

Originally Published  
11 December 2013

Originally Published Wednesday, 11 December 2013

## Pancontinental's Upcoming Kenyan Well



Capital Structure	PCL
<b>No of shares</b>	1,151 m.
<b>Options</b>	5.0 Av 12.3 cts
	<u>1,156</u>
<b>Share Price</b>	\$ 0.060
<b>Market Cap \$m.</b>	\$ 69 m.
<b>Cash (est)</b>	\$ 33 m.

**Recommendation: Pancontinental is always a speculative buy.**

Recent poor drilling results by Tullow Oil Plc, in the north and west of Kenya and in southern Ethiopia may have spooked the market, but these results have no relevance to the outlook for Pancon's exploration programmes, offshore Kenya and offshore Namibia.

**Pancontinental Petroleum** (ASX: PCL) intends to add to the market's recent oil & gas drilling momentum, joining companies that are either drilling or planning to drill high impact wells over coming months, including MEO, FAR, Neon, Tangiers, Otto, Cue, Pura Vida, Buru, Octanex and NZOG.

The company and partners including UK giant BG, have scheduled drilling on the Sunbird prospect during H1, 2014 just 25 kilometres offshore from the Kenyan port of Mombasa.

Sunbird is a large, well defined Miocene pinnacle reef structure in an area which is considered to have high potential for oil. This type of buried reef is often found to be a prolific producer, having high deliverability because of excellent porosity and permeability, but only drilling can tell if hydrocarbons are present at Sunbird. By the end of March '14, subscribers should know the result.

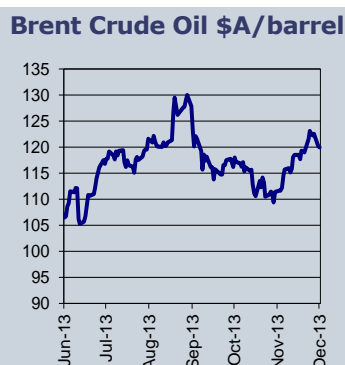
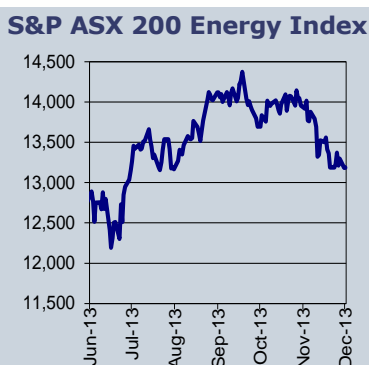
StockAnalysis calculates that this large structure covering 73 km<sup>2</sup> has potential to hold reserves of over 360 mmbbls of recoverable oil, but even discovery of 200 mmbbls would have a value to Pancon's 18.75% interest of around 39 cents per share.

Pancon is well funded with \$33 million of cash and farm-out funding support over this L10A Block and its EL37 permit offshore Namibia. Additional farm-in funding is being sought for drilling of the Kifaru prospect with FAR on L6 to the north of L10A, where Pancon now has 40% post the withdrawal of Apache Energy.

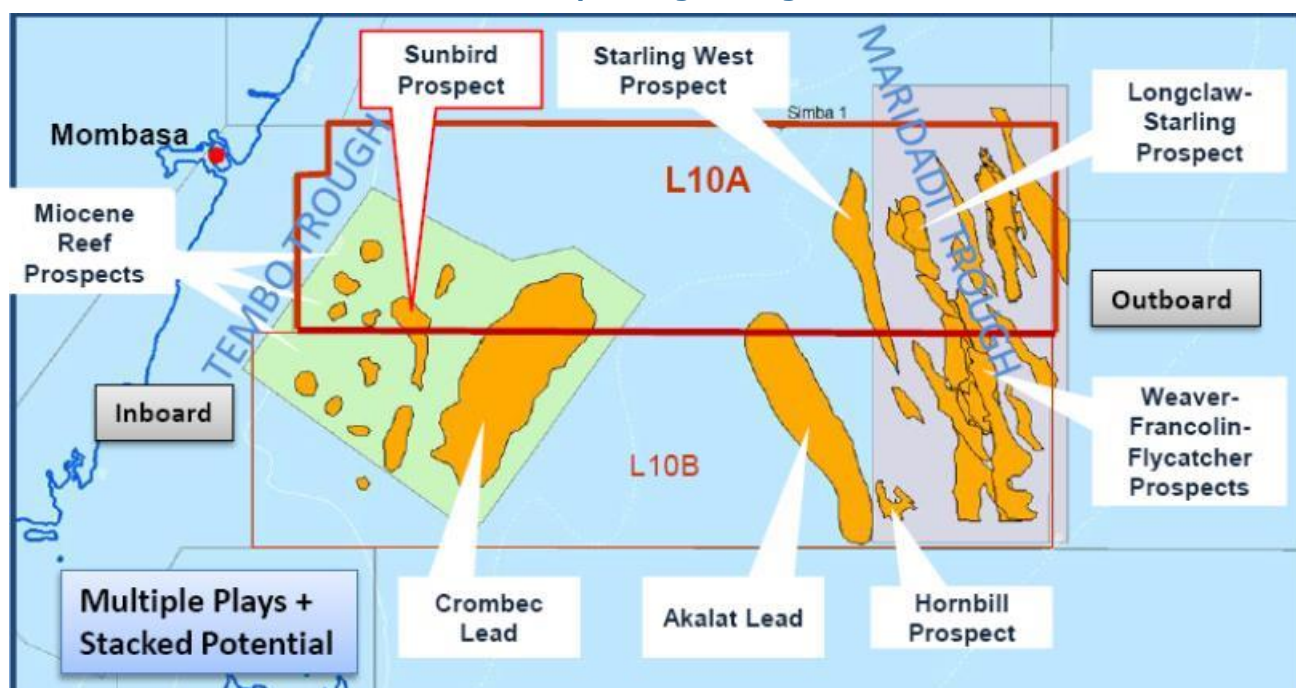
Sunbird is just one of at least 12 inboard leads and prospects that offer follow-up potential should drilling show promise, with a second well pencilled in for later in 2014.

Indices and Prices	
<b>All Ordinaries</b>	5,146.20
<b>Energy Index</b>	13,184.60
<b>Brent AU\$/bbl</b>	119.95
<b>AUS\$/US\$</b>	0.9157
As at Close December 10 <sup>th</sup> , 2013	

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## Pancon's Upcoming Drilling Locations



Source: Pancontinental

Until L6 and L8 in Kenya are farmed-out, little news is expected from those permits but over in Namibia, Pancon's partner Tullow will be busy collecting 3D seismic data in 2014, ahead of planned drilling in 2015. The Namibian permits hold identified leads with potential to yield over 7 billion barrels of oil, so 3D data will be used to rank the targets for drilling.

StockAnalysis estimates that discovery of 800 mmBO in Namibia would have a value for Pancon's retained 30% interest of about \$2.49 per share, so there is plenty of leverage to discovery.

### Pancon - Risked Exploration

Well	Equity	Target		Risk %	Disc'y Value \$/shr	Risked NPV \$m
		Pj	mmbbl			
EP 104(R1)	11%	50	10	12%	0.02	2
Sunbird 10 A	18.8%	100	200	16%	0.39	73
Other 10 A/B	18.8%	500	1000	4%	1.96	38
L8 *	15%	40	80	7%	0.13	10
L6 Tembo *	20%	80	327	12%	0.68	79
L6 Kifaru *	20%	16	178	12%	0.37	35
Namibia EL37	30%	32	800	7%	2.49	181
<b>* Assumed farmed out</b>						

Source: Strachan Corporate

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