

HD Australian AWE farms into ROC operated block in China's Bohai Bay

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Australia's AWE has agreed to farm into a 40% stake in ROC Oil's block 09/05 in China's offshore Bohai Bay Basin, the companies said Thursday.

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Block 09/05 is in the western part of the prolific Bohai Bay, approximately 10 km (6.2 miles) southeast of Tanggu, China's largest port. The block covers an area of 335 sq km in water depths of approximately 5 to 10 meters.

"The block has the benefit of low drill and development costs, proximity to existing infrastructure and attractive fiscal terms," AWE said in a statement.

Under the terms of the deal, AWE will pay ROC \$2 million for past costs, 60% of the first exploration well and 54% of the second exploration well.

Should drilling costs exceed the initial gross estimate of \$14.7 million each well, AWE would then contribute at a 40% working interest.

The first exploration well, QK11-1-1, was spudded Thursday and will test a low-risk, material-size prospect that is covered by a recently acquired 3D seismic survey. Several other prospects and leads have been identified within the block, providing follow-up potential for the second commitment well, expected to be drilled in the third quarter of 2015, AWE said.

"This is an important milestone in realizing ROC's growth strategy in one of the most prolific basins in the world," said ROC CEO Alan Linn. "We are extremely excited about this prospect's potential."

AWE Managing Director Bruce Clement said the farm-in provided an ideal platform for expansion into China.

"The opportunity is consistent with AWE's exploration strategy to strengthen our prospect inventory by adding quality acreage within the Asia region," he added.

ROC, which retains 60% of the block, is an established operator in Bohai Bay. The company was awarded 100% of the block in May 2012 by state-owned China National Offshore Oil Corporation, and CNOOC has the right to participate in up to 51% of any development.

The transfer of the interest to AWE is subject to normal regulatory approvals.

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