



Pancontinental Oil & Gas

Aug 13th 2012

Pancontinental Oil and Gas: Apache Corporation spuds high impact Kenyan offshore oil well

Pancontinental Oil & Gas (ASX: PCL) and the Apache Corporation (NYSE: APA) led L8 joint venture have spudded the highly anticipated Mbawa Prospect offshore Kenya that targets up to 4.9 billion barrels of oil in place.

The petroleum potential is contained within the main Tertiary/Cretaceous level with additional potential to be tested by the well at the deeper Lower Cretaceous / Upper Jurassic level and shallower Tertiary levels.

Drilling of Mbawa to its total depth of 3250 metres in water depth of 864 metres, is expected to take the Deepsea Metro 1 drillship about 60 days to complete.

Pancontinental's 15% share of costs for drilling the well will be carried by Tullow Oil (LON: TLW) up to a maximum cap of US\$9 million reduced by other exploration expenditure.

Tullow has an option to earn a further 5% by providing funding on Pancontinental's behalf to a maximum of US\$6 million on any second well.

Mbawa and offshore East Africa

While most recent discoveries in East Africa have been large gas finds, the L8 joint venture is targeting oil, which has better development economics by offering earlier cash flow and lower development costs compared to liquefied natural gas.

Including L8, Pancontinental has interests in four permits covering more than 18,000 square kilometres offshore Kenya.

The company had recently raised A\$50 million to fund its remaining costs from Mbawa as well as its other exploration activities in Kenya and Namibia.

The funds will be used to fund ongoing exploration programs over blocks L10A and L10B in Kenya; further seismic work over L8; planned 3D seismic in L6; seismic work over Namibia EL 0037 and for business development; and general working capital purposes.

Analysis

While Mbawa is a high risk project, with Tullow estimating that it has a 15% chance of success, it is also a very high reward play.

A commercial discovery will present Pancontinental with potentially 735 million barrel of oil in-place, which could result in 73.5 million barrels of recoverable oil, well in excess of the company's current market capitalisation of about A\$172 million.

It will also de-risk its other Kenyan permits and prospects.

Partners in L8 are operator Apache with 50%, Origin Energy (ASX: ORG) with 20%, Pancontinental (15%) and Tullow (15%).

Price: A\$0.07

Market Cap: A\$84.02M

1 Year Share Price Graph



Share Information

Code: PCL

Listing: ASX

Sector: Oil and Gas Exploration and Production

Website: www.pancon.com.au

Company Synopsis:

Pancontinental Oil & Gas (ASX:PCL) is a petroleum (oil and gas / hydrocarbon) exploration company with key assets in Australia, Kenya, Malta and Namibia.

Author:

Bevis Yeo +61 2 9299 5001

action@proactiveinvestors.com.au



Proactive Investors is a market leader in the investment news space, providing ASX "Small and Mid-cap" company news, research reports, StockTube videos and One2One Investor Forums.

You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made.

However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The contributors make every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, no representation is made about the accuracy or completeness of the information and material and it should not be relied upon as a substitute for the exercise of independent judgment. Proactive Investors does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested.

WARNING: No recipients should rely on any recommendation (whether express or implied) contained in this document without obtaining specific advice from their advisers. All investors should therefore consider the appropriateness, in light of their own objectives, financial situation and/or needs, before acting on the advice.

DISCLOSURE: The Company, its directors, associates, employees or representatives may not effect a transaction upon its or their own account in the investments referred to in this report or any related investment until the expiry of 24 hours after the report has been published.