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Valentine-1 Exploration Well Drilling Update

Pancontinental Oil and Gas NL (ASX: PCL) wishes to advise that Joint Venture (JV) partner and operator of the EP 104 & R1 Onshore Canning Basin project, Arc Energy (ASX: ARQ), has announced that drilling operations at the Valentine 1 exploration well are continuing at a depth of 2,695m and the latest operation was running in the hole to drill ahead after a bit trip.

Intermediate logging over the interval 808m to 2589m MD has been completed and the well is now being deepened to the primary target. The total measured depth of the Valentine-1 well is programmed to be 3,407mRT with the target Virgin Hills Formation at approximately 3,222mRT. Final interests in R1 and EP104, post the Valentine 1 well farm-in earning program are:

ARC Energy Limited (Operator)	38.95%
Empire Oil and Gas NL	14.8%
Emerald Oil & Gas NL	12.75%
Pancontinental Oil & Gas NL	10%
Phoenix Resources PLC	10%
First Australian Resources Limited	8%
Indigo Oil Pty Ltd	5.5%

Pancontinental General Manager, Matthew Battrick said: "Preliminary analysis of the wireline log and pressure measurements by the Operator suggests low hydrocarbon saturations over the interval containing the strong mud gas shows between 2240 m to 2260m MD. These Lower Anderson Formation sands and their lateral equivalents are the primary target of the Stokes Bay 1 well, which will target them in a more crestal location on the structure. The Stokes Bay 1 well will be drilled following Valentine 1."

"The strong mud-gas shows in the deeper Laurel Fm (2400 m to 2470m MD) are interpreted by the Operator as being associated with a series of organic rich, tight carbonates and shales. The significance of this interval will require further evaluation in the Stokes Bay-1 well bore as similar formations in basins in North America have the potential to produce gas at commercial rates" Matthew said.

Enquiries:

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The summary report on the oil and gas projects is based on information compiled by Mr M A Battrick, BSc, MAAPG, MPESA, MAICD, MPESGB, General Manager of Pancontinental Oil & Gas NL. Mr Battrick has the relevant degree in geology and has been practising petroleum geology for 26 years. Mr Battrick is a full-time employee 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.