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The Manager, Company Announcements  
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Sydney NSW 2000

### **HORIZON OIL (HZN) ADVISES STRONG GAS/CONDENSATE FLOWS DURING TESTING OF TINGU-1 DISCOVERY WELL IN PAPUA NEW GUINEA**

Horizon Oil advised on 2 October 2013 that data from logs and pressure measurements had confirmed a significant gas/condensate discovery in the primary target Elevala Sandstone in the Tingu-1 exploration well. The well encountered a gas water contact in that reservoir consistent with that in the Elevala accumulation to the southeast (see map below), implying a connected field of considerable size.

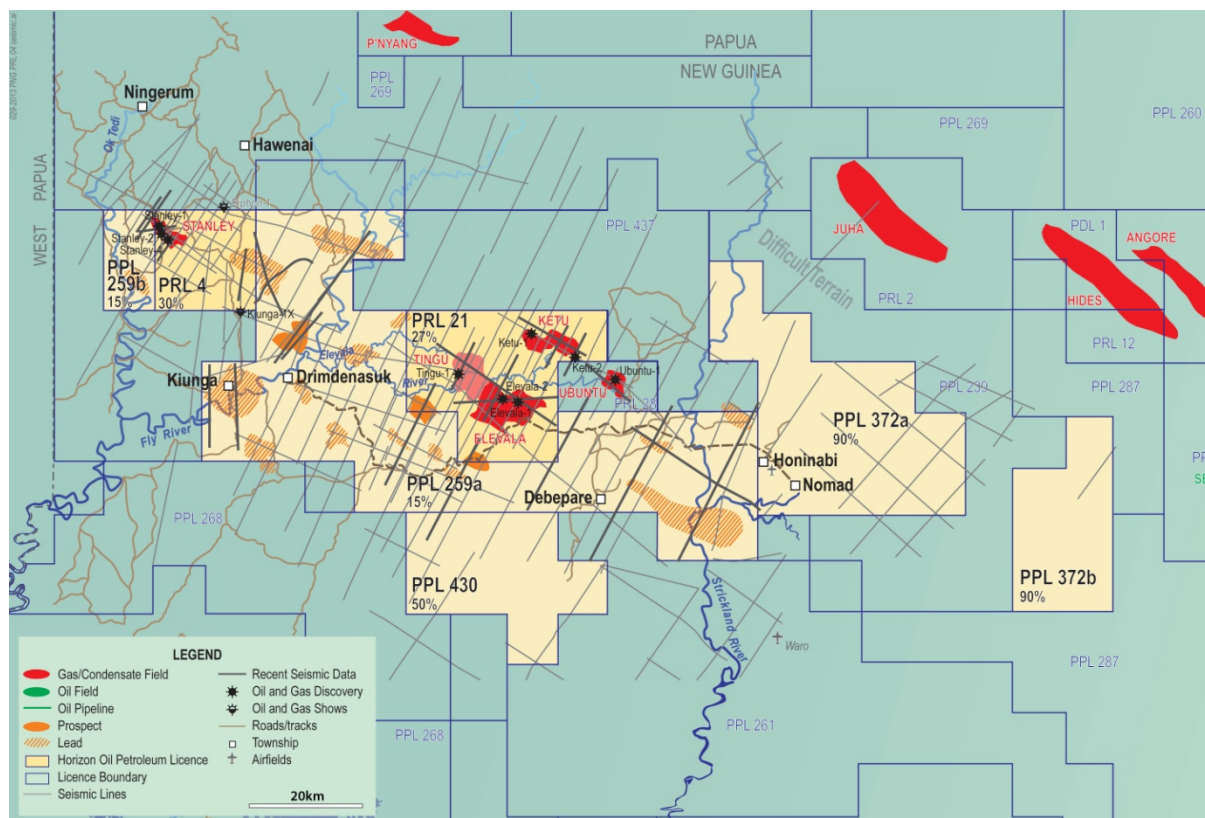
Data from the Toro Formation underlying the Elevala Sandstone indicate that a possible gas column also exists in that reservoir up-dip from the Tingu-1 location.

Since the time of the last report logging operations were finalised and a 7" liner run and cemented at a measured depth of 3,234 m. After running a completion tubing string and installing the Christmas Tree, the well was perforated across a 7 m interval in the Elevala Sandstone on 24 October and production testing operations commenced. At the end of the clean-up flow period, the average flow rate was 48 million cubic feet of gas per day (mmcf/d) on a 72/64" choke, with no water, indicating high deliverability from the reservoir which is encouraging for future production operations. For the main flow period, the gas was flowed to a test separator and an average condensate gas ratio (CGR) of 65 barrels of condensate per million cubic feet of gas was measured over a three hour period, after which hydrocarbon samples were taken for compositional and pressure analysis. This analysis will be required to confirm the flow test results and CGR, but it is certainly an encouraging result so far.

The well is currently shut-in for pressure build-up measurement. The forward plan is to carry out multi-rate flow testing and then suspend the well for future service in production operations.

Tingu-1 spudded on 26 August 2013 with Parker *Rig 226*. The well is located 9.2 km northwest of the Elevala-2 appraisal well, itself a stepout from the Elevala-1 discovery well, which both found condensate-rich gas in the Early Cretaceous Elevala Sandstone.

The Tingu accumulation is potentially similar in size to the Elevala gas-condensate field (2C contingent resource of approximately 400 billion cubic feet of gas and 22 million barrels of condensate). Horizon Oil, as operator of PRL 21, is currently carrying out FEED (front end engineering and design) of the Elevala and Ketu field developments. The Tingu gas-condensate accumulation will be incorporated in the development scope.



Participants in the PRL 21 joint venture are:

Horizon Oil (Papua) Limited (Horizon Oil Limited subsidiary: ASX:HZN)	45% <sup>1</sup> (Operator)
Talisman Energy Niugini Limited (Talisman Energy Inc subsidiary: NYSE/TSX:TLM)	32.5%
Kina Petroleum Limited (ASX:KPL)	15%
Diamond Gas Niugini BV (Mitsubishi Corporation subsidiary)	7.5%

<sup>1</sup> Horizon Oil's interest reduces to 27% upon completion of its recently announced partial sale of its PNG interests to Osaka Gas Co. Ltd. In addition to aggregate milestone based consideration of US\$204 million, the sale provides for production adjustments in favour of Horizon Oil from Osaka Gas where threshold condensate reserves are exceeded. Subject to confirmation of the condensate reserves at Tingu, Horizon Oil may be entitled to a greater than 27% interest in the condensate reserves.

Yours faithfully,



**Michael Sheridan**

Chief Financial Officer/ Company Secretary



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**Attachment: Photographs of Tingu-1 flow test**

**Tingu-1 flow test with Parker Rig 226**

