



**19 May 2009**

**Heritage Oil Limited**

**(“Heritage” or the “Company”)**

**HERITAGE OIL INTERIM MANAGEMENT STATEMENT**

Heritage Oil Limited (LSE: HOIL), an independent upstream exploration and production company, issues its Interim Management Statement for the period from 1 January 2009 to 18 May 2009, in accordance with reporting requirements of the EU Transparency Directive. Heritage has performed exceptionally in 2009 to date, with significant operational success in the core areas of Uganda and the Kurdistan Region of Iraq.

**Highlights**

- Substantial oil volumes have been discovered in the Albert Basin, Uganda, sufficient to exceed the commercial threshold for development
- World-class Buffalo-Giraffe field in Block 1, Uganda, discovered
- Miran field in the Kurdistan Region of Iraq discovered
- 100% drilling success rate
- Sale of Eagle Energy Ltd (Oman) for \$28 million cash will fund acceleration of work programmes in the core activity areas
- Potential to be trucking produced oil before year end 2009 from the Miran field in the Kurdistan Region of Iraq

**EXPLORATION ASSETS**

**Uganda**

Significant progress has been made in Uganda since the beginning of 2009. In January, Heritage announced that discovered resources in the Albert Basin exceeded the threshold required for commercial development.

The multi-well exploration programme in Block 1 that began in September 2008 concluded with the transformational Giraffe discovery in January 2009. Pressure data from this significant discovery indicated that it is structurally connected to the Buffalo discovery making the world-class Buffalo-Giraffe field with initial gross recoverable resources estimated to be over 350 million barrels. This field is considered by management to be the largest onshore oil field discovered in Sub-Saharan Africa in the last 20 years. This success has lowered the risk of many other analogous prospects in Block 1 on which Heritage plans to undertake further exploration and appraisal drilling in the second half of 2009.

Successful appraisal of the Kingfisher field concluded at the beginning of the year with the drilling of the Kingfisher-3A sidetrack, which intersected all three Kingfisher reservoir intervals present in the Kingfisher-1A and 2 wells. All three Kingfisher wells have been suspended as future producers. Management believes that successful drilling of the Kingfisher field has lowered the exploration risk of other targets identified within Block 3A which will be explored in a lake drilling programme scheduled to commence in 2010.

Resource estimates for the Albert Basin are currently in excess of 600 million barrels recoverable and the basin is now estimated to have multi-billion barrel reserve potential. Heritage is reviewing options to fast-track development and commence production as early as possible, including the possibility of a phased development with first production in 2011 which would utilise the existing railway network in East Africa. Heritage is also considering an export pipeline to the coast as well as a scheme to service local markets. A number of parties have approached Heritage with a view to financing large scale infrastructure programmes in Uganda.

### **Kurdistan Region of Iraq**

Heritage commenced drilling of the Miran West-1 well in December 2008, just fifteen months after signing the licence, demonstrating the operational efficiency of the Company and commitment to the region. The Miran West-1 well reached target depth of 2,935 metres in March 2009 and initial testing operations were completed in May 2009. The Miran West structure, with a gross oil bearing interval of 710 metres, is estimated to have oil in place of between 2.3 – 4.2 billion barrels based on fracture porosity alone, from which excellent recoveries of between 50% – 70% are expected due to the highly fractured nature of the reservoirs and the lack of associated gas. From pressure data recorded during testing, management estimate flow rates of between 10,000 to 15,000 bopd per well should be achieved from the Miran West structure. Initial testing operations were severely constrained by the limitations of the downhole and surface testing equipment and the loss of over 100,000 barrels of fluid and lost circulation material during drilling due to the highly fractured nature of the reservoirs.

Heritage is currently procuring more suitable equipment for a longer term test which is expected to commence in July and last for approximately one month. The testing will help to prepare the well for early production which could begin before year end 2009. Once this second phase of testing is completed further drilling operations are planned to commence on the Miran West structure.

In April 2009, Heritage announced that Genel Energy International Limited had been nominated as the Third Party shareholder in the Miran Licence, under the terms of the production sharing contract. Heritage remains the operator with a 75% working interest. Additionally, it was announced that the Kurdistan Regional Government (“KRG”) no longer required Heritage to build a mini-refinery in Kurdistan in exchange for Heritage paying the KRG \$35 million from future production revenue from the Miran field.

Recent announcements by two licence operators in Kurdistan that they will commence exporting crude oil via the Iraq-Turkey main export pipeline to the Mediterranean port of Ceyhan in June 2009 has moved the commercialisation of the Miran field closer, which will have a significant positive impact on Heritage.

## **Tanzania**

The acquisition of 198 kilometres of 2D seismic in the Kisangire licence area was followed by 207 kilometres of 2D seismic in the onshore portion of the Kimbiji licence area which was completed in January 2009. The data is currently being analysed after which drilling locations will be determined.

## **PRODUCING ASSET**

### **Russia**

As disclosed in Heritage's 2008 Annual Report the Zapadno Chumpasskoye field was shut-in between December 2008 and February 2009 following a temporary reduction in the domestic oil price in Russia. Daily production recommenced at a level of approximately 150 bopd in March and has since increased to a current level of over 500 bopd. Production is expected to continue to increase as well optimisation work is completed. Despite the shut-in early in the year, average production for 2009 is estimated to reach 500 bopd.

## **CORPORATE**

Subsequent to year end approximately \$35 million was raised through the sale of Eagle Energy Ltd (Oman) and through a third party nominated into the Miran Licence in the Kurdistan Region of Iraq as payment for their share of past costs.

## **OUTLOOK**

A second phase of testing on the Miran West-1 well will commence in July 2009 after which further drilling is planned on the Miran West structure. A further high impact exploration and appraisal drilling programme is planned to commence in Block 1, Uganda, in the second half of the year.

### **Tony Buckingham, Chief Executive Officer, commented:**

*"2009 has been marked by outstanding operational success in Uganda and the Kurdistan Region of Iraq. Our success reflects both our technical and managerial expertise in selecting high impact exploration opportunities, which can enhance the Company, and our demonstrated first mover advantage. The remainder of 2009 should continue to be very exciting with drilling programmes scheduled in both these core areas which have further potential to generate excellent value for Heritage shareholders."*

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**Notes to Editors**

- Heritage is listed on the Main Market of the London Stock Exchange and is a constituent of the FTSE 250 Index. The trading symbol is HOIL. Heritage has a further listing on the Toronto Stock Exchange (TSX: HOC).
- Heritage is an independent upstream exploration and production company engaged in the exploration for, and the development, production and acquisition of, oil and gas in its core areas of Africa, the Middle East and Russia.
- Heritage has a producing property in Russia and exploration projects in Uganda, the Kurdistan Region of Iraq, the Democratic Republic of Congo, Malta, Pakistan, Tanzania and Mali.
- All dollars are US\$ unless otherwise stated
- For further information please refer to our website at **www.heritageoiltd.com**

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