CNOOC LIMITED
中国海洋石油有限公司

2015 Strategy Preview

February 3, 2015

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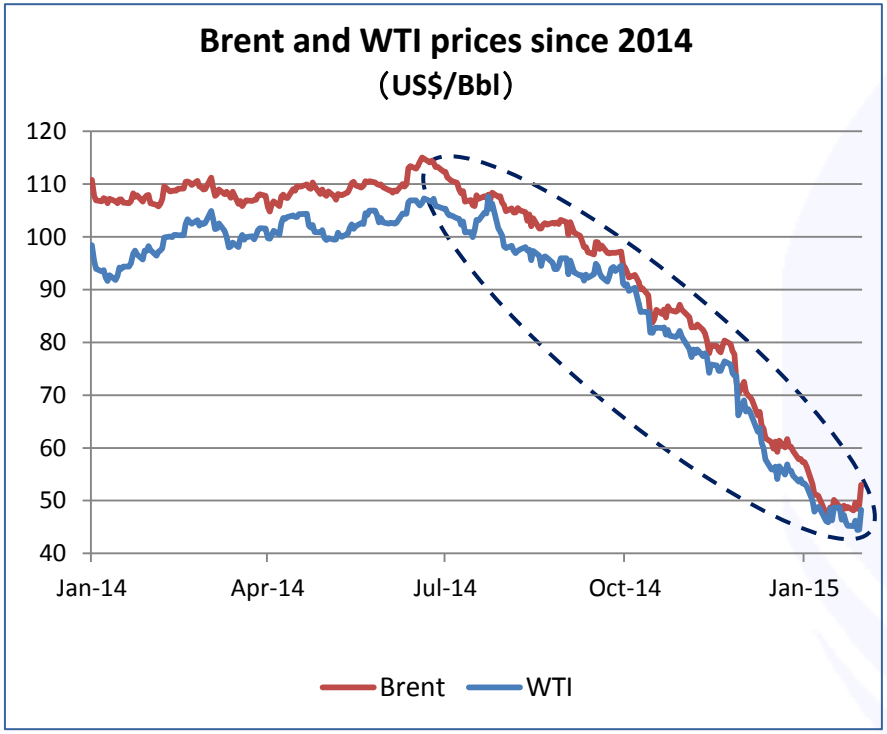
Outline

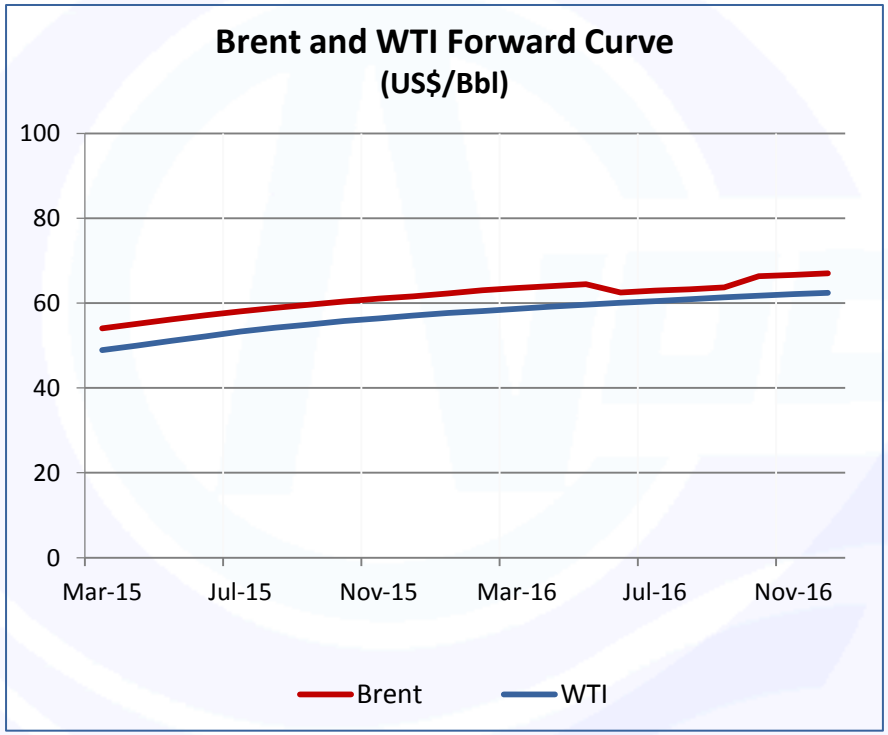
- Operating Environment and Strategy
- 2015 Operating Guidance
- Three-year Outlook

Operating Environment and Strategy

Oil Price Environment

- Oil prices have dropped more than 50% since 2H 2014
- Forward prices remain at a low level





Source: Bloomberg

Operating Strategy

- Maintain prudent financial policy and investment decision
- Strengthen cost control, continue to improve quality and efficiency
- Ensure safe operation of producing projects
- Keep sanctioned projects on schedule on budget with stringent quality control

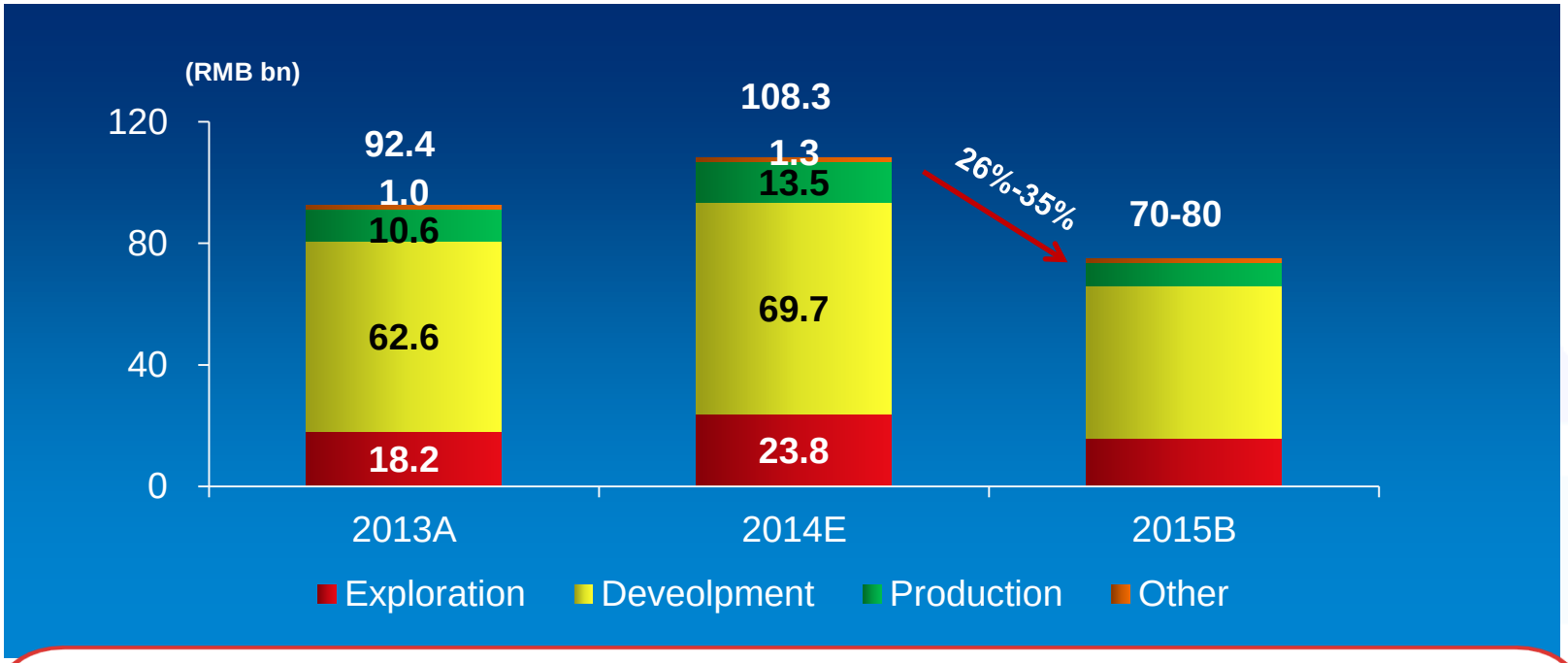
In the low oil price environment, we made revision to our 2015 work plan and budget.

2015 Operating Guidance

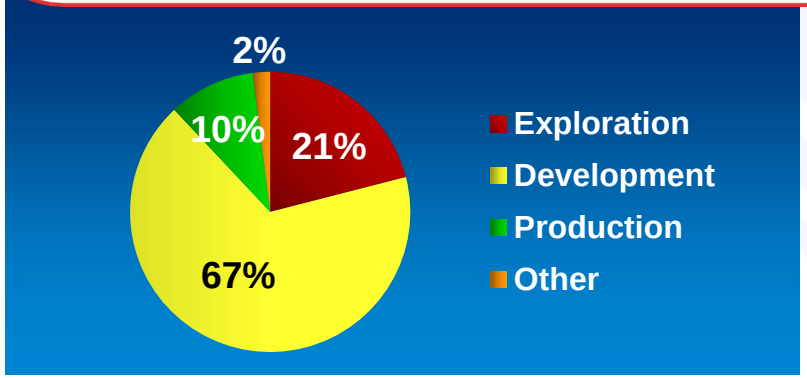
2015 Overview

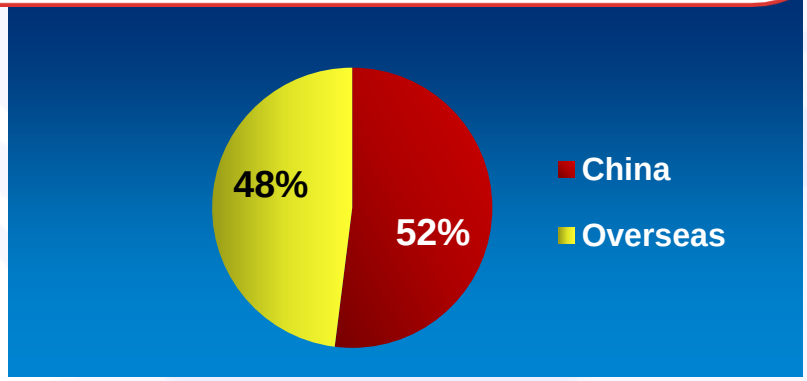
- **Lower Capex by 26-35% from 2014 level**
  - 2015 Capex of RMB70-80 billion, down 26-35% from 2014E
  - Exploration, development and production account for 21%, 67% and 10% respectively
  - China and overseas account for 52% and 48% respectively
- **Strong production growth of 10-15%**
  - Production target at 475-495 mmboe, up 10-15% YoY
  - 7 new projects to come on stream in 2015
- **Maintain reasonable exploration spending level to support sustainable growth**
  - ~162 exploration wells to be drilled
  - 2D seismic data of 36 thousand km and 3D seismic data of 14 thousand km^2 to be acquired
  - Reserve Replacement Ratio (RRR) >100%

Capex Plan



2015 Capex Plan Breakdown





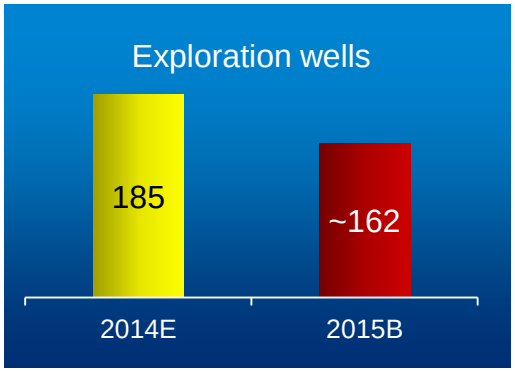
Capital Spending Principles

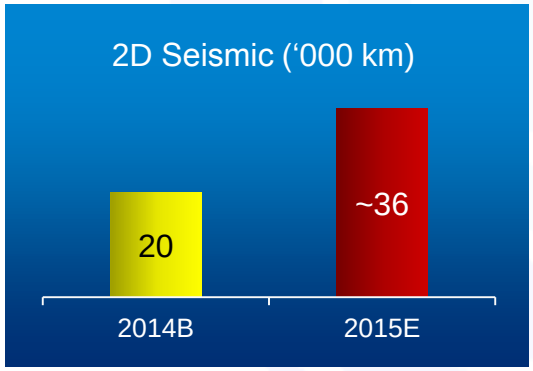
- Prudent investment decision
- Focus on cash flow
- Balance short-term return and long-term development
- Continue to optimize asset portfolio and capital allocation

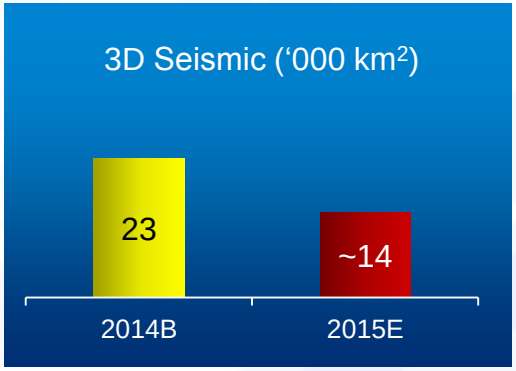
Exploration

- Exploration Capex of RMB14.7-16.8 bn, down 29-38% YoY
- Optimize exploration investment
  - Ensure spending in our core area offshore China, representing two thirds of total exploration Capex
  - Prioritize mature areas and rolling areas
  - Make adjustment on deepwater wells, wells targeting at deep zone, and high-temperature high-pressure wells
  - Optimize exploration program with partners

Exploration Program







Continue to prioritize exploration work and maintain reasonable spending level to support sustainable growth.

Development and Production

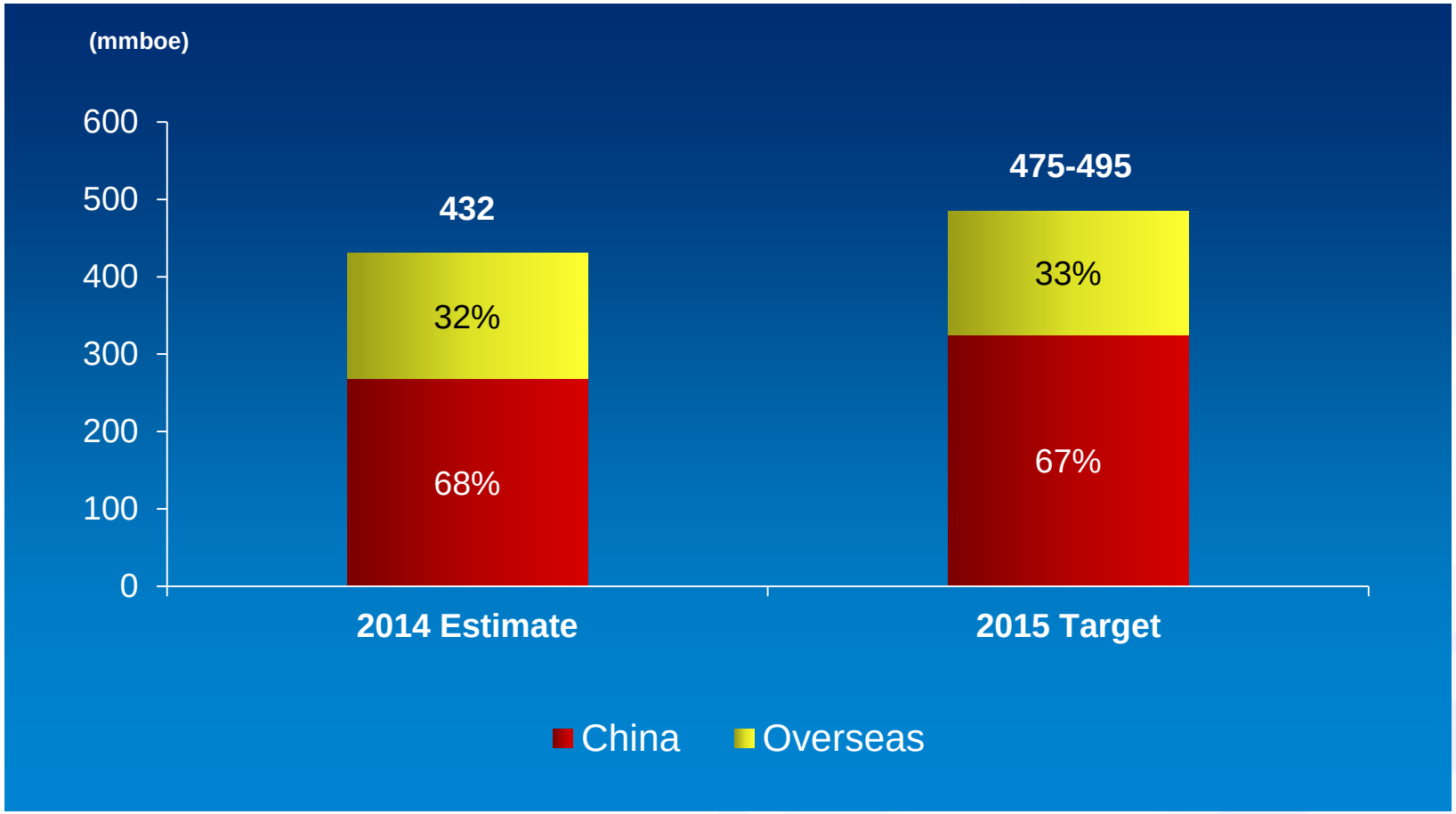
- Development Capex of RMB46.9-53.6 bn, down 23-33% YoY
  - Ensure investment in projects under construction, refine engineering plan
  - Cautiously evaluate pre-sanction projects, concentrate resources on high-quality projects, suspend or defer marginal projects

- Production Capex of RMB7.0-8.0 bn, down 41-48% YoY
  - Strictly screen and assess infill drilling wells
  - Closely monitor oil prices, and maintain flexibility on infill drilling wells

Strengthen Cost Control

- Enhance awareness of cost control
- Adjust workload based on return
- Continue to streamline and implement whole process management
- Further address health, safety and environmental protection management

Production Target



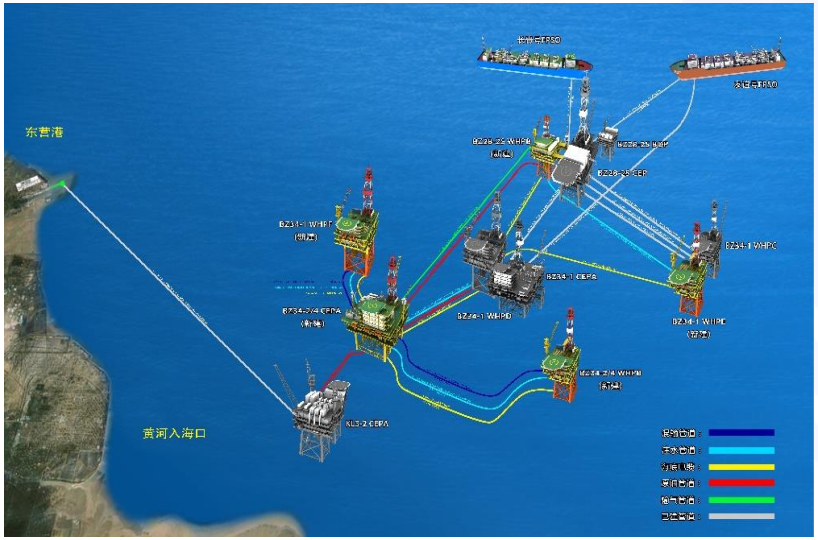
Our 2015 production target is 475-495 mmboe, among which, oil and gas account for 83% and 17% respectively.

New Projects in 2015

Project	Location	Expected Startup	Peak Production (boe/d)	Working Interests
Jinzhou 9-3 oil field adjustment	Bohai	Commenced production	12,000	100%
Bozhong 28/34 oil fields adjustment	Bohai	First half	30,000	100%
Kenli 10-1 oil field	Bohai	First half	36,000	100%
Dongfang 1-1 gas field Phase I adjustment	Western South China Sea	Second half	9,000	100%
Weizhou 12-2 oil field joint development	Western South China Sea	Second half	16,000	100%
Weizhou 11-4N oil field Phase II	Western South China Sea	Second half	8,000	100%
Luda 10-1 oil field adjustment	Bohai	Second half	6,000	100%

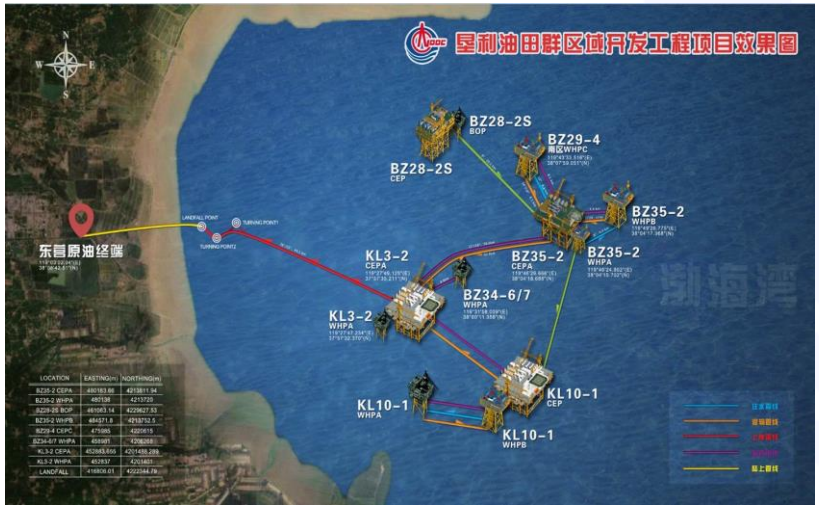
7 new projects are scheduled to come on stream in 2015, including JZ9-3 adjustment, which already commenced production.

Major Project – BZ 28/34 Adjustment



- Located in Southern Bohai
- Bozhong 28/34 includes three producing fields:
  - Bozhong 28-2S
  - Bozhong 34-1
  - Bozhong 34-2/4
- New producing facilities:
  - One central platform and four wellhead platforms
  - 79 producing wells
- Peak production of adjustment project: 30,000 bbl/day

Major Project – KL 10-1



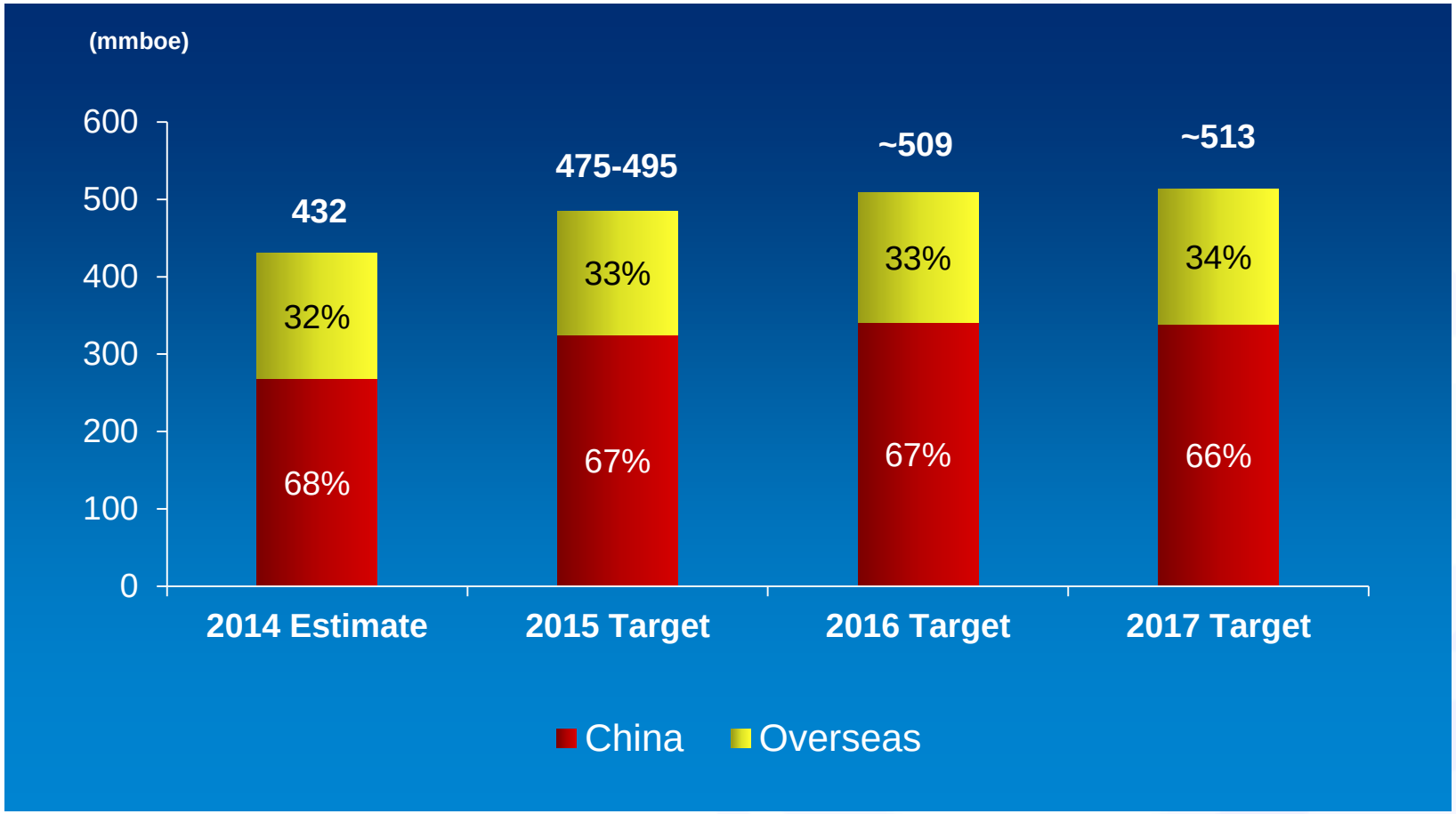
- Located in Southern Bohai
- Major producing facilities:
  - One central platform and two wellhead platforms
  - 70 producing wells
- Peak production: 36,000 bbl/day

2015: Operating Highlights

Financial Management	○ Maintain prudent financial policy ○ Capex of RMB70-80 billion
Development	○ 7 new projects to come on stream
Production	○ Production target of 475-495 mmboe
Exploration	○ RRR > 100%
HSE	○ Maintain high standards on HSE

Three-year Outlook

Three-year Rolling Target



2016 and 2017 production will see stable growth, expected to be ~509 and ~513 mmboe. We will adjust three-year production target according to the changes of operating environment.

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