



Horizon Oil Limited ABN 51 009 799 455

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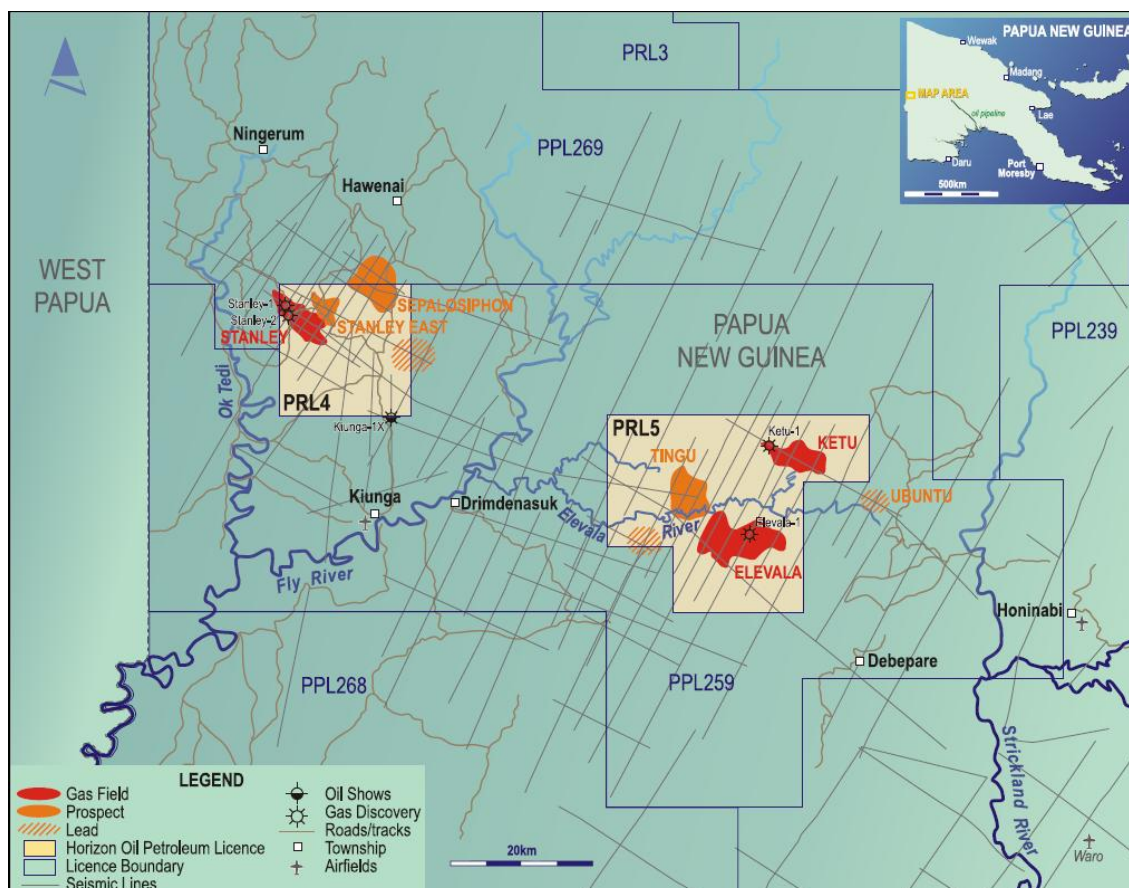
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The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

HORIZON OIL REPORTS RESULTS OF STANLEY-2 APPRAISAL / DEVELOPMENT WELL IN PAPUA NEW GUINEA

The Stanley-2 well, which is being operated by Horizon Oil, is located in PRL 4, 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 (see map below). The well is located about 1.6 km southeast of the Stanley-1 discovery well, drilled in 1999, and Stanley-2 was designed to appraise the gas / condensate accumulation. The pre-drill estimate of most likely recoverable resources in the primary Toro formation reservoir was approximately 300 billion cubic feet of gas and 9 million barrels of condensate.



The Stanley-2 well spudded on 5 December 2010 utilising Parker *Rig 226* and has been drilled to a total measured depth of 3,173 m in quartzite basement. Wireline logs, fluid sampling and pressure measurements of the prospective zones have been acquired and a core cut in the lower part of the Toro.

The Toro formation was found to be roughly 130 m high to the equivalent zone in the Stanley-1 well, 35 m thick and containing 23 m of net gas pay, in line with the pre-drill prognosis. Reservoir quality was significantly better than in the Stanley-1 well.

A second pay zone in the Imburu formation, the Kimu sandstone, was encountered below the Toro. This zone was 56 m thick and contained 43 m of net gas pay. Reservoir quality was also good.

Pressure measurements indicate that the Toro sandstone drilled at the Stanley-1 location and the Toro and Kimu sands at Stanley-2 are in connection with each other. This suggests that the gas / condensate ratio of 30 barrels / million cubic feet measured during the testing of Stanley-1 will persist throughout the accumulation.

The well has been plugged back to above the Toro formation and a sidetrack is currently being drilled about 8 m away from the original wellbore. This will enable cores to be cut in the upper Toro and through the entire Kimu sandstone for reservoir development planning purposes. After that the well, which is almost vertical, will be cased and completed for production from both zones.

The forward plan is to drill the second producer well, Stanley-4, from the current surface location to a bottomhole location approximately 1 km south east of the bottomhole location of Stanley-2. The original plan provided for the producer wells to be horizontal, however the better than anticipated reservoir quality means that sub-vertical wells are expected to be adequate to provide the design gas rate. After the well is completed, a production test will be carried out to determine reservoir performance quality and to obtain samples of condensate for marketing purposes.

Horizon Oil's Chief Executive Officer, Brent Emmett, commented:-

"This is a very good result and has met or exceeded the criteria that Horizon Oil required to make a field development decision. It would not be prudent to make a firm decision until all the well information has been fully evaluated and integrated with the plant design and condensate export plans, which are at an advanced stage. Similarly, it is too early to comment on a resource / reserve revision, although I expect that there will be a material increase to the current figures."

The participants in PRL 4 are:-

Horizon Oil (Papua) Limited (operator) 50%¹
(a wholly owned subsidiary of Horizon Oil Limited (HZN))

Talisman Niugini Pty Limited 50%¹
(a wholly owned subsidiary of Talisman Energy Inc (TLM:US))

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