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2 June 2014

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

### **GRANT OF STANLEY GAS PROJECT DEVELOPMENT AND PIPELINE LICENCES**

Horizon Oil is pleased to advise that the Hon. Nixon Duban, PNG's Minister for Petroleum and Energy, granted the Stanley Gas Project development licence (PDL 10) and pipeline licence (PL 10) to Horizon Oil (Papua) Limited<sup>1</sup> and its fellow licensees on Friday 30 May 2014.

At the successful conclusion of the Stanley Gas Project Development Forum, in a formal ceremony attended by Hon. Boka Kondra, Member for North Fly, Western Province Governor, Hon. Ati Wobiro and other dignitaries, Horizon Oil was presented the development and pipeline licences by Minister Duban.

The grant of the development and pipeline licence enables the commencement of development activities including the drilling of the Stanley-3 and -5 development wells, site preparation and facilities construction.

As previously advised, the grant of the Stanley Gas Project development licence was the final condition precedent in respect of Horizon Oil's sale of 40% of its PNG petroleum interests to Osaka Gas of Japan. Under the terms of the agreement, the Company will receive the first milestone payment (~US\$78 million) of the aggregate US\$204 million within 10 business days.

The completion of the Osaka Gas transaction will satisfy a material condition precedent to the Company's proposed merger with Roc Oil Company Limited by way of a scheme of arrangement, announced on 29 April 2014.

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

*"The Stanley joint venture has enjoyed the strong support of the Stanley area landowners, the PNG National and Western Province governments and key government departments in reaching this significant milestone, being the grant of the Stanley development and pipeline licences. Horizon Oil shareholders, no doubt, will share the board and management's considerable gratitude for such support.*

*The Stanley Gas Project brings a welcome new development to Western Province, realising a first-mover project for PNG's regional gas-fired power strategy and a catalyst for the application of the*

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<sup>1</sup> A wholly owned subsidiary of Horizon Oil Limited

*Stanley Gas Project development strategy to Horizon Oil's material operated petroleum interests in the nearby condensate rich Elevala/Tingu and Ketu gas fields."*

The Stanley Gas project is located approximately 40 km north of Kiunga, Western Province, PNG and will be developed by a joint venture composed of subsidiaries of Horizon Oil, Talisman Energy, Osaka Gas and Mitsubishi Corporation.

The Stanley Gas project entails the production of ~ 140 million cubic feet of gas per day from two production wells, the recovery of condensate from such gas (initially ~ 4,000 barrels per day), sales of dry gas for regional power production and the reinjection of gas (which is not then required for sale) into the reservoir for enhanced condensate recovery and future sale. The reinjected gas is planned to be commercialised by way of a combination of sales to regional users and as part of a potential Near Shore LNG project.

Horizon Oil's material acreage position (7,900 km<sup>2</sup>) in Western Province, PNG includes the Stanley, Elevala/Tingu and Ketu condensate rich gas fields, with independently verified gross 2P and 2C reserves and resources of approximately 290 million boe (~80 million boe net<sup>2</sup>).

Yours faithfully



**Michael Sheridan**

Chief Financial Officer and Company Secretary

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<sup>2</sup> Subject to PNG State participation of up to 22.5%

