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### **HORIZON OIL (HZN) REPORTS PROGRESS ON DRILLING OF STANLEY-4 DEVELOPMENT WELL IN PAPUA NEW GUINEA**

Horizon Oil advises progress on the drilling of the Stanley-4 well, further to the update contained in the quarterly report of 29 April 2011. The well, which spudded on 29 March with Parker *Rig 226*, reached total depth of 3,340 m in economic basement at midnight on 2 May. The Stanley-4 well is being drilled from the same surface location as the successful Stanley-2 well, with a bottomhole location about 1 km southeast of the Stanley-2 bottomhole location. Stanley-2 was completed as a production well for the planned Stanley condensate stripping project, which is being operated by Horizon Oil.

The primary Toro sandstone in Stanley-4 was found to be gas-filled with 35 m of net gas pay, approximately 50% more than was encountered in the Stanley-2 well.

The secondary objective, the Kimu sandstone, was about the same thickness as the equivalent zone in Stanley-2 and contained 10 m of net gas pay. The gas water contact (GWC) observed in the Kimu sandstone is 24 m lower than the GWC calculated for both the Toro and Kimu sandstones from the pressure data recorded in Stanley-2.

A third possible zone, the Alene sandstone, which was only thin in Stanley-2, was encountered overlying the Toro. This exhibited gas shows during drilling but is of poor reservoir quality and currently no gas pay is being attributed to the zone.

The target zones have been penetrated lower than prognosis, in part as a result of structuring and also due to thickening of the Alene and Toro units. The explanation for this, as well as for the apparently deeper GWC in the Kimu sandstone, will need to be studied after all well results are in hand. The above report is based on very preliminary interpretation of mud logs and logs measured while drilling. The current operation is the running of electric logs and taking of samples and pressure measurements of the prospective zones.

Yours faithfully,

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



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