



PANCONTINENTAL

PANCONTINENTAL OIL & GAS NL

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KENYA L8 - NEW 3D REPORT ON MBAWA OIL & GAS POTENTIAL

- A report by L8 operator Origin Energy gives new estimates of the of oil and gas volumetric potential of the Mbawa Prospect in Kenya Block L8
- Under a recently announced farm in by Tullow Oil for 10%, Pancontinental will retain 15% and be substantially “free carried” for a major portion of the L8 programme. Apache has farmed in for 50% to Origin’s interest. Both farm ins are subject to certain approvals and conditions
- A Mbawa drilling date will be set after planning by incoming operator Apache
- Pancontinental is negotiating new offshore Kenyan Blocks L10A & L10B with co-participants BG Group, Premier Oil and Cove Energy

3D Seismic report gives Mbawa oil and gas volumetric potential

L8 Operator Origin Energy Limited (“Origin”) has provided the L8 Joint Venture with a first stage technical report on the evaluation of the Mbawa structure based upon Origin’s interpretation of the Mbawa 3D seismic survey data acquired in 2009. This report stresses that the interpretation contained within it is based upon pre-stack time migration (PSTM) processing only and does not include interpretation results from a subsequent pre-stack depth migration (PSDM) which was carried out because of the structural complexity revealed by the PSTM data. The PSDM data was not available at the time of completion of Origin’s report.

While there is no direct evidence that the Mbawa Prospect contains any oil or gas until drilling has taken place, new volumetric estimates contained in the report indicate that, if filled to spill point, Mbawa at the **Tertiary- Cretaceous** level has an in place and unrisks potential to contain **up to 4.9 Billion Barrels of oil (P10) plus a gas cap of 284 Billion Cubic Feet (P10)** but this is subject to risks that include trap integrity and the fact that the offshore Lamu Basin petroleum system is unproven.

In the report the deeper **Top Jurassic** level is estimated to have an in place and unrisks potential to contain **up to 323 Million Barrels oil (P10) or 525 Billion Cubic Feet gas (P10)** but this is subject to risks that include the fact that there is limited data for reservoir parameters on the East African margin, there is no control on interpretation of Jurassic carbonates and the lack of a commercial discovery of hydrocarbons in Jurassic carbonates on the East African margin.

A number of offshore prospects with large potential lie within Kenya Block L8, with the Mbawa Prospect being the largest mapped to date. Neighbouring Block L6 (Pancontinental 40%) also has significant potential in a number of prospects and leads.

The geological parameters used in estimating the volumetric potential have been drawn from

regional data and modelling of worldwide geological systems and may not necessarily reflect the parameters in place in the Mbawa Prospect. The P10 potential volumes quoted are only possible if the Prospect is filled to spill point and the interpretation and estimated parameters prove to be valid. There is no direct evidence that the Prospect contains any oil or gas and it is possible that the Prospect may be only partially filled or contain no hydrocarbons. Recoverable reserves are lower than in-place volumes and are subject to a number of factors that are not estimated in the quoted volumetric potentials. Only drilling and further assessment can determine the actual volumes (if any) of oil or gas in place or recoverable.

While the P10 potential is regarded as the maximum in place and unrisks potential, corresponding P Mean potentials in place, subject to the same risks as those outlined above for the P10 estimates, are-

- **Tertiary / Cretaceous potential - 2 Billion Barrels (P Mean) oil plus a gas cap of 196 Bcf (P Mean)**
- **Jurassic potential - 138 Million Barrels (P Mean) or 231 Bcf (P Mean)**

Other results from the report and based upon Pancontinental's interpretation of it are-

- The Mbawa Prospect is a large faulted anticline divided into a number of "compartments"
- Both Tertiary / Cretaceous and Jurassic closures contain several major culminations and a number of minor culminations
- At the Tertiary / Cretaceous level a major southern culmination contains a "flat spot" or "DHI" (Direct Hydrocarbon Indicator) consistent with a gas-oil or gas –water interface

Tullow and Apache farmins

On 7 March Pancontinental announced that it had signed an agreement with Tullow Kenya B.V. a wholly owned subsidiary of Tullow Oil plc ("Tullow") for Tullow to farm in to a 10% interest in the licence over offshore Kenya Block L8 that contains the giant Mbawa Prospect.

Pancontinental will retain a 15% interest in L8, from which Tullow will then have an option to earn a further 5%.

Based on current budgets, Tullow will "free carry" Pancontinental through a major portion of the L8 programme that includes drilling the giant Mbawa Prospect.

The Tullow farm in follows another recent farmout transaction by the licence operator Origin Energy Limited and the US major Apache Corporation announced on 16 February. Apache is planned to take over from Origin as L8 operator.

While both the Apache and Tullow transactions are subject to certain conditions and approvals, it is expected that both transactions will be fully completed.

Subject to all necessary approvals and satisfaction of conditions in respect of the Tullow and Apache farmins, the Kenya L8 consortium consists of-

Apache	50%
Origin Energy	25%
Pancontinental Oil & Gas NL	15%
Tullow Oil plc	10%

Mbawa Drilling

Several of the major culminations on the overall Mbawa Prospect may be locations for drilling. Initial planning has been undertaken for drilling and further extensive planning is now required. It is also intended to conduct a peer review by the L8 Consortium of the Origin report referred to above and also to complete the interpretation of the PSDM data. The timing of drilling is subject to a number of factors including the completion of that review and that interpretation,

equipment lead-times and the availability of a suitable drilling rig.

A drilling site will be determined in the course of joint venture discussions.

New Projects L10A & L10B Offshore Kenya

On 23 February Pancontinental announced that it was part of a consortium negotiating for new exploration and production licences over Blocks L10A and L10B offshore Kenya following an offer by the Kenyan Ministry of Energy.

The consortium consists of-	<u>L10A</u>	<u>L10B</u>
BG Group plc	40%	45%
Premier Oil Investments Limited	20%	25%
Cove Energy plc	25%	15%
Pancontinental Oil & Gas NL	15%	15%

Subject to the success of negotiations, the new areas will more than double Pancontinental's gross acreage offshore Kenya. The proposed work programme includes 2D and 3D seismic surveying in the first phase with drilling in later phases.

The L10A and L10B Blocks have respective areas of 4,962.03 sq km and 5,585.35 sq km and water depths of 200 to 1,900m, which is within the reach of modern drilling and development technology.

ABOUT PANCONTINENTAL-

Pancontinental Oil & Gas is listed on the Australian Securities Exchange (ASX:PCL) and has a market capitalisation of approximately A\$ 50 million.

Pancontinental has oil and gas ventures in Australia, Africa and the Mediterranean.

Pancontinental has a 25% interest (reducing to 15%) in offshore Kenya licence L8 and a 40% interest in adjacent area L6. It has accepted an offer from the Government of Kenya of a 15% interest in Blocks L10A and L10B offshore Kenya subject to agreement to a PSC. Co-participants in the L10 Blocks are BG Group plc, Premier Oil Limited and Cove Energy plc.

The L8 area offshore Kenya holds the giant Mbawa Prospect.

Pancontinental and its co-venturer (and subsequent merger partner) Afrex originated the L6 and L8 projects and afterwards farmed out to Origin Energy (L8) and Flow Energy (L6).

Pancontinental's website is www.pancon.com.au/

Yours sincerely for and on behalf of

Pancontinental Oil & Gas NL



Barry Rushworth, CEO and Director

The summary report on the oil and gas projects is based on information compiled by Mr R B Rushworth, BSc, MAAPG, MPESGB, Chief Executive Officer of Pancontinental Oil & Gas NL. Mr Rushworth has the relevant degree in geology and has been practising petroleum geology for more than 25 years.

Mr Rushworth is a Director of Pancontinental Oil & Gas NL and has consented in writing to the inclusion of the information stated in the form and context in which it appears



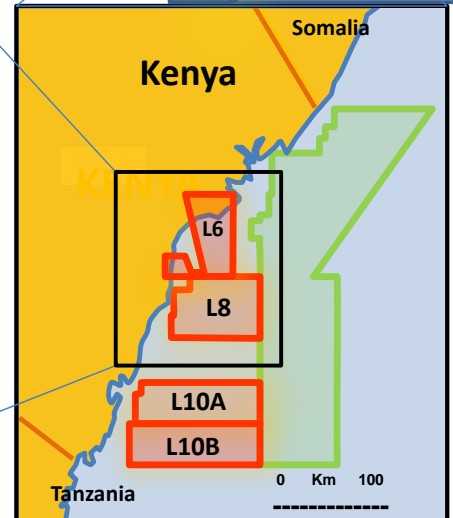
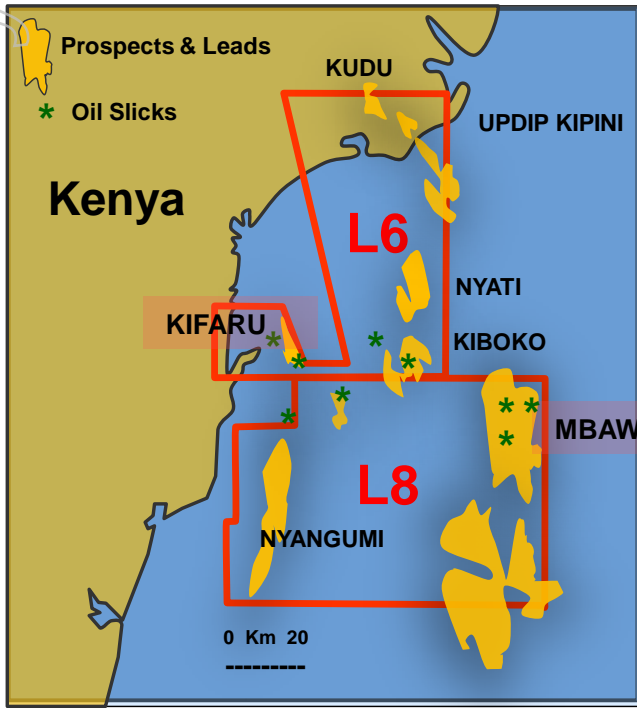
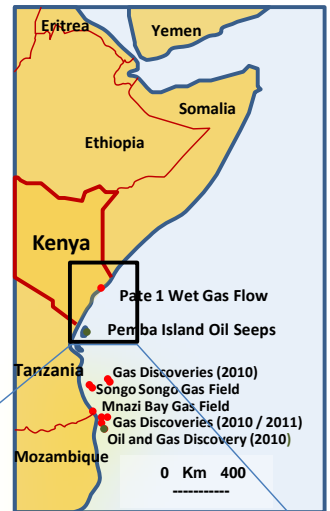
Pancontinental Oil & Gas NL

L6
Pancontinental 40%

L8 5,115 sq km
Apache 50%
Origin 25%
Pancontinental 15%
Tullow 10%

L10A
Pancontinental 15%

L10B
Pancontinental 15%



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