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Cuadrilla Update: CUADRILLA COMPLETES UK'S FIRST SHALE GAS HORIZONTAL WELL

AJ Lucas Group Limited (ASX: AJL) ("A J Lucas") today provides the following update from Cuadrilla Resources Limited ("Cuadrilla") in which AJ Lucas holds a 47.4% direct shareholding and an effective 48% interest in the Bowland licence through its direct and indirect investment.

Overnight Cuadrilla released the following statement announcing it has completed the drilling of its first horizontal shale gas well at Preston New Road in Lancashire.



CUADRILLA COMPLETES UK'S FIRST SHALE GAS HORIZONTAL WELL

Cuadrilla is very pleased to announce that it has successfully completed drilling the UK's first ever horizontal shale gas well at its exploration site at Preston New Road in Lancashire. This first horizontal well, drilled through the Lower Bowland shale at a depth of approximately 2,700 metres below ground, extends laterally for some 800 metres through the shale gas reservoir. Work will now begin on drilling the second horizontal shale gas exploration well, through the Upper Bowland shale, with planning consent granted to drill a total of up to four horizontal wells on the site.

Cuadrilla plans to apply, in the very near future, to the Secretary of State for the Department of Business, Energy and Industrial Strategy for the consent to fracture this first horizontal well. We plan to be in a position to hydraulically fracture both horizontal wells one and two in Q3 this year.

Earlier this year analysis from core and other test data taken from Cuadrilla's vertical pilot well drilled through the Upper and Lower Bowland shale rock, along with data recovered and analysed from Cuadrilla's three previous Lancashire shale exploration wells, informed us on where best to drill these initial horizontal wells into the shale rock's gas rich zones. This analysis also confirmed that both the Upper and Lower Bowland shale rock formation has low overall clay content and is therefore very well suited to hydraulic fracturing.

Francis Egan, CEO of Cuadrilla, said:

"Our completion of the UK's first ever horizontal shale gas well is a major milestone towards getting Lancashire gas flowing into Lancashire homes as we lead the way on UK exploration. From the data we have amassed so far we are optimistic that, after fracturing the shale rock, natural gas will flow into this horizontal well in commercially viable quantities demonstrating that the UK's huge shale gas resources can be safely produced and contribute to improving the UK's energy security."

Following hydraulic fracturing of the first two horizontal wells in Q3 Cuadrilla will run an initial flow test of both wells for approximately six months with plans to then eventually connect those wells to the local gas grid network in 2019.

Regarding our other proposed shale gas exploration site at Roseacre Wood in Lancashire, a new planning inquiry, focussed on highways issues only, will start next week on 10th April. We have consulted with the local community and proposed three new routes to be considered at that inquiry and are looking forwards to making our case. Following the Planning Inspector's report from the inquiry we will then await the final decision from the Secretary of State for the Ministry of Housing, Communities and Local Government on our planning appeal. This decision will be further to his issuing a "minded to grant" notice in October 2016 following the findings of this new inquiry on highways.

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