25 May 2012

# NZOG to increase Kaheru stake

NZOG (New Zealand Oil & Gas Ltd) has entered into further conditional agreements that, upon completion, would result in NZOG taking on Operatorship and increasing its stake to 60% in the highly prospective offshore Taranaki permit, Kaheru.

An application has been submitted to the New Zealand regulator, NZ Petroleum and Minerals, to extend the permit drilling commitment to 18 September 2012, with a well to be drilled by 18 May 2014. NZOG is commencing a global search for a farm-in partner to join the Joint Venture in a planned late 2013 / early 2014 drilling programme.

In March this year NZOG signed a conditional agreement to purchase a 15% stake (plus any additional interest acquired) in the Kaheru permit from AGL Upstream Gas (MOS) Pty Ltd ("AGL"), a wholly owned subsidiary of AGL Energy Ltd.

The new agreements are with AGL and with Canadian company TAG Oil Offshore Ltd ("TAG"). The two companies increased their equity in the permit to 42.86% and 57.14% respectively through the recent withdrawal of ROC Oil and L&M Energy.

NZOG will be assigned 17.14% equity from TAG immediately (subject to relevant ministerial consent) and will assume Operatorship upon the official withdrawal of the previous Operator, Roc Oil, on 18 June 2012.

Conditional on the joint venture making the drilling commitment, NZOG will pay AGL the previously agreed US$3m but will now be assigned AGL's 42.86% equity in the permit, taking NZOG's total stake to 60%. TAG will retain the other 40%.

Ahead of the drilling commitment and increasing its total stake in the permit, NZOG intends to identify an additional party or parties who would agree to join the joint venture.

The permit lies to the east of NZOG's Kupe gas and oil field and is on trend with the onshore Rimu and Kauri fields. The Kaheru prospect lies in 25 metres of water, and is 8 kms from shore. Figures released from the joint venture previously have estimated the mean recoverable reserves (unrisked) at 45 million barrels (mmbbls) of oil in an oil case; or 200 billion cubic feet (bcf) of gas and 7.5 mmbbls of condensate in a gas case.

Chief Executive Andrew Knight says the agreements provide NZOG with the opportunity to increase its equity position in the permit.

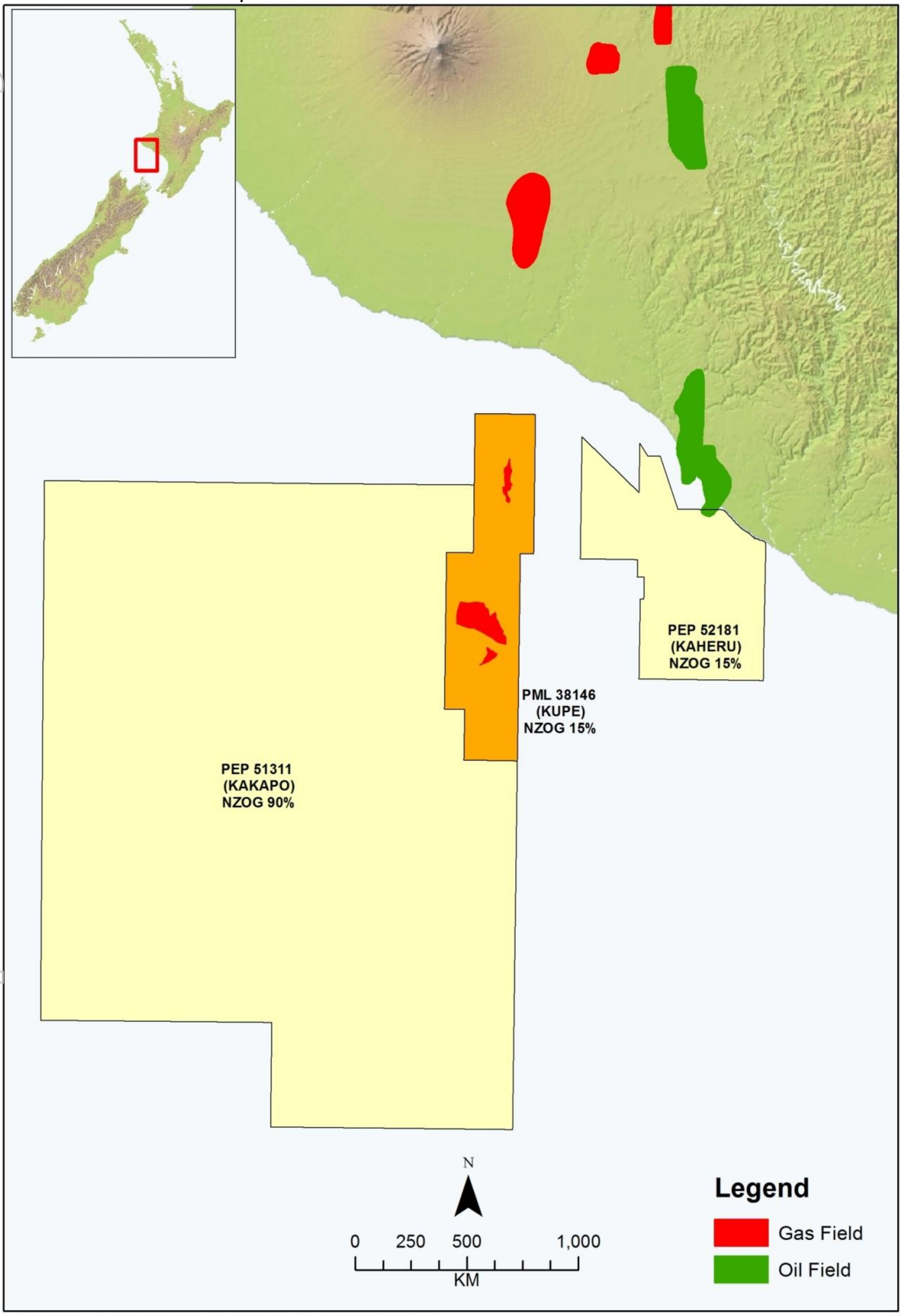
"These arrangements have breathed new life into Kaheru with minimal cost exposure to NZOG.

Kaheru adds an attractive opportunity to our existing portfolio of exploration assets. We will immediately pick up work previously undertaken by the Joint Venture and begin

**For further information please contact:**
Andrew Knight, CEO, OR Chris Roberts, Corporate Affairs Manager
Telephone: +64 4 495 2424 Toll Free: 0800 000 594 (NZ)

working with regulatory agencies to enable a timely drilling decision to be made. In addition, we are commencing a farmout campaign immediately and are hopeful of attracting significant partners to the table."

*Attachment: Permit Map*






**For further information please contact:**
Andrew Knight, CEO OR; Chris Roberts, Corporate Affairs Manager
Telephone: +64 4 495 2424 Toll Free: 0800 000 594 (NZ)

**NZOG stock symbols:**
NZX shares – NZO
ASX shares – NZO