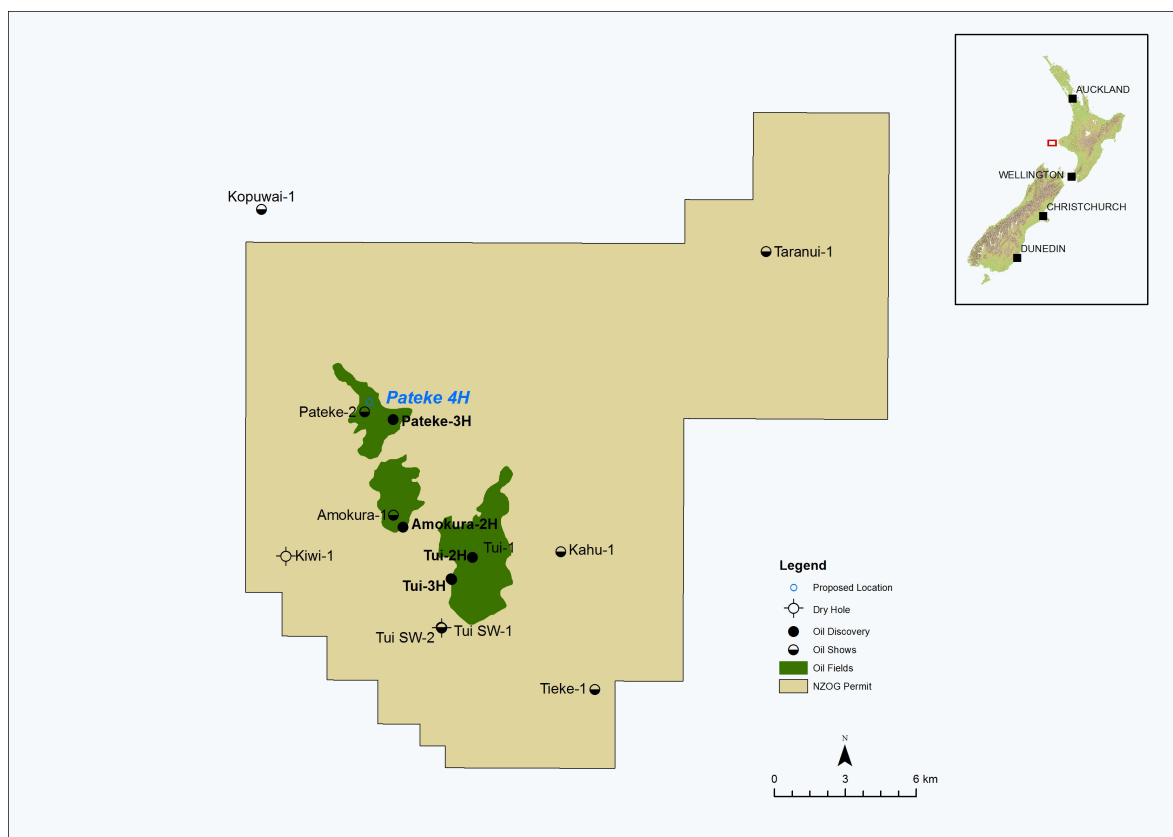
AWE Limited (via subsidiaries) (Operator)	57.5%
Pan Pacific Petroleum (via subsidiaries)	15.0%

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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO



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