

# New Zealand Oil & Gas Activities Report

## NEWS

- O.G. Oil & Gas partial takeover
- Changes to the New Zealand Oil & Gas board
- Purchase of 4% interest in Kupe completes

### O.G. Oil & Gas partial takeover

The partial takeover offer for New Zealand Oil & Gas by O.G. Oil & Gas [Singapore] Pte. Ltd., a subsidiary of O.G. Oil & Gas Limited ("O.G. Oil & Gas"), closed on 8 January 2018 and was declared unconditional on 11 January. O.G. Oil & Gas now owns 69.867% of New Zealand Oil & Gas. Eyal Ofer, chairman of Ofer Global, is delighted that the O.G. offer succeeded. "We've always believed that the Ofer Global Group and New Zealand Oil & Gas will make a great team," he said. "We are confident that together we can achieve exciting things and bring real value to shareholders, to New Zealand and to the entire region."

The partial takeover process began five months ago and O.G. Oil & Gas chief executive Alastair McGregor said, "Since this process began we have only strengthened our conviction that we can help New Zealand Oil & Gas to unlock its many great opportunities. We look forward to working with the outstanding New Zealand Oil & Gas team and we are thrilled to have the opportunity to contribute to the company's bright future."

Ordinary shares sold into the offer were subject to scaling in accordance with the offer document. Shareholders received payment on Friday, 19 January 2018.

## BOARD CHANGES

Three new directors joined the New Zealand Oil & Gas Board in December.

O.G. Oil & Gas director, Samuel Kellner, is the new chairman. Another O.G. Oil & Gas director, Rebecca DeLaet, has also joined the board and will chair the Audit Committee. New Zealand Oil & Gas chief executive Andrew Jefferies is the third new director. None of the new directors, nor Mr Alastair McGregor, will accept fees for their position for two years.

Previous chairman Rodger Finlay and director Duncan Saville announced their resignations after O.G. Oil & Gas received regulatory approvals and more than 50 per cent acceptances for its offer. New Zealand Oil & Gas chief executive Andrew Jefferies thanked them for their service. "They leave the company with capabilities that will see it grow and flourish under its new majority shareholder. We wish them well for the future."

### Acquisition of 4% of Kupe completes

The acquisition of 4 per cent of Kupe finally completed in December following receipt of all required regulatory approvals. The transaction was announced last May, and the sale and purchase agreement signed in July 2017 - subject to certain conditions, including the regulatory approvals.

New Zealand Oil & Gas received net revenues from the asset from 1 January 2017. Those earnings will be recognised in New Zealand Oil & Gas accounts as an adjustment to the NZ\$35 million purchase price. Net revenues from the acquisition date have been included in results for the quarter.

The acquisition adds about 2.6 million barrels of oil equivalent to New Zealand Oil & Gas reserves. Kupe is a gas and light oil field offshore from South Taranaki. It comprises an offshore remote-operated production platform, a pipeline and umbilical cable to shore, and an onshore production facility near Hawera.

## FINANCIAL SUMMARY

- Cash position \$83.1m, reflects acquisition of Kupe.
- Dividend of \$6.8m paid in November.
- Adjustment on purchase of Kupe asset.

\$30.0 million was paid to Mitsui for the purchase of their 4 per cent interest in Kupe. This comprised the \$35.0m purchase price less an estimated completion adjustment of \$5.0m, which represented estimated net revenues earned from 1 January 2017 up to the date of acquisition and adjustments for working capital.

A 4c per share fully imputed dividend was paid to shareholders in November, totalling \$6.8m.

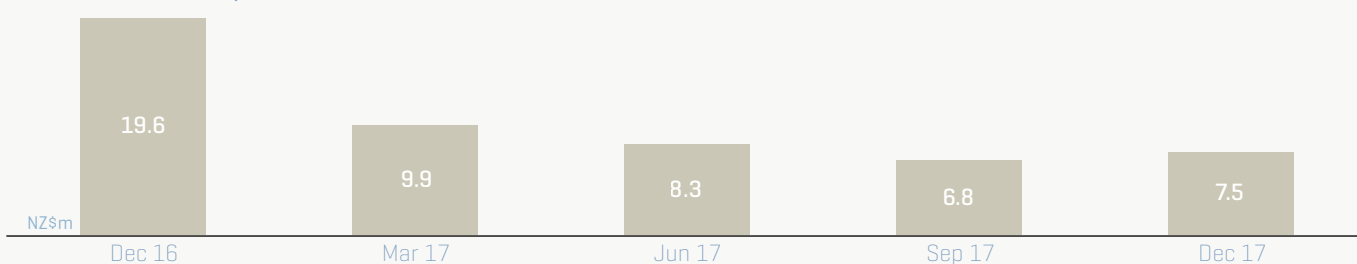
One-off costs of \$0.8m relating to the two partial take-over offers were incurred during the quarter. Most of these costs will be recovered during the next quarter.

Revenue from Cue's Maari and Sampang production assets of \$6.1m was offset by production costs of \$3.5m, administration costs of \$2.3m and tax of \$0.4m. Development costs of \$1.0m relate to Cue's activities. Exploration costs were \$1.4m for activities related to the Clipper permit, Indonesia and Cue's exploration activity.

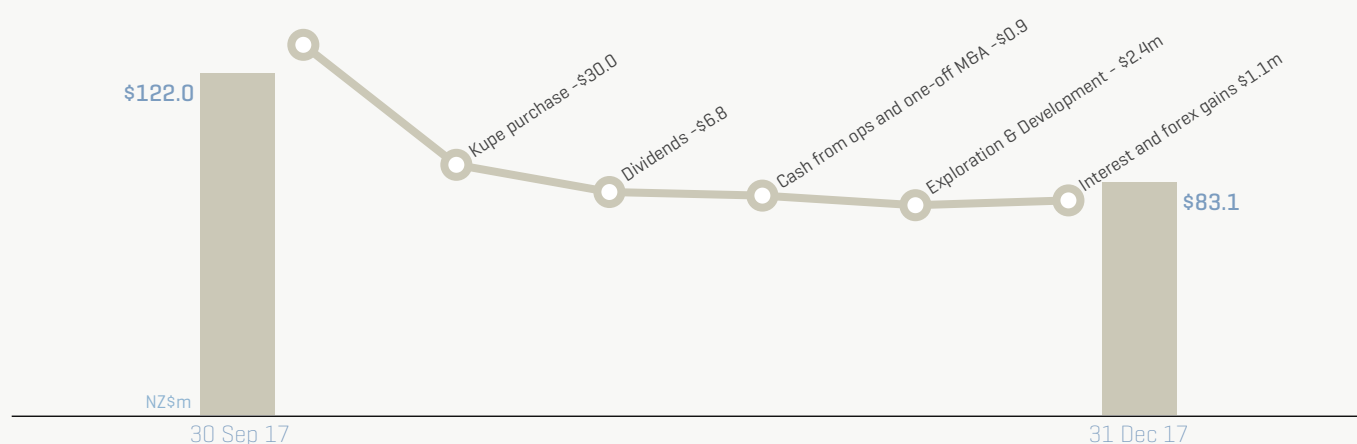
## PERFORMANCE

	Comparable quarter a year ago	Previous quarter	3 months to 31 DEC 17
Revenue from production NZ\$m	19.6	6.8	7.5
Cash balance NZ\$m	80.6	122.0	83.1

## GROUP REVENUE BY QUARTER



## GROUP CASH BALANCE AT 31 DECEMBER 2017 NZ\$83.1M



## PRODUCTION BY FIELD AND PRODUCT

FIELD		Total field for quarter [gross]	Our share Dec 2017 [net]
Kupe Taranaki, New Zealand	Oil Barrels	293,386	11,735
	Gas Petajoules	6.47	0.26
	LPG Tonnes	24,527	981
	Revenue NZD\$m		1.4
Maari Taranaki New Zealand	Oil Barrels	697,314	34,866
	Revenue AUD\$m		2.2
Sampang Java, Indonesia	Oil Barrels	13,652	731
	Gas Petajoules	3.12	0.36
	Revenue AUD\$m		3.3

Some rounding. Shares of Indonesian assets are net of government take. Production, financial and interest figures in this report show 100% of Cue's interest. New Zealand Oil & Gas owns 50.04% of Cue. Acquisition of Kupe was completed in December 2017. This table shows Kupe production performance for the entire quarter and revenue from the date of acquisition.

## KUPE

**Kupe oil and gas field** [PML 38146]

4% New Zealand Oil &amp; Gas

50% Lattice Energy [Operator]

46% Genesis Energy

Kupe gas production was pleasing, at an average of 70 terajoules per day.

LPG production is affected by continuing work on propane compressors.

Yields of gas condensate are declining in line with expectations.

Several plant optimisation projects are being pursued and work continues to progress on the next phase of development for the Kupe field. The specific focus for this work is the timing of compressor and well projects.

## MAARI

**Maari and Manaia oil field** [PML 38160]

5% Cue Energy

69% OMV New Zealand [Operator]

16% Todd Maari

10% Horizon Oil International

During the quarter, production was reduced as workovers were successfully undertaken on two wells in the Maari and Manaia fields; MN1 and MR7A.

The MN1 workover involved the deepening of the Electric Submersible Pump [ESP] in the well and completion of new sections in the well bore. The workover was completed successfully and resulted in a 200 per cent increase in production from the well to approximately 3000 barrels per day at the end of the quarter.

## SAMPANG

**Sampang Production Sharing Contract**

15% Cue Energy

45% Santos Sampang [Operator]

40% Singapore Petroleum Company

Wortel revenue for the quarter was lower than expected due to delayed receipt of December sales revenue, received on 2 Jan 2018.

During the quarter, the Sampang Sustainability Project was completed, with the final removal of oil production facilities, converting the Sampang PSC to a gas-only project.

The final phase of the Sampang Sustainability Project, removal of the Seagood production facility and installation of new compressors at the Grati onshore processing plant, was completed in early December with no safety or environmental issues reported and on time and budget.

The MR7A workover successfully replaced the ESP in the well and perforated an additional zone in the well bore.

Preparations for the Flowing Bottom Hole project, to reduce production pressure and expand production continue and this work is expected to be completed during the first quarter of 2018.

The operator, OMV, is expected to propose an investment decision for a proposed appraisal well in the Manaia Moki reservoir during the current quarter. Cue is continuing technical and commercial assessment in preparation for this decision.

Gas production from Oyong and Wortel fields was reduced during the project and offline for 11 days during the quarter but has now resumed to normal levels.

Operating costs are budgeted to reduce significantly in 2018 with gas-only production facilities.

The Sampang joint venture approved the drilling of the Paus Biru-1 exploration well, expected to spud in the fourth quarter of 2018. The well will target Mundu gas reservoirs at the Paus Biru prospect, 27 kilometres east of the Oyong field. Geotechnical and geophysical site surveys have been completed and drilling preparations are underway.

In the Oyong field, perforations of the existing Oyong-4 well, and in the upper gas column the Upper Mundu reservoir in the existing Oyong-9 well, were completed during the quarter. The Oyong-9 perforation is a significant test of a previously untested upper reservoir section which was thought to be non-productive.

## AUSTRALIA

**WA-359-P****100% Cue Energy (Operator)**

During the quarter, Cue announced the signing of a farmout agreement with Beach Energy. Under the terms of the agreement, Beach will acquire 21 per cent equity and will carry Cue for 4 per cent of the cost of drilling the Ironbark-1 exploration well. Beach will also reimburse Cue \$900,000 for past costs.

The agreement is conditional on BP exercising its option to acquire 42.5% equity in WA-359-P, Cue obtaining an extension to the permit end date, and other customary approvals.

Also during the quarter, Cue's option with BP over 42.5% equity in WA-359-P was extended until 25 April 2018. With the BP and Beach agreements in place, 75% of the funding for the Ironbark-1 well is conditionally secured.

Cue has initiated discussions with the regulator on a suspension and extension to the current April 2018 permit end date to allow analysis and review of new data as part of the Ironbark-1 drill planning.

Discussions with interested parties to attract a partner or partners to form a joint venture together with BP and Beach are continuing.

**WA-409-P****20% Cue Energy**

80% BP Developments Australia Pty Ltd (Operator)

Analysis of reprocessed seismic is continuing by the Operator.

**WA-389-P****100% Cue Energy**

In October 2017, Cue was granted a 24 month suspension and extension of Year 4 of the permit to allow time for geological and geophysical studies to be undertaken to assess the Deep Mungaroo prospectivity, analogous to the Ironbark prospect, within the permit.

## INDONESIA

**Mahato**

Production Sharing Contract

**12.5% Cue Energy**

51% Texcal Mahato (Operator)

16.5% Central Sumatra Energy

20% Bow Energy International Holdings

The Mahato partners continue discussions to move forward with exploration and sign a legally binding operating agreement.

The operator is continuing discussions with the regulator about a potential extension to the exploration period of the permit.

**Mahakam Hilir**

Kutei Basin Production Sharing Contract

**100% Cue Energy**

Cue Kalimantan Pte Ltd (Operator)

During the quarter, Cue completed seismic reprocessing of 2D data, petrophysical analysis of four newly available wells, further gravity modelling and initiated structural interpretation integrating all the data.

From the work undertaken there are positive indicators towards the existence of hydrocarbons in the 1930's Sambutan-8 well.

Preliminary planning for a Naga-Utara 4 appraisal well, to twin the Sambutan-8 well, has commenced, including a review of unused drilling equipment from previous wells, which has the potential to provide significant cost savings.

Cue continued discussion with the Indonesian regulator for a variation to the work program to enable the May 2018 optional well commitment to be deferred until the end of 2018.

Management presentations were held during the quarter with a number of potential farm-in partners. A data room, with updated data and analysis, is being held in the Cue Jakarta office.

**There was minimal activity in the production sharing contracts below, other than agreeing with operators 2018 work programmes and budgets:**

**Kisaran****22.5% New Zealand Oil & Gas**

55% Pacific Oil & Gas (Operator)

22.5% Bukit Energy

**Bohorok****45% New Zealand Oil & Gas**

50% Bow Energy International Holdings (Operator)

5% Surya Buana Lestarijaya Bohorok

**Palmerah Baru****36% New Zealand Oil & Gas**

54% Bow Energy International Holdings (Operator)

10% PT SNP Indonesia

## CANTERBURY-GREAT SOUTH

**Clipper (PEP 52717)****50% New Zealand Oil & Gas (Operator)**

50% Beach Energy

Discussions with potential farm-in partners continue to advance.

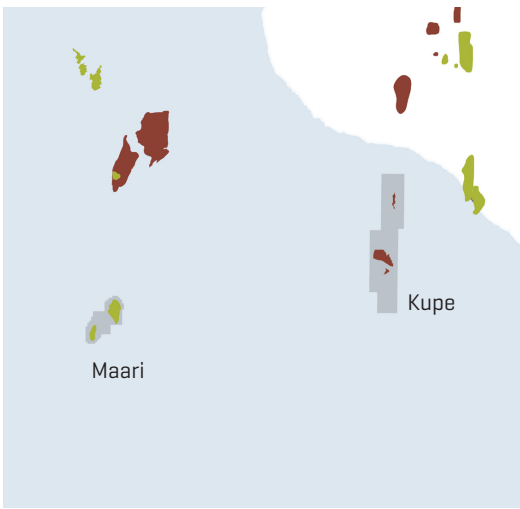
The joint venture has asked the regulator for a change of conditions to allow extra time before a well commitment needs to be made. This will allow time to analyse new information about the Barque prospect arising from discussions with potential farm-in partners.

**Toroa (PEP 55794)****30% New Zealand Oil & Gas**

70% Woodside Energy (New Zealand 55794) (Operator)

All Stage 1 commitments have been fulfilled. No work was carried out in the permit during the quarter.

MAPS



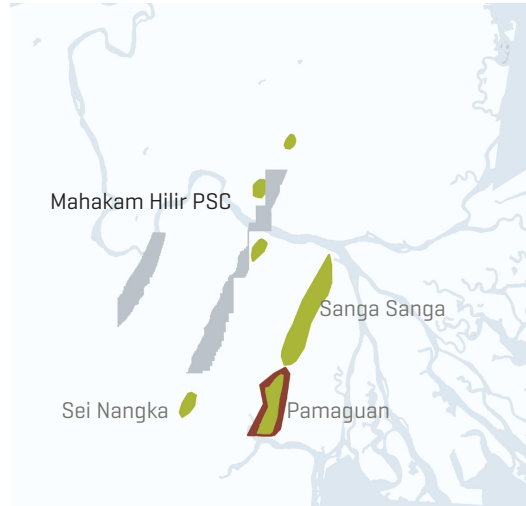
OFFSHORE TARANAKI BASIN



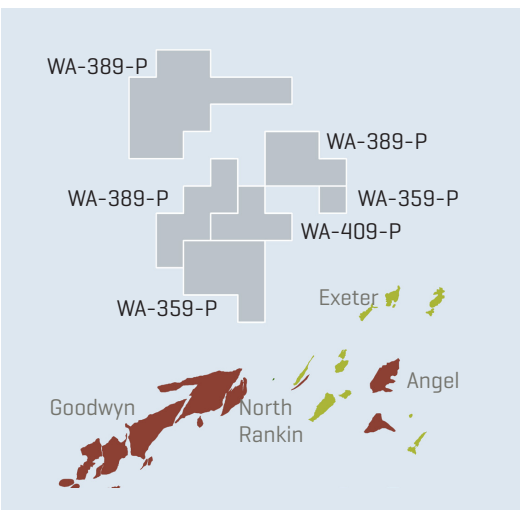
OFFSHORE CANTERBURY - GREAT SOUTH BASIN



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AUSTRALIA



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New Zealand Oil & Gas Ltd Quarterly Activities Report  
for the quarter ended 31 December 2017.

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