



26 January 2011

**HERITAGE OIL ANNOUNCES THE DISCOVERY OF A MAJOR GAS FIELD
IN THE KURDISTAN REGION OF IRAQ**

Heritage Oil Plc (LSE: HOIL), an independent upstream exploration and production company, announces a major gas discovery in the Kurdistan Region of Iraq (“Kurdistan”). Following completion of the deepening and testing of the Miran West-2 well, management estimates that the Miran West structure has P90-P50 gross in-place volumes of gas of between 6.8-9.1 trillion cubic feet (TCF) with 42-71 MMbbls of condensate and 53-75 MMbbls of oil.

Highlights

- Highly productive Jurassic reservoir intervals tested at a restricted cumulative flow rate of over 75 million cubic feet per day (MMscfd)
- Estimated gross P90-P50 in-place volumes of between 6.8-9.1 TCF, with a P10 upside of 12.3 TCF
- Management estimates Heritage has mean risked contingent and prospective resources in Miran West and Miran East of 744 million barrels of oil equivalent (MMboe), based on a 75% working interest
- Significant increase in contingent resources following the successful testing of hydrocarbons
- Development options being considered with first production targeted for 2015 using planned regional infrastructure
- 2011 multi-well drilling programme has been accelerated with the Miran West-3 appraisal well scheduled to commence drilling in the second quarter
- Second rig planned to commence drilling in the autumn of 2011
- Size of 3D seismic programme has been expanded following this successful well
- Miran East prospect risk reduced

The Miran West-2 well was initially designed as an appraisal well for the Cretaceous section and was subsequently modified to assess the exploration potential of the deeper formations, eventually being drilled to a total depth of 4,426 metres. The well results have confirmed three additional pay zones within Lower Cretaceous and Jurassic formations, in addition to the pay zone identified in the Upper Cretaceous in the Miran West-1 well.

Additionally, well results have established that the Miran Field contains two hydrocarbon systems, with oil in the shallower Upper Cretaceous section and wet gas/condensate

within the deeper Lower Cretaceous and Jurassic formations. This has resulted in the previously anticipated prospective oil resources in the Lower Cretaceous, identified on the basis of oil shows in the Miran West- 1 well, being proven to be wet gas/condensate.

The Miran West-2 well has been suspended as a future producer.

Summary of the Results of Testing Operations

Reservoir Age	Depth of Test Interval (m MDBRT)	Choke (64 ^{ths})	Flow Rates		Yield (bbl/MMscf)	Oil Api	Comments
			Gas (MMscfd)	Oil (bbl/d)			
Upper Cretaceous	714 to 1,000	Pump	-	Trace	-	-	Tight, Oil
Lower Cretaceous	2,117.5 to 2,220	24/64	0.2	Trace	-	-	Tight, Wet Gas
Jurassic	2,992 to 3,115	40/64	26.7	432	16.2	60.9	Wet Gas/Lean condensate
	3,327 to 3,410	40/64	25.5	67	2.6	54.3	
Jurassic	3,465 to 3,533	40/64	26.0	70	2.7	52.2	Wet Gas

The test rates were constrained by the capacity of the surface equipment and the well test data indicate that individual test intervals could produce at rates of 40 MMscfd with the well capable of producing at a rate of over 100 MMscfd when it is placed on production. The proven hydrocarbons in the Upper Cretaceous can be accessed commercially on the structure as demonstrated by the 8,000-10,000 bopd potential of the Miran West-1. Furthermore, future drilling techniques will maximise the benefit from the fracture networks in order to achieve optimal production rates.

In-Place Hydrocarbon Volumes

Following completion of the test programme, the hydrocarbon volumes of the Miran Field have been re-evaluated and management estimates in-place volumes for the Miran West structure to have a P90-P50 range of 6.8-9.1 TCF, with an upside P10 potential of 12.3 TCF of gas. Miran East has an additional estimated P90-P50 gas in-place range of 0.6-0.9 TCF with a P10 upside of 1.3 TCF.

The extensive coring programme linked with wireline log analysis in Miran West-2 has indicated the presence of matrix porosity within the Cretaceous and Jurassic formations. Management estimates, based on initial evaluation of the well, that Heritage has mean risked contingent and prospective resources in Miran West and Miran East of 744 mmboe, based on a 75% working interest. The Regional Government of Kurdistan has a back in right which could, if exercised, reduce Heritage's working interest to 56.25%. Management estimates that mean net risked contingent resources have increased from 53 MMbbls to 605 MMboe following completion of the Miran West-2 well.

Forward Programme and Development

Results from drilling and initial indications from the 3D seismic programme indicate that there are pervasive fracture networks across the Miran structures. Future drilling plans will be designed to intersect these fracture networks in order to achieve optimal flow rates. Heritage is planning to accelerate the forward programme on the Miran West structure with an additional high-angle appraisal well, Miran West-3, expected to commence drilling in the second quarter of 2011. This will target the fracture systems on the flanks of the structure in the Lower Cretaceous and will take approximately 120 days to drill and complete. In addition, a second rig is being sourced to continue appraisal work on Miran West and subsequently to begin exploration drilling on Miran East. It is planned that the second rig will commence drilling in the autumn of 2011.

The 3D seismic programme, that is currently underway to acquire 550 square kilometres of data, is being expanded by a further 180 square kilometres due to the increased confidence provided by these well results. This extension to the programme is aimed at the southern flanks of both the Jurassic and Cretaceous structures. Preliminary 3D volumes will be analysed in up to four separate tranches to expedite our understanding of the structures. Initial samples indicate good quality data.

The location of the Miran Field in Kurdistan makes it ideally placed to gain access to secure and profitable European gas markets. Over the last two years a number of major gas companies, including OMV, MOL and RWE, have entered into agreements in Kurdistan with a view to creating a route to market for Kurdistan's major gas reserves.

Heritage is currently considering potential development options which could include either bringing gas into Turkey and/or into Europe via the Nabucco pipeline. The company is currently targeting first production in 2015.

Tony Buckingham, CEO, commented:

“The discovery of a major gas field of up to 12.3 TCF in-place with exceptional flow rates makes this one of the largest gas fields to be discovered in Iraq. This well has substantially de-risked the field so we have the confidence to accelerate the work programme on Miran. We are considering various development options including a tie-in to planned infrastructure that will achieve first production for both oil and gas in 2015. This discovery has the potential to generate substantial further value for our shareholders and benefit the people of Kurdistan and Iraq.”

Further information can be found in a presentation which has been uploaded to the Heritage website this morning at www.heritageoilplc.com.

There will be a presentation for analysts at 10.30am today, 26 January 2011, at Pelham Bell Pottinger, 6th Floor, Holborn Gate, 330 High Holborn, London, WC1V 7QD.

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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 the Kurdistan, Malta, Pakistan, Tanzania the Democratic Republic of Congo, and Mali
- Heritage Energy Middle East, a wholly-owned subsidiary of Heritage, is operator and holds a 75% interest in the Miran Block. There are third party back-in rights which could reduce the holding to 56.25%
- P90 indicates 90% certainty
- P50 indicates 50% certainty
- P10 indicates 10% certainty
- All dollars are US\$ unless otherwise stated

- 1 MMboe = 6.0 bcf
- Risked resources are risked at a Geological Chance of Success of 76%
- For further information please refer to our website, **www.heritageoilplc.com**

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FORWARD-LOOKING INFORMATION:

Except for statements of historical fact, all statements in this news release – including, without limitation, statements regarding production estimates and future plans and objectives of Heritage – constitute forward-looking information that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate; actual results and future events could differ materially from those anticipated in such statements. Factors that could cause actual results to differ materially from anticipated results include risks and uncertainties such as: risks relating to estimates of reserves and recoveries; production and operating cost assumptions; development risks and costs; the risk of commodity price fluctuations; political and regulatory risks; and other risks and uncertainties as disclosed under the heading "Risk Factors" in its Prospectus and elsewhere in Heritage documents filed from time-to-time with the London Stock Exchange and other regulatory authorities. Further, any forward-looking information is made only as of a certain date and the Company undertakes no obligation to update any forward-looking information or statements to reflect events or circumstances after the date on which such statement is made or reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Company to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information.