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6 March 2012

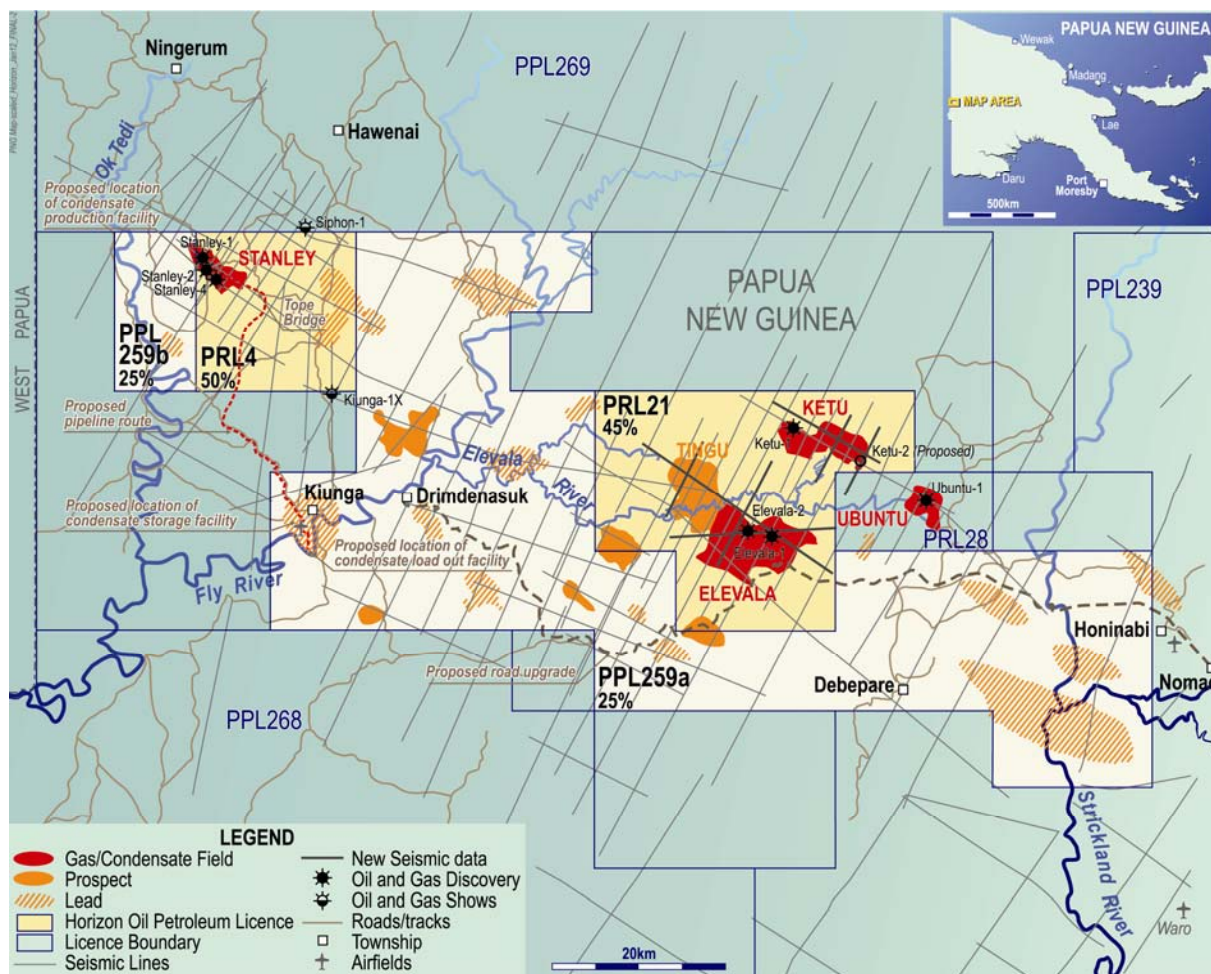
The Manager, Company Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

**HORIZON OIL (HZN) COMMENCES DRILLING OF KETU-2
APPRAISAL/DEVELOPMENT WELL IN PAPUA NEW GUINEA**

Horizon Oil advises that the Ketu-2 well was spudded with Parker *Rig* 226 at 1000hrs local time today, by its wholly owned subsidiary, Horizon Oil (Papua) Limited. The current operation is drilling surface hole, prior to running and setting 18-⁵/₈" surface conductor.

The Ketu-2 well is located in Petroleum Retention Licence 21 (PRL 21), approximately 65 km east of the port of Kiunga on the Fly River in Western Province, PNG (see map below). The well is designed to appraise the Ketu gas/condensate accumulation in the Elevala sandstone, discovered in 1990-1991 by the Ketu-1 well.

The well program is to drill to penetrate the Elevala sandstone at a location 8.9 km southeast of the Ketu-1 discovery well to determine the extent of the accumulation in that direction and the level of trap fill. The target will be evaluated to determine the gas water contact, the composition of the hydrocarbon column and the quality of the reservoir. Depending on the result the well may be completed for service as a future gas injector. The planned total depth of the well is 3,824 m in basement and is anticipated to take about 45 days to drill.



The participants in PRL 21 are:

Horizon Oil (Papua) Limited (operator) 45%
(a wholly owned subsidiary of Horizon Oil Limited (HZN:AU))

Talisman Energy Niugini Limited 40%
(a wholly owned subsidiary of Talisman Energy Inc (TLM:US))

Kina Petroleum Limited (KPL:AU) 15%

Yours faithfully,

Michael Sheridan



Chief Financial Officer & Company Secretary
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