

31 January 2011

China Oil Fields Development Milestone Achieved

CNOOC approves Project Investment and the Overall Development Plan for development of three oil fields in Block 22/12, Beibu Gulf, China

Petsec Energy Ltd ("PSA") is pleased to report the achievement of the critical milestone for the development of three oil fields in Block 22/12, Beibu Gulf, China.

China National Offshore Oil Company ("CNOOC") has approved the Project Investment and the Overall Development Plan ("ODP") for the 6.12, 6.12 South and 12.8 West oil fields and has elected to back-in for the maximum 51% of the project and will be the designated operator.

CNOOC approval of the ODP was announced today by the operator of the Block 22/12, Beibu Gulf, China, joint venture, Roc Oil Company Limited (see attached Roc release).

Petsec Energy and its joint venture partners in the project are now progressing to a Final Investment Decision ("FID"), which is expected by the end of February 2011. On FID, independent estimated gross 2P reserves of 24 MMbbl of oil (Petsec Energy's share: 2.94 MMbbl) for the ODP will be booked for the 6.12, 6.12 South and 12.8 West oil fields.

The participants in the development of the 6.12, 6.12 South and 12.8 West oil fields are now:

CNOOC Limited (operator).....	51.00%
Roc Oil (China) Company.....	19.60%
Horizon Oil (Beibu) Limited.....	14.70%
Petsec Energy Ltd.....	12.25%
Oil Australia Pty Ltd (Majuko Corp).....	2.45%

The development encompasses the drilling of eleven development wells and potentially three to four exploration wells targeting potential reserves of 20 to 40 million barrels from two unmanned well head platforms at the 6.12 South and 12.8 West oil fields. These platforms will be connected by pipelines to a new CNOOC processing platform, adjacent to CNOOC's 12.1.1 platform. The project will have access to 20,000 barrels of oil per day processing capacity from which oil will be transported through CNOOC's 16 " pipeline 32 km to storage and export terminal at Weizhou Island.

Engineering design work and bidding for long lead equipment has begun and first oil production is expected before year end 2012.

Development capital expenditure is estimated at US\$300 million. Petsec Energy share is estimated at US\$37m over the period 2011 to mid 2013 of which approximately US\$10 million is required in 2011. Operating costs are anticipated to be similar to CNOOC operating costs in the 12.1.1 area.

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Petsec Energy also owns a 25% working interest in two other oil fields within Block 22/12, the 12.8 East and 12.3.1 oil fields, which are estimated to hold potentially recoverable oil reserves of 15 to 72 MMbbl gross. CNOOC is currently conducting feasibility studies on both of these fields. Subject to satisfactory economics, development of these two oil fields is anticipated to commence in 2011/2012, and will connect to the infrastructure built for the 6.12/12.8W project.

Block 22/12 holds eight undrilled oil prospects estimated to hold 100 MMbbl gross potential. It is anticipated that up to four exploration wells would be drilled from the 6.12 South and 12.8 West platforms during the 6.12, 6.12 South and 12.8 West development, which would test oil reserve potential of about 20 to 40 MMbbl gross.

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ASX RELEASE

CNOOC APPROVES BEIBU GULF OVERALL DEVELOPMENT PLAN

Roc Oil (China) Company, on behalf of the Beibu Gulf project joint venture, advises that following internal and external expert reviews, CNOOC Limited, as the delegated authority, has internally approved the Project Investment and the Overall Development Plan ("ODP") of the WZ 6-12 and WZ 12-8 West Oil Fields in Block 22/12, in the Beibu Gulf, South China Sea. The Project Investment and ODP will be submitted to Chinese Government Authorities for formal approvals.

Each international joint venture partner is now progressing to a Final Investment Decision ("FID"), which is expected by the end of February. On FID, estimated 2P Reserves of 24 MMBBL will be booked for the project (ROC working interest: 4.7 MMBBL).

Early development preparation activities such as preliminary engineering design work and bidding for long lead equipment are already under way. To take advantage of the existing synergies and lower cost structures, CNOOC Limited will operate the project facilities on behalf of the joint venture and will be responsible for engineering and construction. ROC staff have been seconded to the joint project management team's principal office in Zhanjiang, Guangdong Province.

Estimated gross development costs for the project have not significantly changed. The development project plans to utilise existing CNOOC-operated facilities, including: water disposal wells; oil and gas export facilities; and the Weizhou Island oil terminal. A new CNOOC-operated integrated processing platform will host production from two unmanned platforms on the WZ 6-12 and WZ 12-8 West fields, and support production from other new CNOOC Limited fields. Eleven development wells are scheduled to be drilled during 2012 and 2013, with first oil production anticipated before year-end 2012. Operating costs are expected to be consistent with other CNOOC-operated fields in the area.

Provision has been made to drill several exploration prospects from the two new well platforms to further test reservoir limits and identified near-field prospects. The prospects are currently being matured and success will potentially increase the Development Area's commercial reserves and also potentially the peak production rate. The WZ 12-8 East Field, also located within the approved Development Area, is currently undergoing feasibility studies. If commercially attractive, development of the WZ 12-8 East Field will constitute the second phase of an integrated development following completion of the current WZ 6-12 and WZ 12-8 West project.

Participating interests in the Beibu Gulf project are:

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

Commenting on CNOOC Limited approval of Project Investment and the ODP, ROC's Acting Chief Executive Officer, Alan Linn, stated:

"This is a significant milestone for all joint venture partners in the Beibu Gulf project. The Beibu Gulf project is the first instance where CNOOC Limited has entered into arrangements to share existing and new infrastructure with international joint venture partners to facilitate the development of multiple Chinese offshore oil fields. The international joint venture partners are proud of the cooperation achieved with CNOOC Limited and look forward to further strengthening the relationship as the Beibu Gulf project is fully developed over the next two years."

Important elements of ROC's strategy include growth generation through the commercialisation of resources in the company's existing asset portfolio and the development of strong relationships with joint venture partners. Working with CNOOC Limited to progress the Beibu Gulf project into the development phase meets a number of key objectives within this strategy."

Alan Linn
Acting CEO

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The reserve and resource information contained in this report is based on information compiled by Mr Neil Seage, Chief Reservoir Engineer, Roc Oil Company Limited, BA, BEng (Hons), MBA and Dip App Fin. Mr Seage, who is a member of the Society of Petroleum Engineers, has more than 30 years of relevant experience within the industry and consents to the information in the form and context in which it appears.
