Horizon Oil Limited ABN 51 009 799 155
Level 7, 134 William Street, Woolloomooloo NSW Australia 2011
Tel +61 2 9332 5000, Fax +61 2 9332 5050 www.horizonoil.com.au

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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

HORIZON OIL REPORTS PROGRESS ON DRILLING OF STANLEY-2 APPRAISAL/DEVELOPMENT WELL IN PAPUA NEW GUINEA

Horizon Oil advises that drilling of the Stanley-2 well, which was spudded on 5 December 2010, is progressing according to plan. The well is currently at a measured depth of 2,102 m (true vertical depth below rotary table (TVDRT) of 2,087 m) and preparing to run 9 5/8" casing. Previously, 13 3/8" surface casing had been set at a measured depth of 1,009 m.

The Stanley-2 well is located in the PRL 4 licence, approximately 100 km south of the Ok Tedi copper mine and 45 km north of the town of Kiunga in the Western Province of PNG. The well is being drilled with Parker Rig 226.

The Stanley-2 well is designed to appraise the Stanley gas/condensate accumulation, discovered by the Stanley-1 well in 1999. The current estimate of most likely resources in the primary Toro reservoir is approximately 300 billion cubic feet of recoverable gas and 9 million barrels of condensate. If successful, the well will be completed as one of the two planned gas production wells in the Stanley condensate stripping project, which is being operated by Horizon Oil.

The forward program is to drill a pilot hole out of 9 5/8" casing to basement, which is interpreted to be at a crestal location on the field, to evaluate all prospective zones high on the structure, before plugging back and sidetracking to drill a high-angle deviated well some 600 – 800 m through the Toro reservoir. This will be the development well.

The planned total depth of the well is 3,270 m TVDRT to basement and the Toro reservoir is expected to be encountered at approximately 3,000 m TVDRT.

The participants in PRL 4 are:-

Horizon Oil (Papua) Limited (operator) ***(a wholly owned subsidiary of Horizon Oil Limited (HZN))***	50%[1]
Talisman Niugini Pty Limited ***(a wholly owned subsidiary of Talisman Energy Inc (TLM:US))***	50%[1]

[1] Subject to grant of Ministerial approval in respect of the transfer of a 22.05% participating interest from Horizon Oil (Papua) Limited to Talisman Niugini Pty Limited

Yours faithfully,

Michael Sheridan
Chief Financial Officer & Company Secretary

For further information please contact:
Mr Michael Sheridan
Telephone: (+612) 9332 5000
Facsimile: (+612) 9332 5050
Email: exploration@horizonoil.com.au
Or visit www.horizonoil.com.au