



CNOOC Limited
(中國海洋石油有限公司)

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 883)

CLARIFICATION ANNOUNCEMENT

The Company has noted that certain newspapers recently reported that Husky Energy Inc. has discovered a large natural gas field in the South China Sea and that the Company has rights to a 51% interest in the field.

A subsidiary of the Company is one of the contracting parties to a production sharing contract with Husky in relation to the relevant contract area in the South China Sea. The operator of the Husky PSC is Husky. The Company understands that Husky reported its discovery by means of a press release. The Company is currently not in a position to comment further on the information contained in newspaper reports.

Shareholders of the Company and potential investors should be aware that any evaluation of the hydrocarbon potential of any particular contract area expressed by the operator or other persons would only constitute preliminary estimates and may or may not be accurate. They are advised to exercise caution when dealing in the shares of the Company.

CNOOC Limited (the “**Company**”) has noted that certain newspapers recently reported that Husky Energy Inc. has discovered a large natural gas field in the South China Sea and that the Company has rights to a 51% interest in the field.

Husky Oil China Limited (“**Husky**”), a subsidiary of Husky Energy Inc., entered into a production sharing contract with China National Offshore Oil Corporation (the “**CNOOC**”), the Company’s controlling shareholder, in relation to the relevant contract area in the South China Sea (the “**Husky PSC**”), and CNOOC transferred its rights under the Husky PSC to CNOOC China Limited, a subsidiary of the Company. The operator of the Husky PSC is Husky. The Company understands that Husky reported its discovery by means of a press release. The Company is currently not in a position to comment further on the information contained in newspaper reports.

As disclosed in the Company’s prospectus dated 16 February 2001, the Company conducted some of its exploration and production operations through production sharing contracts, and upon discovery of hydrocarbon reserves the operator of the oil or gas field must submit a detailed evaluation report and an overall development plan to the Company. The overall development plan will need to be approved by the contracting parties under the production sharing contract and finally by relevant government authorities. Commercial development of

the oil or gas field may only commence after the relevant governmental approvals are received. Under typical production sharing contracts, the Company has the right to take up to a 51% participating interest in any oil or gas field discovered in the contract area and may exercise this right after the foreign partners (in this case, Husky, as operator) have made commercially viable discoveries. The foreign partners retain the remaining participating interests.

Daily operations in the contract area, being the subject of the relevant production sharing contract, are carried out by the designated operator. For production sharing contracts where the foreign partner is the operator, after the foreign partner has fully recovered its exploration and development costs under the production sharing contract, the Company will have the right to take over the operation of the particular oil or gas field. With the consent of the foreign partner, the Company may also take over operations before the foreign partner has fully recovered its exploration and development costs.

The Company therefore clarifies that, although Husky has reported, by means of a press release, a new discovery in a contract area in the South China Sea, a number of procedures have to be completed before the production commences. Moreover, the hydrocarbon potential of the contract area has yet to be ascertained and will require further verification. Whether or not the Company will exercise its participating interest in full or at all will depend on evaluations made by the Company pursuant to the terms of the Husky PSC.

Shareholders of the Company and potential investors should be aware that any evaluation of the hydrocarbon potential of any particular contract area expressed by the operator or other persons would only constitute preliminary estimates and may or may not be accurate. They are advised to exercise caution when dealing in the shares of the Company.

As at the date of this announcement, the Board comprises the following:

Executive Directors

Fu Chengyu (*Chairman*)
Luo Han
Zhou Shouwei
Cao Xinghe
Wu Zhenfang
Wu Guangqi
Yang Hua

Independent Non-executive Directors

Edgar W. K. Cheng
Sung Hong Chiu
Evert Henkes
Lawrence J. Lau
Tse Hau Yin, Aloysius

By Order of the Board
CNOOC Limited
Victor Zhikai Gao
Company Secretary

Hong Kong, 16 June 2006

Please also refer to the published version of this announcement in South China Morning Post.