CNOOC LTD
Form 6-K
September 02, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of September 2016

Commission File Number 1-14966

CNOOC Limited

(Translation of registrant's name into English)

65th Floor

Bank of China Tower

One Garden Road

Central, Hong Kong

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F o

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No x

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CNOOC Limited

By:	/s/ Jiewen Li
Name:	Jiewen Li
Title:	Joint Company Secretary

Dated: September 2, 2016

EXHIBIT INDEX

Exhibit No.	Description
99.1	Interim Report 2016
99.2	Notification Letter Request Form for Non-registered Holders

Exhibit 99.1

Contents

Chairman's Statement

Dear Shareholders,

In the first half of 2016, the US economy recovered mildly, the foundation for economic recovery in the euro zone has yet to be consolidated, the overall economy in China remained stable, international oil prices continued to hover at a low level. Faced with the challenges brought about by the external environment, our entire company has raised its level of awareness, introduced innovative work methods and made great efforts in cost control and efficiency enhancement.

In early 2014, in view of the rising production cost, the Company launched the "Year of Quality and Efficiency" program and has since continued to promote activities for this program. Over the past two years, the program has achieved significant results, and the production cost has been under effective control. In the first half of this year, the Company adopted measures mainly along the following aspects:

First, we continued to strengthen management and explore the potential for cost control and efficiency enhancement. Our efforts mainly included: further refining the basic management of major investment decisions, optimizing the process of decision-making and improving the quality of such decisions; streamlining cost management and designing special programs to improve key areas such as procurement and capital management; controlling cost based on optimization of the overall development plan (ODP) and project design; and accelerating the construction of the "intelligent oilfields" to achieve oil and gas production automation, synergies between operations and management collaborative and information sharing across the board.

Second, we focused on technological innovation to further drive cost down and enhance efficiency. We strengthened seismic exploration technologies and geological study in order to achieve our goal of discovering high-quality mid-to-large-sized oil and gas fields. We endeavored to make technology breakthroughs in heavy oil and low-porosity low-permeability oilfields development in order to make the undeveloped resources economic.

Third, we paid much attention to risk prevention in order to keep the base line for cost control and efficiency enhancement. Faced with the impacts from the oil price plunge, the Company was highly concerned about cash flow risks and developed appropriate strategies to cope with the worst-case scenario. Meanwhile, the Company took strict measures to maintain outstanding records of safety and environmental protection. We have further strengthened the foundation for safety operation. Efforts were made to eliminate or remedy hidden problems and potential risks in order to prevent the occurrence of accidents.

Benefitting from the effective measures of cost control and efficiency enhancement, the Company achieved remarkable results in cost saving in the first half of the year. Major cost indicators dropped significantly. Compared to the same period last year, all-in cost per BOE significantly decreased 15.5% year on year to US$34.86, among which operating expenses per BOE decreased significantly by 22.7%. However, due to the prolonged low oil prices, oil and gas sales revenue was RMB55.08 billion, representing a decline of 28.5% year on year. Net loss was RMB7.74 billion.

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In the first half of the year, the Company's exploration and development business progressed steadily. In the area of exploration, there were six new discoveries and 26 successfully appraised wells, of which six new discoveries and 20 successfully appraised wells were made offshore China. Six successfully appraised wells were made overseas. Engineering construction projects also progressed smoothly. Of the four new projects scheduled for this year, two projects already came on stream, namely, Kenli 10-4 oilfield and Panyu 11-5 oilfield. Net oil and gas production remained stable, reaching 241.5 million BOE, with a steady growth of 2.4% in offshore China.

In view of the Company's financial position, the Board of Directors has declared an interim dividend of HK$0.12 per share (tax inclusive) for the first half of 2016.

Looking ahead to the second half of the year, uncertainties still remain in both the international and domestic macro environment. Further recovery of international oil prices faces headwinds. We will remain determined and keep up the hard work to diligently promote the "Year of Quality and Efficiency" program in order to achieve our annual operational targets.

We will continue our oil and gas exploration and development with high quality and high efficiency. In the area of exploration, we will continue to focus on the exploration of mid-to-large-sized oil and gas fields and strive to achieve breakthroughs. For development and production, we will shift further to return-driven, focus on in-depth study of geology and reservoirs, optimize development plans so that the development projects and infill drillings can proceed in an orderly manner. At the same time, we will put special emphasis on major projects in order to ensure that new oil and gas fields commence production on time.

Apart from exploration and development, we will continue to focus on cost control and efficiency enhancement. Our priorities include: implementing refined management in order to control costs; optimizing investment management, strengthening the process control of investment projects, and improving the performance review system; effectively guarding against operational risks; and exploring long-term mechanism for cost control and efficiency enhancement.

We will continue to strengthen health, safety and environmental protection to ensure the sustainable development of the Company. First, we will establish a safety production responsibility system and strengthen safety performance evaluation. Second, we will deepen our efforts in safety and environmental risk management in order to effectively guard against accidents. And third, we will strengthen the basic management of production safety and make the management system more informatised and modernised.

Dear shareholders, faced with a complex and volatile external environment, we will carefully benchmark ourselves with and learn from others, maintain a positive attitude, and strive to achieve first-class international competiveness. We will make the Company stronger, better, and bigger and create greater value for our shareholders.

Yang Hua

Chairman and Chief Executive Officer

Hong Kong, 24 August 2016

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Key Figures

	Six months ended 30 June 2016	2015
Net (loss)/profit, million RMB	(7,735)	14,733
Basic (loss)/earnings per share, RMB	(0.17)	0.33
Total oil and gas sales, million RMB	55,083	77,034
Total revenue, million RMB	66,832	89,589
Interim dividend per share, HK$ (tax inclusive)	0.12	0.25
Net Production*		
Crude and Liquids, million barrels	202.4	200.4
Natural Gas, billion cubic feet	227.6	232.3
Total, million BOE	241.5	240.1

* Including our interest in equity-accounted investees, which is approximately 9.1 million BOE for the first half of 2016 and approximately 9.0 million BOE for the first half of 2015.

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Business Overview

COST control AND EFFICIENCY ENHANCEMENT

In the first half of 2016, the world economic recovery was weak, and international oil prices continued to hover at a low level. In view of the severe external environment, the Company has intensified its “Year of Quality and Efficiency” program, continued to strengthen its management, and implemented an innovation-driven strategy, resulting in significant progress. The efficiency of exploration, development and production operations has been enhanced, and all-in cost per BOE has been lowered considerably.

On exploration, through optimization of work procedures and improvement of management systems, management and cost control were further enhanced. Major measures included: balancing the relationship between operational capacity, price and water-depth capacity of drilling rigs, the operation plans of drilling rigs and seismic vessels were optimized, which led to a significant reduction in the costs of waiting and long distance mobilization and de-mobilization fees for vessels; refining design and process management to reduce costs; refining platform operations and dividing them into operation modules while strengthening the efficiency of each individual operation module to improve operational efficiency; and reducing the number of high risk exploratory wells to lower exploration expenses.

On development and production, we continued to explore the potential of cost control in order to maintain costs at a low level. Measures were taken to achieve cost saving through optimizing the ODP and improving project design; to continue to deepen specialized management and create innovative management models; to introduce analysis and benchmarking of global operating expenses while continuing to explore the potential for cost improvement.

The above measures have been very effective in lowering costs for the Company during the first half of the year. The all-in cost per BOE was US$34.86, representing a significant decrease of 15.5% year on year, among which operating expenses per BOE decreased significantly by 22.7% year on year.

EXPLORATION

In the first half of the year, the Company continued to adhere to the exploration philosophy of searching for mid-to-large-sized oil and gas fields and optimize its exploration portfolios. The exploration work progressed smoothly.

In the first half of 2016, the Company made a total of six new discoveries and drilled 26 successful appraisal wells. In offshore China, the Company drilled a total of 56 exploration wells and obtained six new discoveries and 20 successful appraisal wells, resulting in a success rate of 47-67% of independent exploration wells. The six new discoveries were Luda 29-1, Jinzhou 25-1 West, Penglai 20-2, Caofeidian 12-6 in Bohai, Weizhou 6-13 North in Western South China Sea and Huizhou 21-1 South in Eastern South China Sea. Overseas, the Company obtained six successful appraisal wells. In addition, 9,409 km of 2D seismic data and 8,557 km^2 of 3D seismic data were acquired.

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The Company's major exploration activities as of 30 June 2016 are shown in the table below:

	Wildcat		Appraisal wells	
Exploration Wells	**Completed**	Success + **uncertain**	**Completed**	Success + **uncertain**
Offshore China (Independent)	29	6+7	26	20+4
Offshore China (PSC)	1	0+1	0	0+0
Overseas	0	0+0	8	6+2
Total	30	6+8	34	26+6

Seismic Data	2D(km)	**3D (km^2)**
Independent	0	3,403
PSC	9,409	5,154
Total	9,409	8,557

ENGINEERING CONSTRUCTION, DEVELOPMENT AND PRODUCTION

In the first half of the year, the Company carefully organized its resources and made smooth progress in engineering construction for the four new projects expected to commence production this year. Two new projects commenced production in the first half of the year, namely Kenli 10-4 oilfield and Panyu 11-5 oilfield. Weizhou 6-9/6-10 oilfield comprehensive adjustment and Enping 18-1 oilfield, which were expected to commence production in the second half of the year, were mechanically completed.

During the period, the Company's total net production remained stable and reached 241.5 million BOE, representing an increase of 0.6% year on year. Net production from offshore China increased to 160.1 million BOE, representing an increase of 2.4% year on year. This is mainly attributable to the contributions from the new projects in Bohai and Western South China Sea. Net production from overseas was 81.5 million BOE, representing a decrease of 2.8% year on year, mainly attributed to limited production and shut down of oil sands projects in Canada following incidents and forest wild fires.

In the second half of the year, the Company will continue to implement measures to stabilize and increase output from producing oil and gas fields and accelerate the development of new oil and gas projects to ensure the annual production target for 2016 is achieved.

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The Company’s production by region is shown in the table below:

	First half of 2016*		First half of 2015*	
	Crude and liquids (million barrels)	Natural gas (bcf)	Crude and liquids (million barrels)	Natural gas (bcf)
China				
Bohai	86.5	24.6	83.4	24.8
Western South China Sea	19.3	47.9	17.0	57.0
Eastern South China Sea	34.2	33.5	34.3	34.4
East China Sea	0.6	10.1	0.5	8.9
Subtotal	140.6	116.0	135.2	125.1
Overseas				
Asia (excluding China)	8.8	26.9	8.3	24.3
Oceania	0.7	18.0	0.4	11.3
Africa	14.4	—	14.9	—
North America (excluding Canada)	8.4	22.5	10.0	23.7
Canada	4.8	9.0	8.3	13.5
South America	4.2	27.4	4.5	25.8
Europe	20.5	7.9	18.9	8.6
Subtotal	61.8	111.7	65.2	107.2
Total	202.4	227.6	200.4	232.3

Total net production (million BOE)	241.5	240.1

* Including our interest in equity-accounted investees, which is approximately 9.1 million BOE for the first half of 2016 and approximately 9.0 million BOE for the first half of 2015.

CAPITAL EXPENDITURE

In the first half of the year, the Company's capital expenditure was RMB22.0 billion, representing a 33% decrease year on year, and reached 37% of the capital expenditure budget for 2016 (not exceeding RMB60.0 billion). Capital expenditure for exploration, development and production was RMB4.3 billion, RMB15.3 billion and RMB2.3 billion, respectively, representing a decrease of 40%, 30% and 36% year on year, respectively. The decrease in capital expenditure is consistent with the Company's budget disclosed at the beginning of the year. The Company continued to deal with low oil prices by cutting its total capital expenditure and at the same time mitigated the adverse impact of reduced capital expenditure through cost control and efficiency enhancement to ensure ongoing development and production operations.

COST AND EXPENSES

In the first half of 2016, major changes in cost items as compared with the first half of 2015 are as follows: operating expenses of the Company decreased by 17.2% to RMB11,257 million in the first half of 2016 compared to RMB13,593 million in the first half of 2015, mainly due to the Company's vigorous efforts in cost control. Depreciation, depletion and amortization expenses ("DD&A") decreased by 4.4% to RMB35,129 million compared to RMB36,757 million in the same period of 2015, DD&A excluding the dismantlement-related depreciation, depletion and amortization expenses decreased by 2.4% to RMB33,224 million compared to RMB34,029 million in the same period of 2015 mainly due to reserve addition of producing oil and gas fields and production suspension of oil sands projects. The dismantlement-related depreciation, depletion and amortization expenses decreased 30.2% to RMB1,905 million compared to RMB2,728 million in the same period of 2015, mainly due to the decrease of the expected value of asset retirement obligations of producing oil and gas fields, under the decreased service price of projects constructions and drilling wells. Our taxes other than income tax decreased by 33.4% to RMB3,683 million in the first half of 2016 compared to RMB5,532 million in the first half of 2015, mainly due to the effects of the decline in oil price and the Value-added Tax Reform implemented by the PRC government.

The Company recognised RMB10,359 million impairment and provision in the first half of 2016. For more details please refer to note 8 to the interim condensed consolidated financial statements.

Save as disclosed in this Interim Report, there was not any material change in our performance and the material factors affecting our results and financial position during the first half of the year.

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

(All amounts expressed in millions of Renminbi, except per share data)

	Notes	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
REVENUE			
Oil and gas sales	3	55,083	77,034
Marketing revenues	3	10,058	11,410
Other income		1,691	1,145
		66,832	89,589
EXPENSES			
Operating expenses		(11,257)	(13,593)
Taxes other than income tax	6(ii)	(3,683)	(5,532)
Exploration expenses		(3,419)	(4,481)
Depreciation, depletion and amortisation		(35,129)	(36,757)
Special oil gain levy	4	—	(59)
Impairment and provision	8	(10,359)	(1,385)
Crude oil and product purchases	3	(9,463)	(10,565)
Selling and administrative expenses		(2,812)	(2,544)
Others		(1,506)	(999)
		(77,628)	(75,915)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES		(10,796)	13,674
Interest income		387	503
Finance costs	5	(3,175)	(2,849)
Exchange losses, net		(308)	(185)
Investment income		2,005	1,219
Share of profits of associates		79	179
Share of profit of a joint venture		150	212
Non-operating income, net		11	66
(LOSS)/PROFIT BEFORE TAX		(11,647)	12,819
Income tax credit	6(i)	3,912	1,914
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT		(7,735)	14,733

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	Notes	Six months ended 30 June 2016 (Unaudited)	2015 (Unaudited)
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be subsequently reclassified			