

15 November 2011

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

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

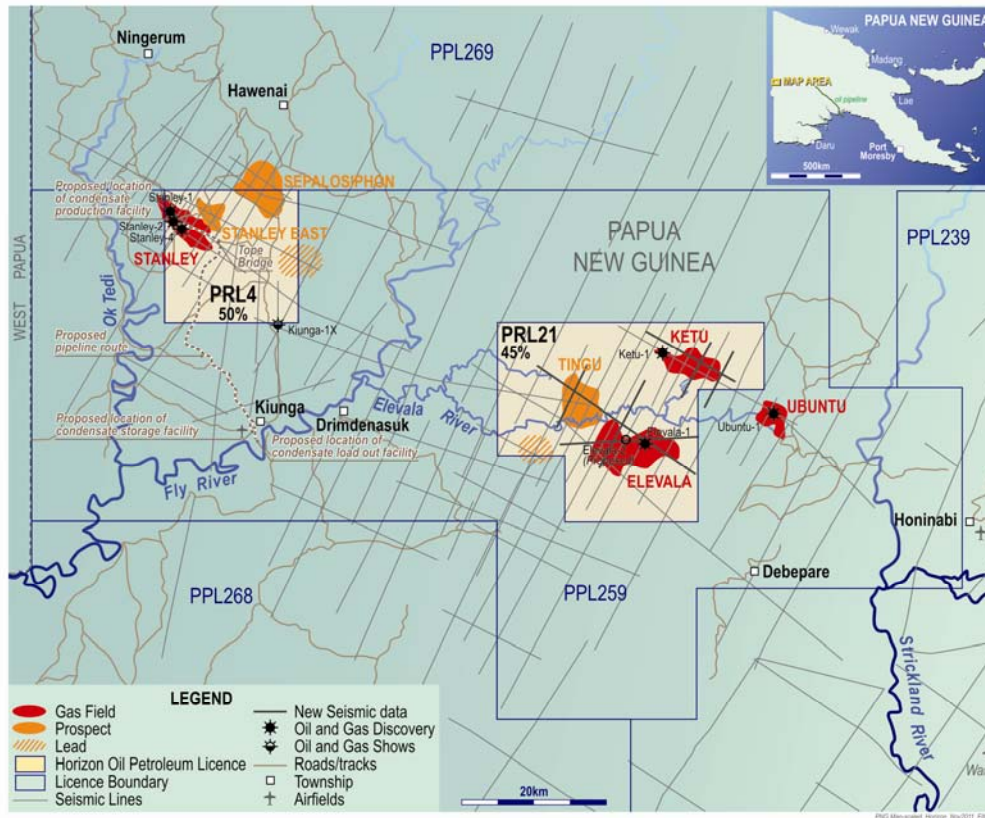
Horizon Oil advises that the Elevala-2 well was spudded with Parker *Rig 226* at 1600hrs local time yesterday, 14 November 2011, by its wholly owned subsidiary, Horizon Oil (Papua) Limited. The well has been drilled to a depth of 62 m and the current operation is running and setting 18- $\frac{5}{8}$ " surface conductor, prior to drilling ahead in 17- $\frac{1}{2}$ " hole.

The Elevala-2 well is located in Petroleum Retention Licence 21 (PRL 21), approximately 50 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 Elevala gas/condensate accumulation, discovered in 1989-1990 by the Elevala-1 well, which flowed on test at a rate of 11.9 million cubic feet of gas and 634 barrels of 54 deg API condensate per day.

The well program is to drill to penetrate the Elevala sandstone and the deeper Toro sandstone down-dip from the Elevala-1 discovery at a location 2.1 km west of that well. The targets will be evaluated to determine the gas water contact, the composition of the hydrocarbon column and the quality of the reservoirs. The planned total depth of the well is 3,500 m to basement. An option to sidetrack to complete the well for production purposes will be available.



Final mobilization of the rig, prior to spud



The participants in PRL 21 are:

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

Talisman Energy Niugini Limited 40%¹
(a wholly owned subsidiary of Talisman Energy Inc (TLM:US))

Kina Petroleum Limited 15%¹

¹Subject to grant of Ministerial approval in respect of the transfer of a 5% participating interest from Kina Petroleum limited to Talisman

Yours faithfully,

Michael Sheridan



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