

Origin, Apache make Kenyan gas discovery

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An Apache-operated joint venture that includes Origin Energy has made what is said is the first significant petroleum discovery off the Kenya coast, although the initial discovery is that gas rather than oil can be more rapidly developed.

The Mbawa 1 exploration well in the offshore Lamu Basin found about 52 net metres of drilling is continuing toward a deeper target, junior partner Pancontinental Oil & Gas said on Monday. Pancontinental shares surged 91 per cent to 22¢ in Sydney.

Analysts and London-based venture partner Tullow Oil have not ruled out finding oil in the deeper part of the well.

"This is the first hydrocarbon discovery offshore Kenya," said Tullow exploration director Angus McCoss. "The ongoing drilling remains on course to test for any deeper oil potential within this gas prone region."

Pancontinental has previously cited the potential for Mbawa to hold up to 4.9 billion barrels of oil, in the 10 per cent probability case, plus gas of 284 billion cubic feet but has warned there was no proof of any active petroleum system in the basin.

Hartley energy analyst Dave Wall described the drilling result as "very significant" and said additional exploration success in the region was now "highly likely".

Mr Wall said the possibility that the deeper target at the Mbawa well held oil "has not been ruled out, however the gas case now seems more likely".

The exploration campaign off Kenya follows in the wake of huge gas discoveries made further to the south off Mozambique and Tanzania, that have been earmarked for liquefied natural gas export projects. The latest success contrasts with the failure of a Woodside Petroleum-operated exploration well drilled off the coast of Kenya in 2007 at a cost of about \$US100 million.

Pancontinental chief executive Barry Rushworth described the initial discovery at Mbawa 1, in the L8 permit, as "very promising" and said further work is being carried out to evaluate its size.

Apache hasn't commented on the well result, while Origin Energy pointed out that the well has yet to reach its total depth.

"While initial drilling data from the Mbawa1 exploration well is positive, further drilling and analysis needs to be completed before any formal assessment can be made," an Origin spokeswoman said. "We will provide an update of any substantive results once this analysis is complete."

Apache has a 50 per cent stake in the drilling venture, while Origin has 20 per cent, Pancontinental has 15 per cent and African exploration specialist Tullow Oil holds 15 per cent.

"With drilling continuing to a deeper exploration target, these interim results may be the first part of the story in this well, and they are certainly just the beginning of the main story of oil and gas exploration offshore Kenya," Mr Rushworth said in a statement.

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