

21 January 2020

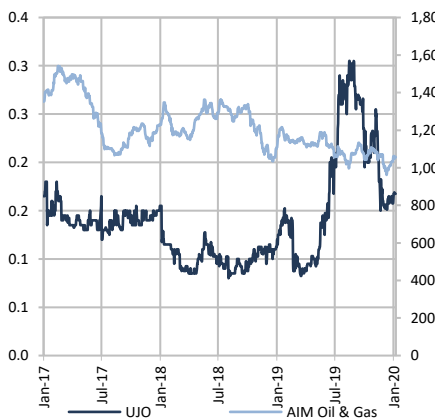
#### Stock Data

Ticker	UJO LN
Share Price:	0.17p
Market Cap:	£24.9m
Net Cash:	£7.0m
Enterprise Value	£17.9m

Source: Bloomberg (prior trading day's close)

### Company Description

Union Jack Oil is an AIM-quoted conventional oil and gas exploration, development, and production company with a number of onshore licence interests in the UK, all centred around the East Midlands and East Yorkshire.



#### Research

**Sam Wahab**

+44 20 3470 0473

[Sam.wahab@spangel.co.uk](mailto:Sam.wahab@spangel.co.uk)

#### Sales

**Richard Parlons**

+44 20 3470 0472

**Abigail Wayne**

+44 20 3470 0534

**Rob Rees**

+44 20 3470 0535

## Positive outcome at Wressle

Union Jack's bullish position on Wressle has been validated by the recent grant of planning consent for the project, and represents another key share price catalyst for the Company ahead of a potentially transformational year ahead in our view. Wressle is slated to come onstream this Summer contributing c.US\$3m of annualised revenues net to the Company. After taking operating costs into consideration, SPA est. US\$8-10/bbl, such revenues would propel Union Jack into a material cash generating oil production company. We reiterate our STRONG BUY rating and 0.70p TP.

#### Wressle coming onstream would generate c.US\$3m per annum net

Following the much-publicised discovery in 2014, Wressle-1 flowed both oil and gas from three separate reservoirs, the Ashover Grit, the Wingfield Flags and the Penistone Flags. The flow test from Zone 3a also confirmed the presence of an oil column below the gas leg in Zone 3 of the Penistone Flags. The well flowed at a combined constrained rate of 710boepd from the three main intervals. Now that planning consent has been granted, the joint venture partners will initially focus on developing the Ashover Grit formation. In line with the approval, the partners will constrain output to 500bopd gross, therefore 137.5bopd net to Union Jack's interest. The robust economics of the project suggests that Wressle is value accretive down to US\$35/bbl oil.

#### EWT at West Newton expected to commence imminently

Next up for Union Jack will be the much-anticipated EWT on West Newton. As reported in November 2019, the field is estimated to hold a Base Case of 146.4MMbbls of STOIPP and 211.5Bcf of gas, therefore potentially representing one of the UK's largest onshore conventional discoveries. In order to appropriately test the oil zone, pumping, surface separation, fluid storage tanks and other well testing equipment has now been sourced to undertake this work. Regulatory approvals to re-commence the EWT are also currently being sought and expected to be received this quarter. The programme will include pulling the existing completion assembly from the well, running a new tubing and pumping bottom hole assembly and the installation of a pumping wellhead. The well will then be pumped to recover load fluid, directing all recovery through the test unit. The cost of this additional work is already covered by an earlier cash call, of which the Company has already paid for its share, and the estimated costs are consistent with the original test well budget. Statutory planning permissions are in place to drill two additional wells, the West Newton B-1 and B-2 in 1H/20. The locations of these wells are optimal to test the Kirkham Abbey formation and will also test the possible presence of the Cadeby formation, a highly important and high value target.

#### Reiterate our STRONG BUY rating and 0.70p/share TP

In the current climate, we continue to advocate those companies that pursue low cost development/production strategies with near-term catalysts, and Union Jack certainly delivers on this criterion, with transformational near-term upside in the stock to come in our view. The company benefits from an active, fully funded work programme (with c.£7m on the balance sheet) and a plethora of material interests in multiple UK onshore assets. We therefore reiterate our STRONG BUY stance and 0.70p/share target price.

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