



**Horizon Oil Limited** ABN 51 009 799 455

Level 7, 134 William Street, Woolloomooloo NSW Australia 2011

**Tel** +61 2 9332 5000, **Fax** +61 2 9332 5050 [www.horizonoil.com.au](http://www.horizonoil.com.au)

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The Manager, Company Announcements  
Australian Securities Exchange Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

## **HORIZON OIL (HZN) ENTERS INTO BEIBU GULF DEVELOPMENT AGREEMENT**

Horizon Oil advises that the Block 22/12 Beibu Gulf joint venture has entered into a Supplemental Development Agreement (SDA) with China National Offshore Oil Corporation (CNOOC) for development of the WZ6-12 and WZ12-8W oil fields in the Beibu Gulf, offshore China. This is a key milestone for development of the fields, in which Horizon Oil will hold a 14.7% interest. The SDA confirms that CNOOC will take a 51% participating interest in the project. The existing Petroleum Contract provides for recovery of Horizon Oil's past exploration and appraisal costs out of a cost recovery pool.

Details of the SDA are contained in the attached stock exchange release by Roc Oil (China) Company, operator of Block 22/12.

### **Horizon Oil's Chief Executive Officer Brent Emmett's comments:-**

*"We are pleased with the important progress that has been made in moving this asset towards development, reflected in the commercial terms and arrangements contained in this agreement with CNOOC. The key points are:-*

- *Use of existing pipeline and terminal facilities owned by CNOOC, in exchange for a tariff;*
- *CNOOC to be responsible for construction and installation of the new project facilities and for production operations;*
- *About one third of the total development cost of approximately US\$300 million will be fixed price;*
- *The development concept provides for exploitation of additional oil accumulations such as the WZ12-8E field (for which a feasibility study has already been initiated) and other prospective exploration targets;*
- *Roc Oil to maintain involvement in the development project team and in ongoing evaluation of the exploration prospects on behalf of the joint venture.*

*We see the use of existing CNOOC facilities, particularly for oil export, and the significant experience that CNOOC brings to the project with its successful track record in the Beibu Gulf in field construction and as a production operator, as being highly beneficial. This should result in reduced capital and operating costs, lower development risk and overall certainty in the investment."*

Yours faithfully,



**Michael Sheridan**

Chief Financial Officer / Company Secretary



For further information please contact:

Mr Brent Emmett

Telephone: (+612) 9332 5000

Facsimile: (+612) 9332 5050

Email: [exploration@horizonoil.com.au](mailto:exploration@horizonoil.com.au)

Or visit [www.horizonoil.com.au](http://www.horizonoil.com.au)

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**ROC OIL COMPANY LIMITED ("ROC")**

**STOCK EXCHANGE RELEASE**

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**BEIBU GULF SUPPLEMENTAL DEVELOPMENT AGREEMENT SIGNED**

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Roc Oil (China) Company, on behalf of the Beibu Gulf project joint venture, is pleased to announce that the Supplemental Development Agreement ("SDA") to the Petroleum Contract for development of the WZ 6-12 and WZ 12-8 West Oil Fields in the Beibu Gulf, offshore China was signed in Beijing on 24 August.

The SDA outlines the commercial terms that were agreed with China National Offshore Oil Corporation ("CNOOC") Ltd in May, as well as arrangements regarding facility integration and the sharing of services and personnel. The SDA confirms that CNOOC will take a 51% participating interest in the project.

The proposed development includes the use of existing CNOOC Ltd operated facilities to host production from WZ 6-12 and WZ 12-8 West. The commercial terms agreed cover tariff charges for use of the CNOOC Ltd pipeline and terminal facilities, as well as other cost sharing arrangements.

To take advantage of the existing synergies and lower cost structures, CNOOC Ltd will operate the new project's facilities on behalf of the joint venture and will be responsible for engineering and construction. ROC staff will be seconded to a joint project team.

Overall Development Plan ("ODP") documentation has been submitted to CNOOC for expert review and final approval. Following final CNOOC approval, the joint venture will proceed to its Final Investment Decision and the ODP will be submitted to the Chinese Government.

First oil production is anticipated in 2H 2012.

Participating interests in the Beibu Gulf project will be:

CNOOC .....	51.00%
<b>Roc Oil (China) Company</b> .....	<b>19.60%</b>
Horizon Oil (Beibu) Limited .....	14.70%
Petsec Petroleum LLC .....	12.25%
Oil Australia Pty Ltd (Majuko Corp) .....	2.45%

**Matthew Gerber**  
**Manager**  
**Investor Relations & External Affairs**

For further information please contact:  
Mr Bruce Clement  
Chief Executive Officer  
Tel: +61-2-8023-2000  
Fax: +61-2-8023-2222  
Email: [bclement@rocoil.com.au](mailto:bclement@rocoil.com.au)  
Or visit ROC's website: [www.rocoil.com.au](http://www.rocoil.com.au)