

Pancontinental to Explore Offshore 05-01-04

Pancontinental Oil & Gas NL has announced it has signed a Memorandum of Understanding with the Government of Eritrea over the 11,550sqkm Massawa Block offshore Eritrea, Red Sea.

Pancontinental has a 30 percent share in the project and has been joined by Afrex Ltd, 40 percent, and Hardman Resources Ltd, 30 percent, in this venture.

The Memorandum of Understanding covers the principal terms negotiated over the last 12 months with the government for a Production Sharing Contract over the Massawa Block. Subject to the contract being finalised over the next six months, the joint venture has the exclusive rights to explore for hydrocarbons in the Massawa Block for up to seven years.

Pancontinental CEO Andrew Svalbe said: "The Massawa Block is an exciting new addition to Pancontinental's highly prospective African exploration portfolio. Like the existing permits offshore Kenya and Malta, the Eritrean Massawa Block meets the company's criteria of good geology, good government, good terms and good markets.

"Eritrea has no indigenous hydrocarbon production. Much of the earlier exploration work in this very interesting petroleum province was curtailed by a protracted and now settled Eritrean/Ethiopian border conflict.

"Mining companies associated with Pancontinental are carrying out mineral exploration activities onshore Eritrea and have established an excellent working relationship with the reputable, energetic and professional Ministry and Government. The government is keen to advance the country's economy by promoting the development of energy resources following the cessation of hostilities three years ago."

The Massawa Block is located in the salt basin of the southern Red Sea, salt basins being amongst the most prolific oil producing areas in the world. To the north of the Massawa Block in offshore Egypt, a large number of commercial oil and gas fields have been discovered over the past 20 years. These are supported by a sophisticated production and transport infrastructure.

Svalbe said within the Massawa Block itself, oil has already been seen in a number of surface oil seeps in the Dahlak Islands. In the Massawa Block and surrounding areas major multinational oil companies have previously identified a number of large, seismically defined, salt related prospects. The joint venture will assess these prospects as potential drilling targets.

He added the exploration programme in the Massawa Block will commence with remapping of the existing seismic data and, if necessary, seismic reprocessing followed by the acquisition of new seismic data.



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