



OIL & GAS RESEARCH

Nighthawk Energy

37.75p

Jolly onwards

13 November 2009

In advance of yesterday's AGM Nighthawk announced an update on activities at its Jolly Ranch project. The main features included:

- A horizontal leg of 2,006 feet has been drilled through the Cherokee formation on well Craig 15-32H. Partial initial testing of the well has seen production of in excess of 100bopd. As discussed below we expect further well stimulation to achieve a higher flow rate.
- Two further wells, the Craig 12-33 and Craig 4-33 have reached total depth and are being completed as producers following excellent hydrocarbon shows.
- The drilling rig has moved to the Craig 10-28 drill site where vertical drilling is currently underway. The last well in the 2009 drilling programme will be the Craig 6-4 well which will be used as a water disposal well.
- The number of workover rigs onsite has increased from one to three to accelerate completion of previously drilled wells. We understand it is the intention to put the previously drilled wells on long term production.

Full testing of the Craig 15-32H has not been completed. Only two of the four stages of the lateral section of the well have been subject to acid fracturing and 109 bopd have been swabbed from the well. The remaining two ports will be acid fraced and then all four ports will be sand fraced, a process which is designed to enhance production rates further. Only when these activities have been completed will the full production potential of the well be known.

The Craig 12-33 vertical well encountered significant oil in the Atoka and Cherokee formations. Production pipe has been successfully run on the well and the well is being completed as a producer. The well has swabbed up to 40 bopd from the Atoka formation following a small acid fracturing exercise. As with the Craig 15-32H reservoir stimulation activities have not been completed and the full production potential is not yet known.

The Craig 4-33 well encountered similar geology to the Craig 12-33 and has been cased for future production. Completion operations, including fracturing, will commence in the near future.

The 2008 and 2009 well programmes comprise 13 production wells and two water disposal wells. Following testing of various productive horizons in the previously drilled production wells, the number of workover rigs operating onsite has been increased from one to three. It is expected that this will accelerate the completion of these wells in the selected production horizons, leading to increasing production levels over the coming months.

Development work on Jolly Ranch will continue in 2010. The estimate by Schlumberger Data & Consulting Services for most likely oil in place across a partial area of 246,000 acres of the Jolly Ranch Project is 1.462 billion barrels gross, in the Marmaton, Cherokee and Atoka formations. The consortium currently holds 370,000 acres. Nighthawk's interest is 50% in the project. Additional upside is provided by commercial oil accumulations in other horizons and associated gas reserves over the whole project.

The latest drilling news continues to confirm the world class status of the Jolly Ranch acreage and we look forward to the rise in production expected over the coming months. We are retain our valuation of 225p per fully diluted share and continue to recommend a BUY on the stock.

BUY

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COMPANY DESCRIPTION

Appraisal and development of oil and gas properties onshore US

INVESTMENT DATA

Ticker	HAWK
Listing	AIM
No. of shares	329.6m
Market cap	£124.4m
Enterprise value	£104.4m

SHAREHOLDERS Holding (%)

Lloyds Banking Group	7.72
Carmignac Gestion	5.92
Credit Suisse	3.41
BlackRock	3.04

12M SHARE PRICE PERFORMANCE



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