

# Aussies sign Eritrea agreement

## PERTH

Pancontinental Oil & Gas, Hardman Resources and Afrex Limited have signed a Memorandum of Understanding (MOU) with the Government of Eritrea in Africa over the 11,550 sq km Massawa Block offshore Red Sea.

The MOU covers the principal terms negotiated over the last 12 months with the Government for a Production Sharing Contract (PSC) over the Massawa Block.

Subject to the PSC being finalised during the next six months, the joint venture has the exclusive rights to explore for hydrocarbons in the Block for up to 7 years.

The Massawa Block lies in the salt basin of the southern Red Sea.

To the north of the Block in offshore Egypt, a large number of commercial oil and gas fields have been discovered over the past 20 years.

Closer to the Massawa Block, an exploration well drilled to the north in Eritrean waters “blew-out” with large volumes of gas flowing uncontrolled to the surface.

Within the 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 a number of large, seismically defined, salt related prospects have been previously discovered.

The exploration program will commence with re-mapping of the existing seismic data and seismic re-processing (if necessary) followed by the acquisition of new seismic data.

The joint venture will then consider inviting farminees to earn equity in the Block by drilling one or more exploration wells.

Pancontinental CEO, Andrew Svalbe (*pictured*) commented: “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 3 years ago,” Svalbe concluded.

Hardman’s Managing Director Ted Ellyard commented: “We have been investigating the potential of Offshore Eritrea with our Australian partners for a considerable time and we are pleased to have now finalised the licence terms with the Government of Eritrea.”

“The Massawa Block has indications of hydrocarbon potential from earlier exploration work and we believe it will benefit from the application of modern seismic evaluation techniques.

“The addition of offshore Eritrea to Hardman’s international portfolio comes at a time when many of our other international frontier projects such as Guyane are reaching the drilling stage.

“We look forward to working with the Eritrean government and progressing the project through a staged exploration programme of seismic evaluation, new seismic acquisition and drilling.”

The interests in the joint venture are:-

Afrex 40%, (Operator)  
Pancontinental 30%,  
Hardman 30%.

