



PANCONTINENTAL OIL & GAS NL

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## ASX Companies Announcement Office

23 February 2011

### Blocks L10A & L10B Offshore Kenya – Government Offer of New Production Sharing Contracts

- A consortium including Pancontinental has been offered new licences over Blocks 10A and 10B offshore Kenya
- The successful consortium consists of BG Group plc, Premier Oil Investments Limited, Cove Energy plc and Pancontinental Oil & Gas NL
- Production Sharing Contracts are to be negotiated over the coming weeks
- A “fast track” seismic and drilling programme has been proposed

#### Negotiations for Kenya Blocks 10A & 10B

Pancontinental Oil & Gas NL ( ASX: PCL) (“Pancontinental”) is very pleased to announce that, together with three co-applicants and led by BG Group plc (“BG Group”), it is in negotiations for the award of oil and gas exploration and production licences over Blocks L10A and L10B offshore Kenya following an offer by the Kenyan Ministry of Energy.

The offer is subject to the negotiation of Production Sharing Contracts (“PSCs”) for the two Blocks with the Ministry over the coming weeks.

These new Blocks would be additional to Blocks L6 and L8 already held by Pancontinental and the subject of other recent ASX announcements.

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

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%
<b>Pancontinental Oil &amp; Gas NL</b>	<b>15%</b>	<b>15%</b>

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.

The L10A and L10B offers have come about after earlier applications by Pancontinental. Subsequent to Pancontinental's original applications, Pancontinental joined BG Group and then a Premier and Cove consortium that had lodged separate applications.

Further negotiated details of the PSC's and details of planned exploration activities will be announced in due course.

Mr Barry Rushworth, CEO and Director of Pancontinental commented-

"We are delighted to be progressing with negotiations for these new Blocks, and particularly with a group of some of the most successful UK-based companies in the oil and gas business.

The exploration programme we are discussing is effectively a "fast track" to drilling in this highly promising exploration province.

Our existing Kenyan projects are moving ahead strongly, with the entry of Apache to L8 as announced on 16 February.

Early planning has already commenced for drilling the giant Mbawa Prospect under Apache's operatorship and we expect to be making further announcements regarding L8 in the near future. We have not yet fixed a firm drilling date for Mbawa due to a number of factors including rig availability.

We will shortly commence full negotiations of the PSC's for the new Kenyan areas and we look forward to making further announcements about all areas as matters unfold".

### **East Africa, Offshore Kenya and Pancontinental's' Interests**

Offshore East Africa has become an industry focus through recent major deepwater gas discoveries and an oil discovery offshore Tanzania and Mozambique. Further drilling is under way in these areas south of Kenya and more drilling rigs are being brought to the region.

In Kenya, Pancontinental already holds interests in Block L8 (25%) and L6 (40%) where the largest prospect is the giant Mbawa Prospect in L8. Mbawa has potential easily in excess of one billion barrels of oil recoverable or several trillion cubic feet of gas at inferred Tertiary / Cretaceous levels and significant potential at deeper Jurassic levels. Mbawa has interpreted sea surface oil leakage and seismic "flat spots" consistent with hydrocarbon interfaces at depth. New 3D mapping will enable volumetric estimates to be refined.

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#### **ABOUT PANCONTINENTAL-**

Pancontinental Oil & Gas is listed on the Australian Securities Exchange (ASX:PCL) and has a market capitalisation of approximately A\$ 40 million.

It has oil and gas exploration ventures in Australia, Africa and the Mediterranean. Pancontinental has a 25% interest in Kenyan areas L8 and a 40% interest in adjacent area L6.

The L8 area offshore Kenya holds the giant Mbawa Prospect. Mbawa has potential to easily contain more than one billion barrels of recoverable oil or several trillion cubic feet of natural gas or some combination of the two.

Pancontinental and its co-venturer (and subsequent merger partner) Afrex originated the L6 and L8 projects and afterwards farmed out to current operators Origin Energy (L8) and Flow Energy (L6). Pancontinental's website is [www.pancon.com.au/](http://www.pancon.com.au/)

### **ABOUT BG Group-**

BG Group was formed by the demerger of British Gas in 1997. BG Group is one of the 10 largest companies in the UK with a market capitalisation of around GBP 50 billion (A\$80 billion).

BG Group is based in England and is listed on the London Stock Exchange (LSE:BG.L). It is a constituent of the FTSE 100 index and operates in more than 25 countries worldwide.

BG Group is a world leader in natural gas exploration and production, Liquefied Natural Gas (LNG) and gas transmission and distribution. BG Group's successful strategy connects competitively priced resources to specific, high-value markets. It has an impressive track record of finding and commercialising major international hydrocarbon reserves.

BG Group has drilled two recent gas discoveries offshore Tanzania, south of Kenya. BG Group is developing the Queensland Curtis LNG project utilising coal seam methane following the takeover of Queensland Gas in 2008.

BG Group produces around 650,000 Barrels of Oil Equivalent per Day.

### **ABOUT PREMIER –**

Premier Oil Investments Limited is a wholly owned subsidiary of Premier Oil plc, quoted on the London Stock Exchange (LSE:PMO) and amongst the largest UK independent oil and gas companies with a market capitalisation of approximately US\$ 3 billion (A\$ 3 billion).

It operates internationally including in Africa.

Premier produces about 45,000 Barrels of Oil per Day and has reserves of more than 250 Million Barrels of Oil Equivalent.

### **ABOUT COVE-**

Cove Energy plc is listed in London (AIM:COV) with a market capitalisation of GBP 510 million (A\$815 million).

Cove was admitted to AIM in October 2009 and had immediate success with the Windjammer gas discovery off Mozambique in February 2010. Since then it has participated in more gas discoveries and an oil discovery in the next three wells in the same area. As well as other East African assets, it holds a minority interest in an extensive tract of deeper water acreage offshore Kenya with operator Anadarko.

Yours sincerely for and on behalf of  
**Pancontinental Oil & Gas NL**



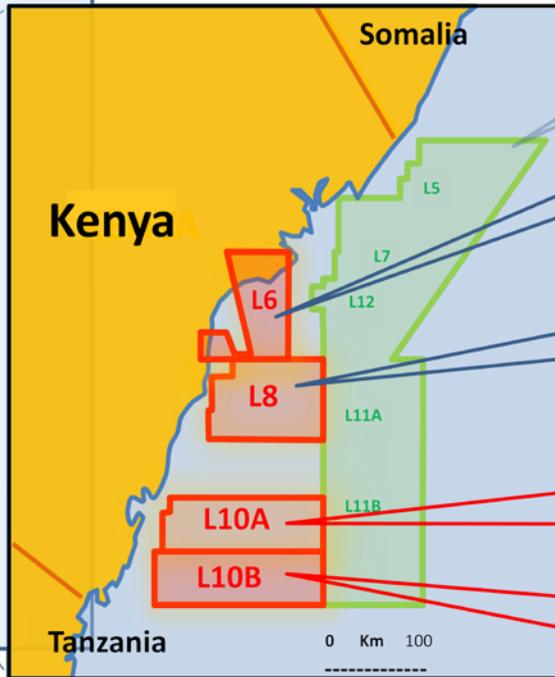
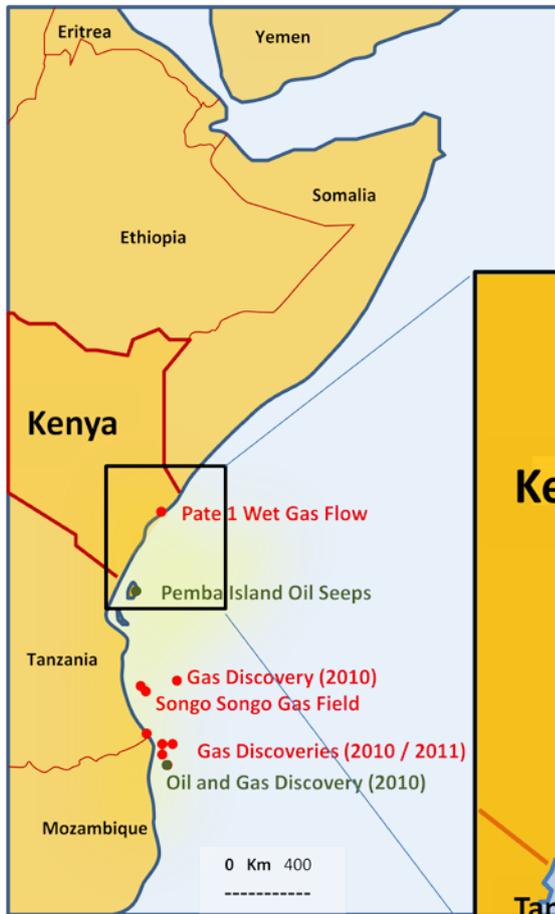
**Barry Rushworth, CEO and Director**

*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**



**L5 L7 L12 L11A L11B**  
 Anadarko 70%  
 Cove 15%  
 DGA 15%

**L6**  
 3,100 sq km  
 Flow 60%  
**Pancontinental 40%**

**L8**  
 5,115 sq km  
 Apache 50%  
**Pancontinental 25%**  
 Origin 25%

**L10A**  
 4,962.03 sq km  
 BG 40 %  
 Cove 25 %  
 Premier 20 %  
**Pancontinental 15%**

**L10B**  
 5,585.35 sq km  
 BG 45 %  
 Premier 25 %  
**Pancontinental 15%**  
 Cove 15 %