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PEX Profile

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What were you doing before you started your present job (at Pancontinental)?

Well it's a question of which Pancon we're talking about here, remembering that there was a Pancon back in the 80s – which I was a CEO of – and the current one, which aren't related at all in any shape or form, apart from the fact they've got the same name. That's a consequence of our Chairman [David Kennedy] liking the name from those times and we used it for this current company. In between the original Pancontinental and this one, I had a number of jobs consulting internationally for a number of companies including Western Mining, CRA and some international companies before coming here to live in Perth.

The reason for coming to Perth was to work for the Geological Survey of Western Australia. They had set up their petroleum initiatives program for which they needed a manager. The project was all about utilising the huge volume of information they had in their archives from submissions from the petroleum industry. The task was to work up the onshore and near-shore petroleum prospectivity of WA. That involved first of all getting \$15mil out of the WA Government to finance the project then going out and hiring about 10 industry-experienced people, setting up a number of working groups or teams to go through that information, putting together data packages, remapping areas, and gaining and collecting more information. This was often achieved by drilling specific stratigraphic coreholes in various parts of onshore and offshore WA to fill holes in data, very often related to source rock quality. Source rock is a big enigma virtually around Australia. We haven't got any world renown source rocks as maybe the North Sea and other basins have, and often the question people have is 'where is the source rock which generates the main reserves'? So I spent six years with the WA Geological Survey in that capacity, and then left when I was offered this position to be Director and CEO of Pancontinental. Also, that particular project was winding down and had achieved its major goals and objectives.

What will be the price of oil in 12 months time?

I've been watching APPEA keynote presentations over the last 25-30 years when invariably we have a guru, or some vice president from some major company put up his oil price projections and curves. Most times I've thought they've been over-optimistic or over-pessimistic. I'm more or less the middle road man, and given a mid-\$50s oil price now I foresee that for the next 12 months we're going to be staying certainly in that low to mid-\$40s range. Given the huge resources boom that Australia's seeing, given the interest of China, and I think the other area we should be paying attention to is India – the second most populous nation in the world with a middle class of 300-400 million people. They are wanting their motor car or two per family, as are the Chinese at the moment, plus their huge development programs. That's going to put a horrendous pressure on the demand side of the equation and I can't really see that price dropping off, given that most of our most prolific basins are in decline.

What's the single most important issue facing the industry?

I'd like to break that up into two parts if I could. I see an Australasian component and I also see an international component. They both have similar themes but are slightly different. Within Australasia, I see the problems no longer being commodity prices, given what we just said before, or native title issues, which were deemed to be an excuse for things not going ahead. I really see prospectivity or lack of new frontier basins to be one of the major problems.

We seem to have found and explored to a fair degree the most prospective basins. We are in what I call a mopping up stage right now in all our major petroliferous basins – the Gippsland, the Surat, the Amadeus, the Cooper-Eromanga, the North West Shelf; we've shot all the elephants up there. If you look at the things that are being drilled right now they're sort of semi-strat traps, or stratigraphic structural traps, which are very high risk prospects. They may have a high upside but they are undeniably high risk. There's some potential in the Greater NW Shelf and in the Ashmore Cartier area, but again most of the elephants have been knocked over there. So I see a lack of opportunity for significant oil discoveries, as highlighted by some of the big companies pulling down their exploration teams. We are not replacing what we have produced.

Internationally, I see the other problem being one of political stability. I think most of the prolific basins in stable political countries have been highly explored. The ones that haven't are in areas of lesser political stability and undeniably situated in countries with cultural and religious aspirations different to our own which create problems, as we are fully aware in the last five or six years. So it's getting into those countries, or having access to exploration with acceptable risks, that I see as the major issue for the industry.

What was the most significant deal/event for your company in the last 12 months?

That undeniably is the culmination of a fairly tough series of negotiations with Afrex Ltd whereby, now having concluded those negotiations, Pancon will virtually double its size and hopefully double its market capitalisation. The merger with Afrex now gives us 100% of all the international projects that were held previously between Pancon and Afrex. In essence Pancon is going to have a net 100% to 80% of the major projects in Kenya, Malta, Morocco, and as soon as we get back into Eritrea, 100% of those blocks as well. That to me is a very significant, given the highly attractive nature of those areas. We also have some other projects in the pipeline, which will also be 100% owned by Pancon.

What will be the most significant deal/event for your company expected in the next 12 months?

I think it will be more of the same. In the near term, we consummate ongoing exploration programs with farminees in all those areas; commencing with Malta and Kenya. We've already shown that Kenya is a highly attractive area. We were able to attract Woodside in there. Woodside's continuing with their exploration efforts in that area, they'll be drilling later this year in an adjacent block. We believe our prospects in our Kenya blocks are identical, or very very similar to, the ones Woodside intends to drill.

Surprisingly ours are in shallower water, and we believe in terms of basin position, are better than the Woodside ones. Similarly the Maltese acreage is also highly interesting and that's been brought out by the fact that the successful parties of the Libyan Government gazettals, which were announced just a few weeks ago and include Oil Search and Woodside, have permits right on our permit boundary, just across the international boundary.

We believe we have identical, if not superior, geology in shallower water. We don't have the upfront signature bonuses or some of the more stringent work commitments that the Libyans have imposed, or companies had to bid in order to be successful. So, not being facetious, we're saying – "come across into Malta and average down" - we have excellent prospectivity and more favourable government terms.

Most admired person in the industry and why?

I think I was very fortunate that in Adelaide we had a Geology Department that consisted of two chairs. Call it a chair of classical geology – the academic version which generated a lot of the mining geologists that went to places like Broken Hill and Cobar – and we also had a second chair of Economic Geology which was more industry related and taught more industry-related geological skills - petrography, geophysics, seismology and things of that nature - which was run by Professor Eric Rudd. Eric himself was a successful industry geologist and often consulted to a number of both oil & mineral companies. As professor he encouraged a lot of his post-graduate students to do an honours degree in economic geology, and also very often suggested to students they go into the petroleum industry.

Remembering this is the early to mid-60s when WAPET had just drilled its Rough Range well and the Cooper-Eromanga Basin didn't exist and the Gippsland Basin was just starting to exist. So I've got a lot to thank Eric Rudd for because he encouraged me to do my honours thesis with Esso, who had just come into Australia at the time, on a geological problem associated with the reservoir rocks of the offshore Gippsland Basin - which ended up being one of the major petroleum provinces.

Also, in those early years, Reg Sprigg was a geologist who had just recently left the SA Mines Department, and had set up a company that became Beach Petroleum. In those days it was called Geo Surveys and it was a small embryonic exploration company. I was fortunate enough to work for Reg as a part-time employee in between lectures and on weekends and on vacations; I guess getting my first exposure to the oil & gas business. Reg was a very dynamic man with a horrendous capacity to understand and know geology. I remember one time him just sitting down and running through the total geological column of SA/Central Australia just off the top of his head - formation names, facies, deposition environments, timing of movement – and he just had a small group of people in the tea room in absolute awe of his outstanding understanding and knowledge of geology.

In the modern era, as I guess to some degree we're following in their footsteps, I greatly admire the work that people like Ted Ellyard at Hardman and Peter Allchurch in Amity did in taking junior exploration companies offshore internationally - and more importantly proving that they could bring back value to their shareholders. That was a major breakthrough to the psychology of Australian investors. Like them, I believe that successful companies, or companies that want to get exposure to large prospects with potential for large discoveries, have to go offshore because those opportunities are limited in Australia and are dominated by companies with far greater exploration budgets than we have - so we get squeezed out. So we've got to use our international expertise, and luckily I've had a fair bit of that in my 35 years in the industry starting with Exxon. We can use those skills – and also entrepreneurial skills – to promote and sell the overlooked prospectivity of those basins to companies that may not be aware of them.

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Humour us (amusing during work-hours story/incident)

There's dozens of them but the one I always get a giggle out of was in the early days in Gippsland with Exxon before they had Longford helicopter base there. Very simply we used to fly down from the Sydney office with Ansett or TAA to Melbourne, fly in a small fixed wing charter from Melbourne to a little strip somewhere in Gippsland which was the closest to where the rig was at the time, and then take out a helicopter offshore.

That was often a little piston driven two or three seater helicopter. Often the synchronisation of the little fixed wing charter out of Melbourne with the helicopter coming back from the rig wasn't very good, and because you're out there for a week or two weeks - and it was a dry ship - you came back to the beach after a week or so offshore invariably with a bit of a thirst. If you had a few hours to kill what better place to do it than in a local pub until the charter plane came in from Melbourne? So, on one of these occasions we'd been waiting for the plane for a couple of hours, it duly arrived, we hopped on board, and - half way back over the Victorian Alps - there was a terrible need to go to the toilet in the light of the beers we'd had before.

Obviously on a small fixed wing plane there were no facilities aboard, and the only things we could find were a couple of hard hats on the back seat. The only way the boys could relieve the pain and the pressure was to utilise those. The vision of a couple of guys sitting behind me nursing these hard hats that were full to the brim will stay in my memory for a long time. The amusing part was, coming in to land in Tullamarine, we said we'd kill the pilot if he bumped at all or made a harsh landing because both the hard hats were full to the brim and any sort of bump would have caused a major calamity in the back seat. I think it was the smoothest landing the pilot ever made in his life in spite of the bit of turbulence.

How do you unwind out of the office?

I've a little property down Margaret River way and I take every opportunity to go down there and do things physical. I'm a bit of a do-it-yourself handyman and I love getting down there and fixing fences and playing with the tractor and cultivating the blue gum plantation, shearing a few sheep and tending a little vegie patch; doing all the little odd jobs and handyman things you've got the opportunity to do in a situation like that. Plus of course drinking a few wines from the neighbouring vineyards and with some of the people I've got to know down there who grow and make those excellent wines. So it's a nice little change of gears and a bit more physical down there.

If you weren't working in oil & gas what would you be doing?

I think I would have ended up being an amateur inventor, and what I would have probably ended up doing was promoting Australian inventions internationally - or being involved in the promotion of good ideas or good gizmos or good concepts or good machines internationally. If we just take the TV shows as being the tip of the iceberg of what Australians are capable of doing, there is a huge wealth of talent out there -- and what we seem to lack is the ability to promote and commercialise some of those very good ideas. It's a parallel to oil exploration where you have to recognise a good thing and then go and promote it. **[Ed: So might we see you on the Inventors TV program one day Andy?]** Well we'll see. I don't think I'll ever retire from the oil & gas business but if I ever get bored with it - which I doubt - and have an opportunity to develop some things I have in the back of my mind, yes that's possible. You'll probably see some bloke in a wheelchair coming out there and showing his gizmo to that ABC panel.