



**Horizon Oil Limited** ABN 51 009 799 455

Level 7, 134 William Street, Woolloomooloo NSW Australia 2011

**Tel** +61 2 9332 5000, **Fax** +61 2 9332 5050 [www.horizonoil.com.au](http://www.horizonoil.com.au)

29 April 2011

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

**REPORT ON THIRD QUARTER ACTIVITIES – 31 MARCH 2011  
AUSTRALIAN STOCK EXCHANGE LISTING RULE 5.1**

**KEY ACTIVITIES**

- **Oil sales of 177,184 barrels from Maari field, offshore New Zealand, generating revenue of US\$18.8 million; cumulative oil production from field to date 13.7 million barrels.**
- **Maari production hampered by shut-in of 3 production wells, but workover program well in hand.**
- **New 2D seismic program of 683 km acquired over PEP 51313, offshore New Zealand; interpretation underway.**
- **Final Investment Decision made for WZ6-12 and WZ12-8W fields in Block 22/12, offshore China approved by China National Offshore Oil Corporation; project design and procurement initiated.**
- **Stanley-2 well in PRL 4, onshore Papua New Guinea confirmed gas / condensate pay in primary (Toro) and secondary (Imburu) targets; comprehensive evaluation program carried out; well completed as a producer. Stanley-4 well spudded and currently drilling towards primary objective.**
- **Legal proceedings in respect of loss of PRL 5 interest settled and 35% interest in replacement 5 year PRL 21 awarded; preparation of surface location for Elevala-2 appraisal well underway.**

**APPOINTMENT OF NEW DIRECTOR**

During the quarter Horizon Oil advised that Mr Andrew Stock had been appointed as non-executive director of the Company.

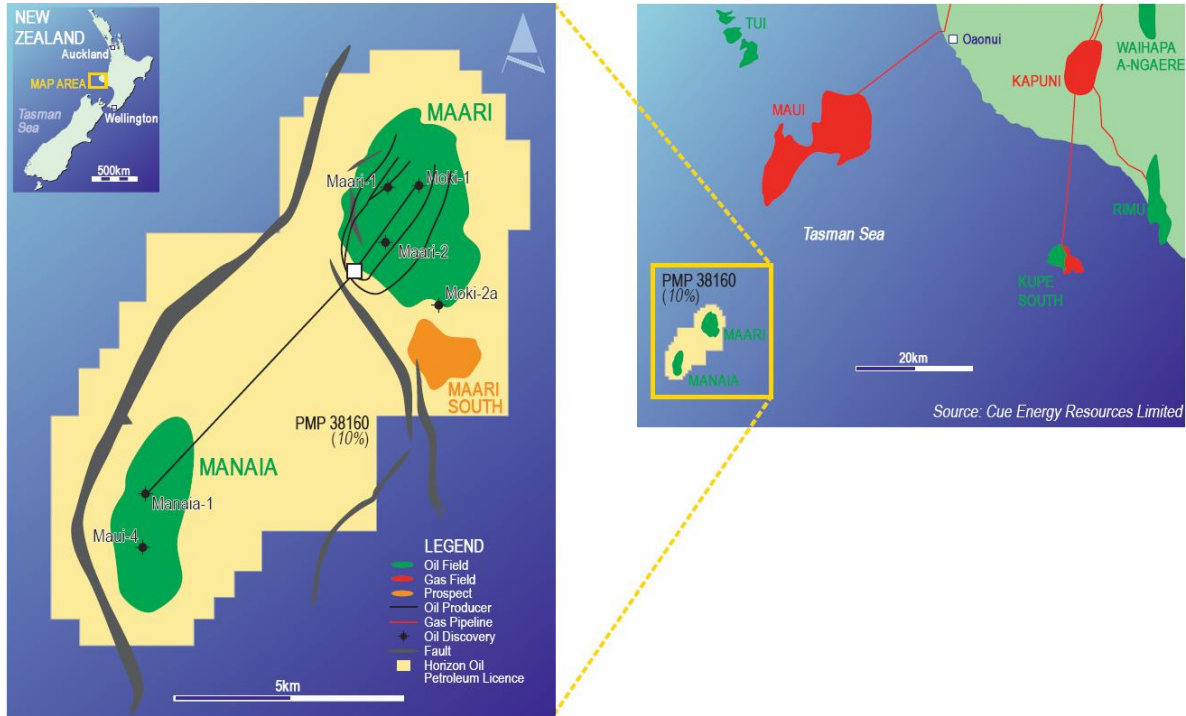
Andrew Stock has over 35 years of development, operations and commercial experience in energy industries in Australia and overseas. Most recently, as Executive General Manager for Major Development Projects for Origin Energy, he has led the development and delivery of Origin's major capital program. This included oil and gas projects which now account for the majority of Origin's liquids and conventional gas production, including the offshore and onshore A\$1 billion Kupe Gas Project in New Zealand.

He has a Chemical Engineering Degree (Honours) from the University of Adelaide, is a Fellow of the Institution of Engineers, Australia and a graduate member of the Australian Institute of Company Directors.

## EXPLORATION AND DEVELOPMENT ACTIVITY

### NEW ZEALAND

#### PMP 38160, Offshore Taranaki Basin, Maari and Manaia Fields (Horizon Oil interest: 10%)



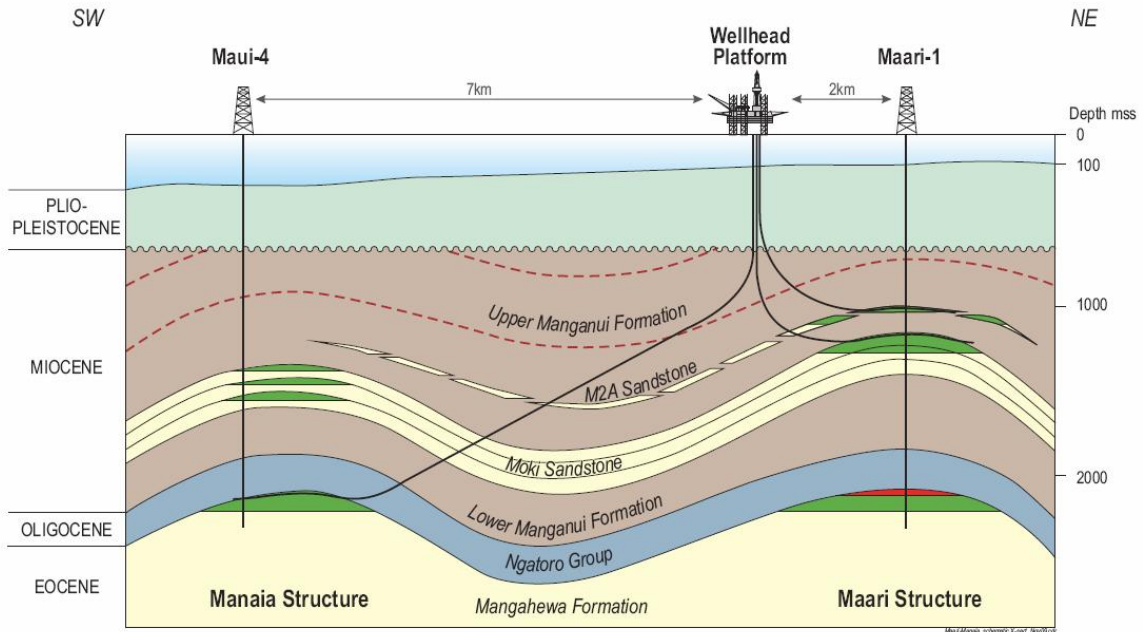
During the quarter Horizon Oil's working interest share of production from Maari field was 152,778 barrels of oil. Crude oil sales were 177,184 barrels at an average price of US\$106.29 per barrel. Cumulative oil production from the field through 28 April 2011 was 13.7 million barrels and gross revenue received from crude oil sales since production began in March 2009 now exceeds US\$1 billion.

Average production over the period of 17,000 bopd was below the forecast of 20,000 bopd because 3 of the 7 production wells were shut-in for varying periods. The MR1 is currently shut-in with a scale blockage and the operator is preparing to treat this with an acid wash to bring the well back on line. The MR9 well flowed naturally at high rates but is now shut-in while preparations are being made to repair on electrical fault with the downhole pump in May. The MN1 well had been free-flowing but was shut-in while the variable speed drive required to operate the downhole pump was fitted. The well was returned to production yesterday.

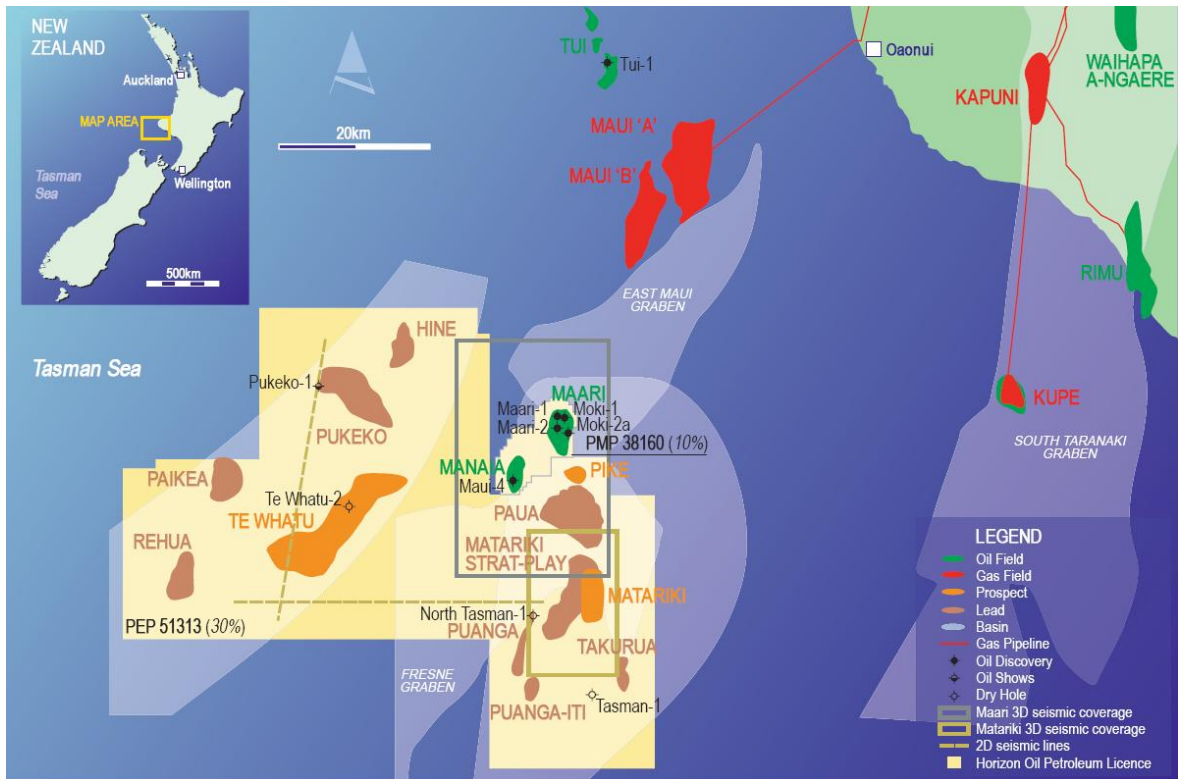
Water injection for the purposes of reservoir support has been enhanced by running water injection pumps in parallel and is proceeding at a rate in excess of 35,000 barrels of water per day.

Planning for further development of the shallower M2A reservoir (MR9 well) at Maari and the Mangahewa reservoir (MN1 well) at Manaia is underway. Reservoir studies indicate additional reserves can be obtained with further producer and water injection wells. Additionally an assessment is being made of the other hydrocarbon accumulations at Maari and Manaia (see cross-section below) as well as close-in and deeper prospects, with the objective of designing an appraisal / development drilling program to exploit this potential.

**MAARI / MANAIA SCHEMATIC CROSS-SECTION**  
PMP 38160, Offshore New Zealand



**PEP 51313, Offshore Taranaki Basin, (Horizon Oil interest: 30%)**

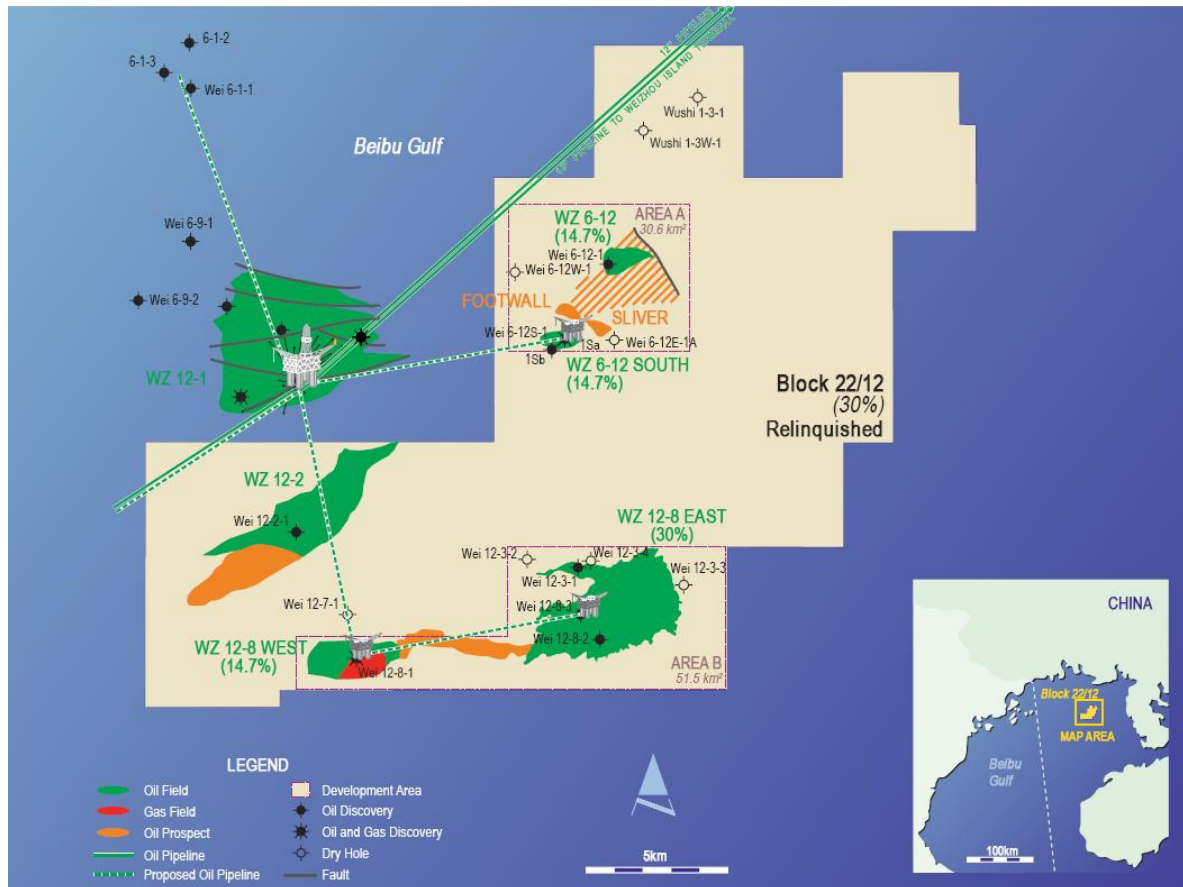


The 2D seismic program over the Te Whatu and Pukeko prospects was acquired during the reporting period and completed on 11 April 2011. A total of 683 km of full fold data was acquired. This data is now being processed and will be integrated with the previously acquired Matariki 3D survey to complete the block interpretation.

Interpretation of the merged Matariki / Maari 3D data is currently underway with the objective of maturing a prospect for drilling on the Matariki trend, south of Maari field (see map above), for drilling in the summer of 2011 / 2012.

## CHINA

### Block 22/12, Beibu Gulf (Horizon Oil interest: 14.7% / 30%)



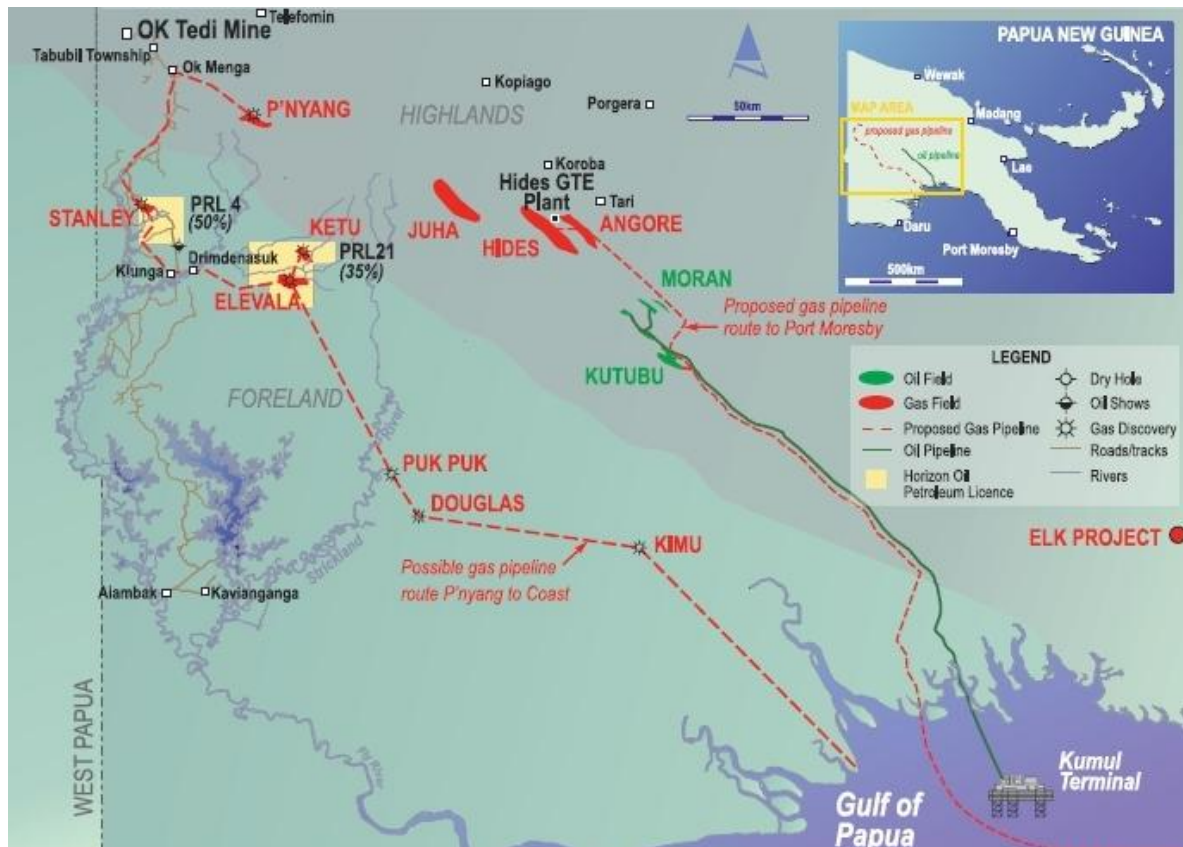
On 14 February 2011 Horizon Oil advised that it and its partners had approved the Final Investment Decision (FID) for the WZ6-12 and WZ12-8 West fields. The Company's share of certified proven and probable recoverable reserves for WZ6-12 and WZ12-8 West of 24 million barrels of oil is 3.5 million barrels. The Project Investment and Overall Development Plan (ODP) have now been submitted to the relevant Chinese Government Authority for formal approval, notwithstanding which development preparation activities are well underway.

China National Offshore Oil Corporation (CNOOC), as operator, has established a project management team located in Zhanjiang, which includes several members seconded from Roc Oil. Design and project planning is progressing in the areas of subsurface, facilities and drilling and completion. Prequalification of suppliers and vendors of long lead equipment packages and services is now underway.

A feasibility study of the WZ12-8 East field is nearing completion. If warranted, this accumulation will be developed as a second phase to the current project.

Interpretation work on the near-field and deeper prospects in the WZ6-12 area (see map above) is complete. It is likely that several of these prospects will qualify for drilling during the development drilling phase from the WZ6-12 wellhead platform. Planning is underway to provide for this in the drilling program.

## PAPUA NEW GUINEA



### PRL 4, Stanley Field, (Horizon Oil interest: 50%)

During the quarter the Stanley-2 appraisal well was drilled and completed as one of two planned gas production wells in the Stanley as condensate stripping project.

The well, operated by Horizon Oil and utilising Parker *Rig 226*, spudded on 5 December 2010 and was designed to appraise the Stanley gas / condensate accumulation, discovered by the Stanley-1 well in 1999. Stanley-2 was drilled to a total depth of 3,173 m in quartzite basement and confirmed 23 m of net gas / condensate pay in the primary Toro formation and intersected a new zone of 43 m of net gas / condensate pay in the Kimu sandstone of the Imburu formation, below the Toro.

The initial pilot well was plugged back to above the Toro formation and a parallel sidetrack drilled about 8 m away from the original wellbore. Four cores were successfully cut, in addition to one core in the initial well, bringing the total to 5 cores in the Toro and Kimu sandstones and these are currently being analysed for reservoir development planning purposes. The well was then lined with 7" casing, the two pay zones perforated and the well equipped for production from either or both zones.

An extensive production test was carried out over the Kimu zone at sustained rates stepping up to 47 million cubic feet of gas per day (mmcf) through test separator equipment. A condensate gas ratio of 25 barrels / mmcf was confirmed, as expected. (This is expected to increase to about 30 barrels / mmcf when the field goes on production with specialised separation equipment.)

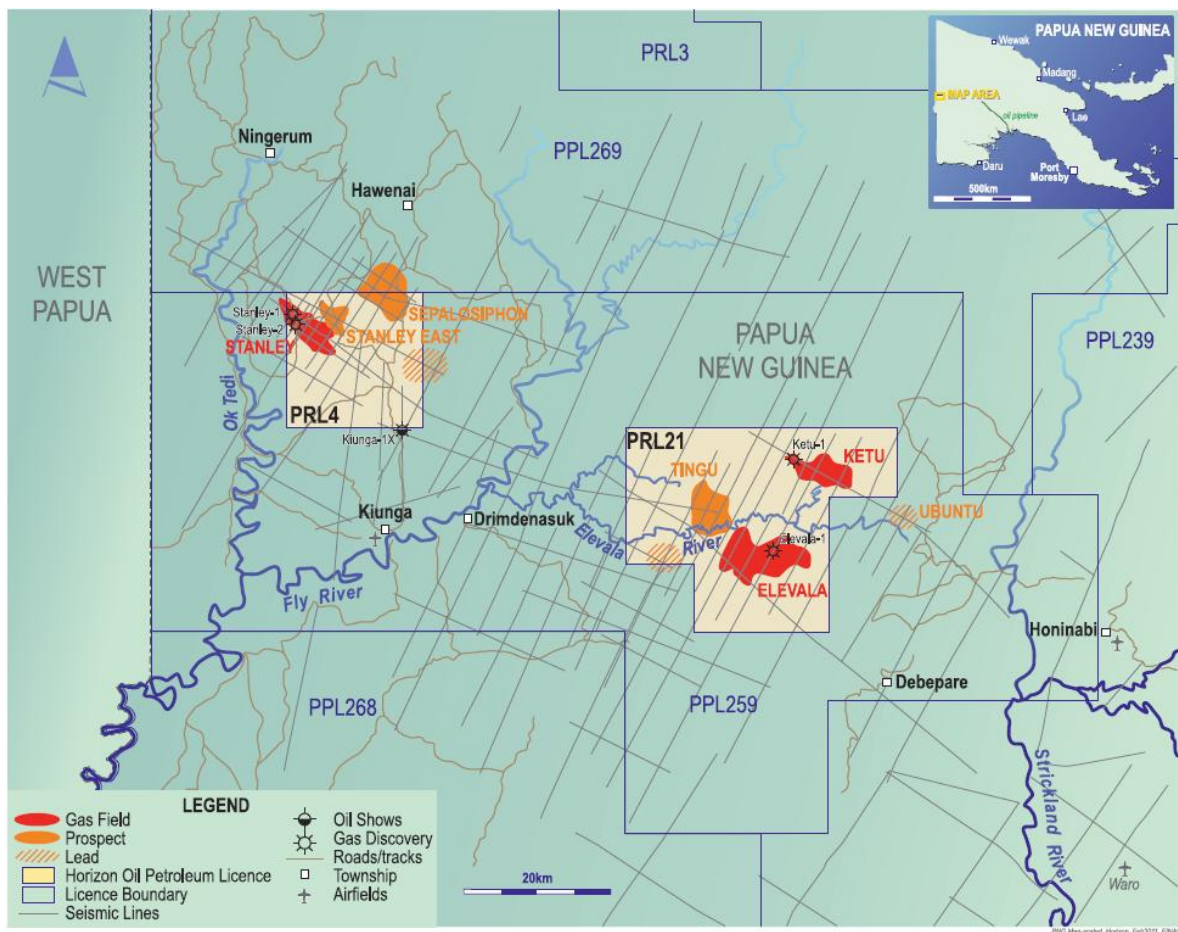
The Kimu zone was then isolated and a clean-up flow of the Toro sandstone conducted. The maximum rate measured during this flow period was 30 mmcf with the same condensate yield as

the lower zone. No free formation water or significant hydrogen sulphide was recorded from either zone during the test process.

The well was temporarily suspended and the rig skidded to drill the Stanley-4 well from the current surface location to a bottomhole location approximately 1 km south east of the bottomhole location of Stanley-2 (see map below).

The Stanley-4 well spudded on 29 March 2011 and was drilling ahead at a measured depth of 3,145 m above the Toro objective at 0600 hours on 29 April 2011. The well is the planned second of two producer wells required to develop the field.

Reservoir evaluation, plant design and export shipping plans for a potential development are continuing.



**PRL 21 (formerly PRL 5 acreage), Elevala / Ketu discoveries (Horizon Oil interest: 35%)**

The Company previously advised shareholders that the application to extend Petroleum Retention Licence (PRL) 5, in which the company held approximately a 50% interest, had been refused by the Papua New Guinea government. Consequently, Horizon Oil (Papua) Limited commenced legal proceedings in the PNG courts late last year, seeking leave for a judicial review of the decision not to renew the licence. The company was successful in obtaining an injunction to restrain dealings in respect of the PRL 5 acreage, while the legal proceedings remained afoot.

The Company advised on 31 March 2011 that the legal proceedings were settled and a new 5 year licence over the PRL 5 acreage, designated as PRL 21, in which Horizon Oil (Papua) Limited was awarded a 70% interest, had been received by the joint venture participants.

In accordance with the company's existing joint venture arrangements in PNG with Talisman Niugini Pty Ltd (Talisman), Horizon Oil has assigned half its interest in PRL 21 to Talisman (subject to receipt of government consent) and will proceed to evaluate the licence with each company holding a 35% interest. The companies are jointly moving towards commercialisation of Stanley field within PRL 4, with each holding a 50% interest. Horizon Oil is the operator of the drilling and development program for both licences.

In accordance with the agreements between Horizon Oil and Talisman, Talisman will pay Horizon Oil US\$22 million in cash upon receipt of certain administrative approvals from the PNG government, in finalisation of the original sale of a 50% interest in PRL 4 to Talisman for US\$60 million in cash and work carry. The company had previously received US\$38 million to date in proceeds from that sale. The first of the above-mentioned approvals was met after the end of the reporting period and US\$11 million of the US\$22 million has been received from Talisman.

Horizon Oil is currently drilling the production well Stanley-4 in PRL 4 with Parker *Rig 226*. After Stanley-4, the tentative program for the rig is a well on PPL 269 on the Sepalosiphon prospect (to be operated by Talisman), then Elevela-2 and Ketu-2 in PRL 21 (see map above). The joint venture will also shortly be embarking on a seismic program over the Elevela and Ketu structures to further define drilling locations.

## EXPENDITURE SUMMARY

The following table summarises the expenditure incurred in the quarter in respect of the activities set out in this report:-

<b>Exploration and Development</b>	<b>US\$'000</b>
PEP 51313, offshore New Zealand	-
Block 22/12 (Beibu Gulf), offshore China	494
PRL 4, Papua New Guinea	9,562
PRL 21, Papua New Guinea	-
<b>Producing Oil and Gas Properties</b>	
<i><b>PMP 38160 (Maari and Manaia), offshore New Zealand</b></i>	
Capital expenditure	146
Production revenue	18,833
Operating expenditure	2,766
Amortisation	2,656
<b>Production Data (barrels)</b>	
Crude oil production	152,778
Crude oil sales	177,184
<b>Cash on hand at 31 March 2011</b>	<b>24,705</b>
<b>Debt</b>	<b>10,976</b>
<b>Net Cash</b>	<b>13,729</b>

Yours faithfully



**Michael Sheridan**  
Chief Financial Officer & Company Secretary



For further information please contact:

Michael Sheridan

Telephone: (+612) 9332 5000

Facsimile: (+612) 9332 5050

Email: [exploration@horizonoil.com.au](mailto:exploration@horizonoil.com.au)

Or visit [www.horizonoil.com.au](http://www.horizonoil.com.au)