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**ASX Companies Announcement Office**

***QUARTERLY ACTIVITIES REPORT***  
***December 2009***

**HIGHLIGHTS**

- **Kenya L8 – 3D seismic over Mbawa Prospect completed December 2009**
- **Kenya L6 – Planning and groundwork for onshore 2D seismic in 2010**
- **EP 424 Carnarvon Basin - Baniyas Prospect readying for drilling 2010**
- **Malta Area 5 and Block 3 of Area 4- planned meetings in Malta early 2010**
- **Successful Rights Issue raises approximately 2 million dollars**

## **INTERNATIONAL PROJECTS**

### **KENYA**

#### **OFFSHORE BLOCK L8**

*Pancontinental Oil & Gas NL - 25%*

The data acquisition phase of the Mbawa 3D Seismic Survey in licence area L8 offshore Kenya was completed on 28 December 2009.

Pancontinental has a 25% free carried interest in the Mbawa survey over the giant Mbawa Prospect.

Seismic contractor Fugro Geoteam SA carried out the acquisition over 800 square kilometers under the supervision of operator Origin Energy, commencing 2 December 2009.

Mbawa has potential for P10 recoverable reserves of 3.6 Billion Barrels of oil or 1.5 Billion Barrels oil plus a gas cap of 400 Billion Cubic feet in the Lower Tertiary / Upper Cretaceous at a drill depth of approximately 2,100m. An alternative model has P10 recoverable potential for 11 Trillion Cubic Feet of gas. Water depth is 800m, well within the range of modern drilling and development technology.

The oil potential of Mbawa is supported by interpreted dual "flat spots" ("AVO anomalies") on existing 2D seismic data, consistent with a possible gas column of about 55 vertical metres overlying a possible oil column of about 105 vertical meters in the Lower Tertiary / Upper Cretaceous. The current mapped area of Mbawa at this level is 179 sq km.

Over Mbawa, "slicks" of light oil or condensate are interpreted from satellite data on the sea surface. These are thought to result from sea - floor leakage, suggesting the existence of an active petroleum generating system. Other prospects in L8 are also associated with interpreted slicks.

Additional very large oil and gas potential lies in a deeper Jurassic closure in Mbawa below 2,800m drill depth and in other large prospects in L8. Pancontinental also has a 40% interest in adjacent licence area L6.

Data processing will now commence and interim results are expected in 3 to 4 months, with full results in approximately 6 months. Following mapping, the Joint Venture will select a drilling location, and drilling will commence at the earliest in the second half of 2010.

#### **ONSHORE / OFFSHORE BLOCK L6**

*Pancontinental Oil & Gas NL – 40%*

An Environmental Impact Assessment and community relations activities were undertaken during the quarter, in preparation for the forthcoming onshore 2D seismic

survey. The seismic survey will cover prospects and leads identified from existing seismic data.

A farminee is currently being sought for the project.

Pancontinental has disputed invoices received from project operator Flow Energy Limited (formerly Gippsland Offshore Petroleum) and continues to await a satisfactory response from Flow.

## **MALTA**

### **OFFSHORE AREA 5; AREA 4, BLOCK 3.**

*Pancontinental Oil & Gas NL - 80%*

Activities on the ESA areas have been suspended since September 2005 under force majeure provisions of the ESA due to border issues between Malta, Libya and Tunisia.

Since resuming operatorship in early 2009, Pancontinental has been in communication with the Maltese authorities to refresh the ESA title and allow exploration of the area to recommence.

In late May 2009, without any prior warning, Pancontinental received a letter from the Maltese authorities claiming that the ESA expired in August 2008. Pancontinental has engaged a lawyer in Malta to act on behalf of the Joint Venture to resolve the title matters.

During the quarter preparations were made for meetings with the Maltese authorities planned for January 2010.

## **NAMIBIA**

### **RECONNAISSANCE LICENSE RL 1 / 2007, OFFSHORE WALVIS BASIN**

*Pancontinental Oil & Gas NL – 100%*

Pancontinental has received from the Ministry of Mines and Energy of Namibia an invitation to select an offshore area for the negotiation of a Petroleum Agreement and Exploration licence.

The company has notified the Ministry of a selected area and now awaits the commencement of negotiations.

## **MOROCCO**

### **MEDITERRANEE EST BLOCK (Application), OFFSHORE MOROCCO, MEDITERRANEAN SEA**

*Pancontinental Oil & Gas NL – 100% (diluting to 80%)*

The Joint Venture is awaiting the formal issue of the Reconnaissance Licence by the Minister. There has been no progress since the last report.

## **AUSTRALIAN PROJECTS**

### **EP 104 / R1 ONSHORE CANNING BASIN**

*Pancontinental Oil & Gas NL – 10%*

Planning continued for renewed testing of the Stokes Bay 1 well. The project operator has been considering equipment types, availability and cost.

Previous testing of Stokes Bay 1 produced small amounts of gas, however the large volume of mud lost into the Nullara Limestone in the well during drilling has been only partly recovered.

Interpretation of well pressure data indicates a Nullara reservoir pressure up to 140 psi above the regional water gradient. This could be indicative of a hydrocarbon column, although other interpretations are possible.

If there is closure of the cavernous trend around Stokes Bay 1 it could be in the order of some 7 sq km based on current mapping, but could extend over a much larger area. Operator Buru interprets the areal closure has the potential to be up to 17 sq km. The actual areal and vertical extent of a hydrocarbon accumulation (if any) can only be determined by further work, including further testing.

It is now anticipated that testing will resume in 2010.

### **EP 424 OFFSHORE CARNARVON BASIN**

*Pancontinental Oil & Gas NL – 25%*

The Joint Venture awaits finalisation of efforts to extend its interest in the Baniyas Prospect over neighbouring acreage. The Joint Venture then plans to seek a farminee for drilling an exploration well on Baniyas in 2010.

Baniyas is estimated to have potential for recoverable reserves of 34 million barrels (P mean) oil equivalent. These potential reserves are of a speculative nature until the prospect has been evaluated by drilling.

The Baniyas prospect is within an established oil producing area and is on-trend to the Roller, Saladin and Skate oil fields. The crest of the Baniyas feature has anomalous seismic amplitudes, consistent with the presence of gas-over-oil or gas-over-water, although it is possible that other factors may be responsible for the anomaly.

### **EP 110 ONSHORE CARNARVON BASIN**

*Pancontinental Oil & Gas NL -25%*

This permit is operated in conjunction with EP- 424. The parties in EP-110 have identical equities to those in permit EP-424. There were no developments this quarter.

## **EP 406 OFFSHORE SHARK BAY, CARNARVON BASIN**

*Pancontinental Oil & Gas NL – 5%*

Permission is awaited to explore this area, which is subject to a Marine Park and World Heritage Listing.

## **CORPORATE**

During the quarter the Company completed a fully underwritten Non Renounceable Rights Issue of one new share for every seven existing shares at a price of \$0.03 per share. The Rights Issue was underwritten by Patersons Securities Limited and raised approximately two million dollars after costs.

## **NEW VENTURES**

- The company is seeking a full exploration and production licence offshore Namibia (see 'Namibia' above).
- The company awaits advice concerning applications for new exploration areas in East Africa.
- A number of new projects were considered onshore Australia and internationally.

### **Enquiries:**

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*The summary report on the oil and gas projects is based on information compiled by Mr R B Rushworth, BSc, MAAPG, MPESGB, Chief Executive Officer of Pancontinental Oil & Gas NL. Mr Rushworth has the relevant degree in geology and has been practising petroleum geology for more than 25 years.*

*Mr Rushworth is a Director 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.*