

Falcon Oil & Gas Ltd

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Falcon Oil & Gas reveals second successful Australian shale well

--UPDATE, ADDS SHARE PRICE DETAILS AND BROKER COMMENTS--

Falcon Oil & Gas (LON:FOG, CVE:FO) shares advanced around 7% after it revealed a significant step forward with its shale gas project in Australia.

It revealed a second drilling success in the Beetaloo shale basin which has spurred the decision to bring forward horizontal drilling by a year.

The company told investors that Amungee NW-1, its second Australian shale well, has encountered some 500 metres of gross pay in Velkerri shale intervals, with 150 metres of net pay.

Falcon added that excellent gas shows were encountered within two 'sweet spots', and that indicators of total organic carbon represent "a highly encouraging result" in comparison to the commercially successful shale gas plays in North America.

Amungee was located around 25 kilometres from the preceding Kalala S-1 well location, where similar gross and net shale pays were measured.

Falcon described the Amungee well result as "very encouraging" and revealed that the Australian programme would now be accelerated.

"This is an incredibly exciting time for the company and a positive development for the joint venture," said chief executive Phillip O'Quigley.

"Today's news, not only demonstrates the huge commitment from our partners Origin and Sasol but it is a massive endorsement of the potential prospectivity of our Beetaloo acreage."

Falcon said the exploration partners have now confidently decided to bring forward horizontal drilling, previously planned for late 2016, which will now take place in the coming weeks.

This horizontal well, Amungee NW, will enable a multi-stage frack programme next year and its objective will be to prove the technical viability of the highly prospective Middle Velkerri shale gas play, Falcon explained.

It will target the Middle Velkerri 'B Shale' that has been seen in the two well results so far to have high gas saturation and excellent reservoir quality. The B shale has been observed as being 45 metres thick, and Falcon says the rocks are well suited to multiple hydraulic fracture stimulation.

Falcon highlighted that its share of the well costs are carried through to the end of 2018, and the accelerated programme has no impact on it financially.

The company also added that diagnostic fracture injection tests, a tool to obtain reservoir data (relating to pressure,

Price: 8.325

Market Cap: £81.74 m

1 Year Share Price Graph



Share Information

Code: FOG

Listing: AIM

52 week High Low
17.725 4.9

Sector: Oil & Gas

Website: falconoilandgas.com

Company Synopsis:

Falcon Oil & Gas Ltd. ("Falcon" or "Company") is an international oil and gas company engaged in the acquisition, exploration and development of unconventional oil and gas assets. The Company's principal interests are located in two major underexplored basins in Australia and South Africa; with further interests in Hungary, covering approximately 12.3 million gross acres.

action@proactiveinvestors.com

permeability and completion quality), will be carried out on the two vertical wells drilled to date.

O'Quigley added: "We remain fully carried with the drilling of the horizontal well due to commence imminently, 12 months ahead of schedule, which will assess hydrocarbon saturation and reservoir quality of the Middle Velkerri 'B Shale' formation.

"Subsequent multi-stage hydraulic stimulation of the Amungee NW-1H well will provide key technical information such as gas flow rates and delivery potential and, ultimately, help the JV to move as fast as possible to horizontal production test wells within the Middle Velkerri formation."

Caren Crowley, analyst at Dublin based broker Davy, described the result - countering another thick section of gas-prone shale rock - as a positive.

In a note she said: "the acceleration of the horizontal drilling element of the programme points to confidence in the quality of the target which so far has met the criteria required for successful unconventional plays.

"The forthcoming programmes of horizontal drilling, fracture stimulation and diagnostic fracture tests will look to confirm this potential."

On AIM, Falcon shares gained 0.38p, 6.98%, to trade at 5.75p each.

Falcon has a 30% interest in the Beetaloo venture where, alongside partners Origin Energy and Sasol, it is exploration within a 4.6mIn acre area.

As a result of farm-out deals, Falcon's share of the exploration costs are carried by Origin and Sasol which each own 35% of the venture.

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