Horizon Oil

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24 January 2011

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 progress on the drilling of the Stanley-2 well, further to the update issued on 6 January 2011. The well, which spudded on 5 December 2010, is currently drilling ahead at a measured depth of 3,122 m (true vertical depth below rotary table (TVDRT) of 3,092 m).

Since the last update, the primary Toro Sandstone has been penetrated and evaluated by logs obtained while drilling (LWD) and a core has been cut. The very preliminary interpretation is that the Toro contains 26 m of net gas pay, which is in line with the equivalent zone in the Stanley-1 well some 1.6 km to the northwest of the Stanley-2 well.

Subsequently, a second zone has been encountered below the Toro and LWD indicates this also to be gas-bearing, again on a very preliminary basis. This zone is of similar thickness to the primary Toro objective.

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 continue drilling the pilot hole to basement. At that stage electric logs will be run and samples and pressures of the prospective zones taken. It is only then that definitive information as to the reservoir quality and hydrocarbon content will be known.

After logging and sampling are complete, the well is planned to be plugged back and sidetracked 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.

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]

Yours faithfully,

Michael Sheridan
Chief Financial Officer & Company Secretary

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[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