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**ASX Companies Announcement Office**

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**KENYA L8 - TULLOW FARMS-IN TO PANCONTINENTAL INTEREST**

- **Tullow farms-in for 10% in Kenyan offshore Block L8 subject to certain approvals and conditions. Pancontinental will retain 15%**
- **Tullow to “free carry” Pancontinental through a major portion of the L8 work program that includes drilling the giant Mbawa Prospect**
- **Tullow’s farmin follows another transaction between Origin Energy and US major Apache Corporation. A Mbawa drilling date will be set after planning by incoming operator Apache**
- **Pancontinental has also recently announced that it is negotiating new offshore Kenyan Blocks L10A & L10B with co-participants BG Group, Premier Oil and Cove Energy**

**Tullow to farmin to a 10% interest in Kenyan offshore Block L8**

Pancontinental Oil & Gas NL (Pancontinental+) is very pleased to announce that it has signed an agreement with Tullow Kenya B.V. a wholly owned subsidiary of Tullow Oil plc (Tullow+) for Tullow to farmin 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 program that includes drilling the giant Mbawa Prospect.

The Tullow farmin follows another recent farmout transaction by the licence operator Origin Energy Limited and the US major Apache Corporation announced on 16 February. While both the Apache and Tullow transactions are subject to certain conditions and approvals, it is expected that both transactions will be fully completed.

**Tullow will “free carry” Pancontinental**

Tullow will earn a 10% interest in the Production Sharing Contract for L8 plus an option on a further 5% by paying US\$ 1 million to Pancontinental for reimbursement of past costs, subject to audit, and also by funding the future work program on its own behalf and up to an expenditure cap+of US\$ 9 million attributable to Pancontinental\$ retained 15%.

The option to earn a further 5% interest from Pancontinental is subject to Tullow funding any second well to a second agreed cap+of US\$ 6 million in respect of Pancontinental\$ share of well costs. If Tullow does not exercise the option, each of the two parties will fund its own direct share of the second well.

The farmin agreement is subject to certain conditions, certain joint venture rights and approvals and to approval by the Kenyan Government. It is anticipated that these conditions will be satisfied and completion will be by June 2011.

After the first stage of Tullow's farmin and subject to approvals and other conditions, the interests in L8 will be:

Apache Corporation	50%
Origin Energy Kenya Pty Ltd	25%
Pancontinental Oil & Gas NL and Afrex Ltd *	15%
Tullow Kenya B.V.	10%

\*Wholly owned subsidiary of Pancontinental Oil & Gas NL.

Pancontinental also holds a 40% interest in adjacent licence area L6 and, subject to agreement to Production Sharing Contracts with the Kenyan authorities, a 15% interest in new licences L10A and L10B.

Mr Barry Rushworth, CEO and Director of Pancontinental commented-

Following close on the heels of the recent Origin farmout to Apache and the announcement of our new L10A and L10B ventures, Pancontinental is very pleased to have Tullow join the group in Block L8 offshore Kenya. Tullow is one of Africa's most successful and aggressive oil and gas companies.

The vast area offshore East Africa is a new industry hot spot, with a recent oil discovery and major new gas discoveries offshore Tanzania and Mozambique. Additional drilling rigs are being brought to the region and drilling is steadily proving-up very large new reserves in these areas south of Kenya. Many geological characteristics are similar over the length of the East African margin.

Pancontinental retains significant percentages in its Kenyan acreage and now, with Tullow and the new L8 operator Apache, we have two new participants of considerable strength and proven success.

We are drawing close to seeing the giant Mbawa Prospect drilled after an extensive work program of seismic and geological work overseen by the previous operator Origin Energy.

Initial planning has already commenced for Mbawa drilling, with the availability and timing of a suitable deep-water rig being a prime consideration.

### **East Africa, L8 and the Mbawa Prospect**

Offshore East Africa has become an industry exploration 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.

Offshore Kenya, Block L8 holds several very substantial exploration objectives. The largest of these is the Mbawa Prospect, a complex anticlinal structure verified by recent 3D seismic data, with potential for both oil and gas at inferred Tertiary / Cretaceous and Jurassic reservoir levels.

Based on older 2D seismic data, the shallower Tertiary / Cretaceous reservoir level in 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 these two. New 3D mapping will refine these volumetric estimates and these may increase or decrease depending on a number of factors. The potential at the deeper Jurassic level is still being calculated. Estimates of volumetric potential are based on available information and only drilling and subsequent development (if any) can verify if oil or gas is present and the volumes that may be in place.

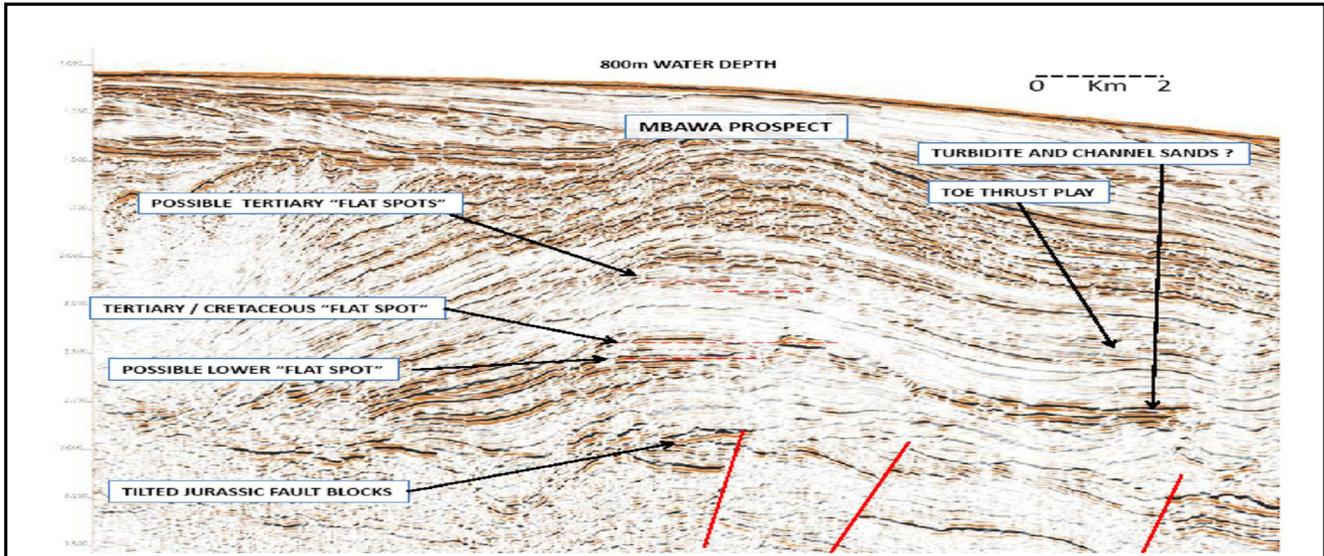
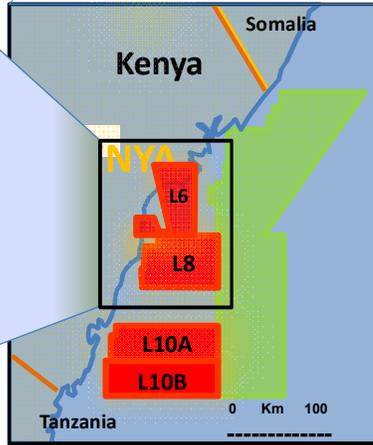
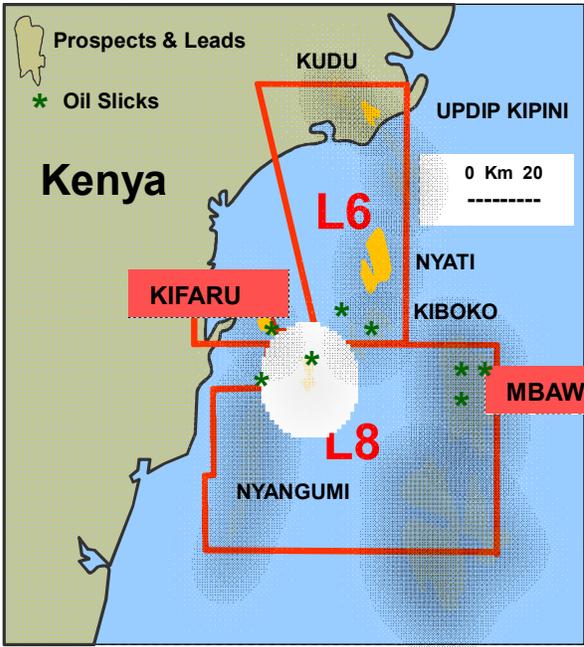
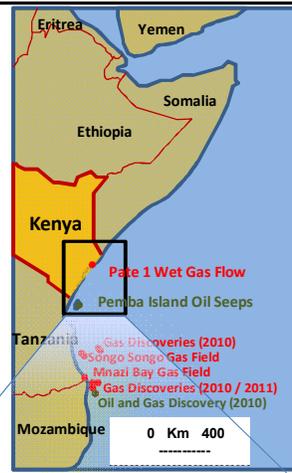


**L6**  
Pancontinental 40%

**L8** 5,115 sq km  
Apache 50%  
Origin 20%  
Pancontinental 15%  
Tullow 15%

**L10A**  
Pancontinental 15%

**L10B**  
Pancontinental 15%



A number of prospects in L8 have very high volumetric potential, with Mbawa being the largest. Pancontinentals neighbouring areas L6, L10A and 10B also have very significant oil and gas potential.

Mbawa coincides with interpreted natural oil slicks derived from sea floor pockmarks on the flank of the structure. Mbawa also shows flat spots or DHs on both 2D and 3D seismic data. The flat spots are possible gas-water and oil-water interfaces at about the level of interpreted Tertiary to Cretaceous reservoir sands. Only drilling is capable of verifying the interpreted seismic characteristics and any oil and gas volumetric potential.

Initial planning has been undertaken for drilling Mbawa and further extensive planning is now required. The timing of drilling is subject to a number of factors including equipment lead-times and the availability of a suitable drilling rig.

## **ABOUT TULLOW-**

Tullow Oil plc is a leading independent oil and gas exploration and production company.

Tullow is listed on the London ([%TLW+](#)) and Irish ([%TQW+](#)) Stock Exchanges and has a market capitalisation of about GBP 12 billion (A\$ 19 billion).

Tullow's headquarters are located in London and the Group employs around 900 staff globally.

Tullow Oil is one of the largest independent oil and gas exploration and production companies in Europe with average working interest production in 2010 of 58,100 Boepd. The Group has a large international portfolio of exploration and production assets including interests in over 95 licences in 23 countries and in 2010 the Group achieved an 83% Exploration and Appraisal success rate.

Tullow has a long history and a strong presence in Africa, where in recent years its activity and investment has focused on major projects in Ghana and Uganda. Key to achieving its growth ambitions has been the delivery of first oil in Ghana from the Jubilee field in November 2010 and the continued development of the significant resource base discovered in Uganda. In 2011, Tullow will be embarking upon a high-impact exploration campaign which includes wells in Liberia, Sierra Leone, Ghana, Mauritania, French Guiana and Guyana.

## **ABOUT PANCONTINENTAL-**

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

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

Pancontinental holds a 25% interest (reducing to 15%) in offshore Kenya licence L8 and a 40% interest in adjacent area L6. It also has also accepted an offer from the Government of Kenya of a 15% interest in Blocks L10A and L10B offshore Kenya that are subject to negotiations and finalisation of a PSC. Partners 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/](http://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.*