



CANADIAN OVERSEAS PETROLEUM LIMITED

## Canadian Overseas Petroleum Announces Termination of Agreement with BG for UK Blocks

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**Calgary, Canada, February 16, 2012** – Canadian Overseas Petroleum Limited (“COPL” or the “Company”) (XOP: TSX-V) announces today that its Sale and Purchase Agreement (“SPA”), dated June 7, 2011, with BG International Limited (“BG”) pertaining to License P.089, relating to Block 22/15, and License P.101, relating to Block 23/21 Rest of Block Shallow (“RoB”) has been terminated.

The termination of the SPA is a result of a dispute over additional funds required to be deposited by COPL into the escrow account established under the SPA. Under the SPA, COPL was required at first to maintain funds in the escrow account for 75% of BG’s estimated dry hole costs for the Esperanza, Newt, Lower Toad and West Columbus wells. If testing of the wells was required (a contractual determination on a pre-determined minimum hydrocarbon intersection), the escrow account was required to be topped up by 75% of the estimated testing costs on notice from BG. Additional funds for escrow could also be called by BG if a well was forecast by BG to experience significant cost overruns. The escrow account experienced a larger than budgeted draw down by BG (£22 million or CDN\$33.6 million) because of significant cost overruns incurred (59%) during the drilling and testing of the BG operated Esperanza well in the fourth quarter of 2011. After a sustained effort, COPL elected not to top up the escrow account as required pursuant to the terms of the SPA once alternative proposals to do so were rejected by BG. This resulted in BG delivering a termination notice to COPL. COPL considers termination the best course of action when comparing the dilutive impact of completing an equity financing to top up the escrow account to the levels requested by BG, to the value of its portfolio of projects in the UK and West Africa.

As a result of the termination notice, COPL will not participate in any further drilling in Block 23/21, which includes the Lower Toad, Newt and West Columbus exploration prospects and the Upper Toad discovery. COPL currently has under deposit approximately £10.1 million (approximately CDN\$16.2 million) in the BG escrow account, and £5.2 million (approximately CDN\$8.3 million) in the SSE E&P UK Limited escrow account to date for exploration drilling in Block 23/21. Under the SPA, COPL is obligated on termination to pay for 75% of certain of BG’s accrued costs for the planned drilling of the Block 23/21 wells.

COPL has communicated to BG that, given all payments and obligations for the drilling and testing of the Esperanza well have been made by COPL, COPL believes it retains all its rights in Block 22/15.

The termination notice does not impact COPL’s status and rights for other properties in the UK in which the Company is not involved with BG, including Blocks 206/5a and 206/10a (the Fulla and Freya discoveries) and Blocks 15/24c and 15/25f (the Bluebell exploration prospect).



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COPL's focus continues to be on oil exploration in deep-water turbidite sands on the West African continental margin, and in tertiary turbidite sands in the UK Central North Sea. To this end, the Company continues to work towards closing its previously announced transaction in Liberia, and expects in the near term to commence operations at Bluebell in the UK Central North Sea.

## **About the Company**

COPL is an oil and gas exploration company focused in the UK North Sea, and the offshore West African continental margin. COPL's Common Shares are listed under the symbol "XOP" on the TSX Venture Exchange.

## **Forward Looking Statements**

This press release may contain forward-looking statements based on COPL's current expectations and assumptions as to a number of factors including weather, regulatory approvals and general economic and industry conditions. If those expectations and assumptions prove to be incorrect, or factors change, then actual results could differ materially from the forward-looking statements contained in this press release.

Generally, statements included in this press release that address activities, events or developments that COPL expects, believes or anticipates will or may occur in the future are forward-looking statements. Such forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond COPL's control, including: the impact of general economic conditions in the areas in which COPL operates, civil unrest, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in commodity prices, foreign exchange or interest rates, stock market volatility and obtaining required approvals of regulatory authorities. In addition there are risks and uncertainties associated with the oil and gas industry, therefore COPL's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amounts of proceeds, which COPL will derive therefrom. Such statements are based on assumptions made by COPL based on its experience perception of historical trends, current conditions, expected future developments and other factors it believes are appropriate in the circumstances.

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