

Oil exploration interest rises in Kenya

By Helen Nyambura-Mwaura NAIROBI (Reuters) - At least 11 blocks have been licensed since September 2008, out of a total 24 blocks leased out for exploration, said John Omenge, Chief Geologist at the Ministry of Energy.

"With time, companies are appreciating more the potential for oil and gas which Kenya has. The discoveries that have been made in neighbouring countries in basins which are either extensions of Kenyan ones, or are geologically similar, is helping drive home this point," he said.

"There is increased interest for oil exploration in Kenya. Despite the difficulties that the world economy had, we have licensed a substantial number of companies in the last one and half years."

East Africa's largest economy has no proven reserves.

Out of the 31 wells drilled, 19 have shown traces of gas and oil but Kenya has not yet found commercial deposits.

Neighbouring Uganda hopes to start commercial production later in 2010 after discovering at least two billion barrels reserves in its Albertine Graben. Sudan, whose Muglad basin extends into Kenya, is already producing oil.

Two blocks are currently under discussion, Omenge said, leaving only 12 of Kenya's 38 blocks free. Centric Energy is the latest company to be awarded a licence, for Block 10BA. Anadarko Petroleum Corp <APC.N> was awarded another five blocks in 2009.

CAUTIOUSLY OPTIMISTIC

Many Kenyans are excited by the prospects of striking oil, after China's CNOOC <0883.HK> spudded the latest exploratory well, but Omenge urged caution.

"We need to continue being optimistic, but cautiously so. We don't want to send the wrong signals to our own countrymen, or to investors," he said.

For a factbox on companies exploring for oil in Kenya, click on

"We are looking forward to more wells being drilled next year. We have a series of activities that are ongoing."

CNOOC is drilling Kenya's 32nd well, known as Boghal-1, in Block 9. It has a target for 5,556 metres and has already passed 5,000 metres, Omenge said.

The well is in Kenya's Anza basin, that continues from Sudan's Muglad basin. It is the 11th well to be drilled in the Anza. Of the other 10 drilled, three were completely dry. Five of the seven left had traces of both oil and gas and the remaining two had traces of gas.

He said Origin Energy which completed a 3D seismic study on its Block L8, Kenya's first ever, is expected to be interpreting the findings from the survey. Anadarko also plans to start surveying on its five blocks.

East African Exploration, Lion Petroleum, Vanoil Africa Oil, Flow Energy and Anadarko are also expected to start 2D seismic studies soon, he said.