

Zoetic International PLC

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Highlands Natural looks forward to new wells at East Denver

Highlands Natural Resources Plc (LON:HNR) has shrugged off a setback over permits at its West Denver licences with little fuss.

Originally, Highlands applied for 104 development permits for shale operations but withdrew them all after local community objections.

READ: Highlands Natural plays down West Denver and sees revenues rising After an initial wobble on the news, shares in the junior bounced strongly as the company predicted rising revenues from its East Denver operation and elsewhere.

Highlands has been undertaking fracking operations at the East Denver acreage recently and in November said it expects six new wells to come on stream by the end of 2018.

With these, the company will then have a 7.5% carried interest in eight producing wells.

"We will have a 7.5% working interest in up to 5,000 barrels of oil per day," said Robert Price, chairman.

The two existing wells at Niobrara produced revenues of £2.9mIn during the four months ended March 2018.

Casflow rising

"Importantly, the company anticipates delivering sufficient cashflow to cover its overheads for 2019," Highlands said in its update in November, adding it also seeing revenues from its water business.

At East Denver, Highlands has also received a US\$58.5mIn commitment from a US oil and gas focused private equity group to support an expansion of up to 24 wells at the site.

According to HNR, the East Denver project has an NPV10 range for six wells of between US\$23.3mIn to US\$30.1mIn.

An estimate for the full 24 wells sees this estimate increase to between US\$96.6mIn to US\$124.5mIn.

DT Ultravert

Away from its production arm, HNR also has its DT Ultravert technology, which has been proven to prevent 'well bashing' and enhance well productivity.

The process involves the injection of nitrogen gas into an existing well at the same time as a new nearby well is fracked.

Highlands has enjoyed some early stage success in deploying the technology but needs its own nitrogen supply represents one of the largest cost inputs.

Price: 5.57

Market Cap: £8.31 m

1 Year Share Price Graph



January 2019 July 2019 January 2020

Share Information

Code: ZOE

Listing: LSE

52 week	High	Low
	16.4	3.24

Sector: Cannabis

Website: zoeticinternational.com

Company Synopsis:

Zoetic's strategy is to develop a portfolio of projects whereby approximately 80% of projects generate secure and sustainable revenue while the other projects demonstrate the potential for exciting capital appreciation. This strategic objective is well advanced and we are generating revenue.

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As a result, it has been looking to produce its own nitrogen from a project in Kansas.

HNR's thinking is that if it can start producing its own nitrogen, it will not only reduce the cost for its customers, but it will also improve its own margins and possibly create another revenue stream if it becomes a supplier in its own right.

HNR holds a 75% stake in the DT Ultravert technology patents.

Proposition 112

More generally, the oil and gas industry in Colorado had been boosted by the rejection in the state of Proposition 112, which would have demanded greater restrictions on fracking and the positioning of well sites.

It means that the current limits, requiring wells to be at least 500-feet from occupied buildings and 1,000-feet from school structures, won't be increased.

Gas and helium potential in Montana

HNR also has its own gas operation in the form of the Helios Two project in Montana.

At 10.75p, Highlands' market cap stands at £13.3mln.

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