

Stock Data

Share Price: 0.68p
Market Cap.: £4.73m*
Shares in issue: 696.2m*

*Post First and Second Placing Admissions

Company Profile

Sector: Oil & Gas
Ticker: ZPHR
Exchange: AIM

Activities

Zephyr Energy plc ('Zephyr', 'ZPHR', 'the Group'), formerly Rose Petroleum plc, is a junior oil and gas E&P company with a core focus on oil and gas interests in the Rocky Mountain region of the US. Its current strategy includes responsible resource development growth via the acquisition of near-term development and production opportunities located in prolific basins of the western region. Website: <https://www.zephyrplc.com/>

1-Year Share Price Performance



Source: LSE

Note: Past performance is not an indication of future performance.

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Zephyr Energy plc

Zephyr yesterday morning released details of its recent receipt of an initial tranche of grant funds and the commencement of a tender process for its [Paradox Basin stratigraphic dual-use vertical research well](#) (the 'Paradox Project', '[State 16-2](#)') contracts, along with the appointment of a [highly experienced Drilling Manager](#) who previously drilled some of the most successful wells in the Paradox Basin.

Initial tranche of funding received

An initial tranche of US\$600,000 of the U.S. Department of Energy and its National Energy Technology Laboratory (the 'DOE'), funding has been received by Zephyr. This is equivalent to 30% of the [US\\$2 million grant total](#) and will be partially utilised to cover near-term costs including bonding, permitting and preliminary ground works at the site of the vertical 16-2 well. The balance of the DOE funding is expected to be received by Zephyr in three further tranches once additional routine well development milestones are met.

Detailed initial well design

Having largely completed a detailed initial well design, the Group has been able to commence the tender process for project contracts. Those presently available for bidding proposals include the solicitation of major items such as the rig contract. The newly bolstered Zephyr project team has expedited this process in order to award contracts in a timely manner to continue to ensure drilling activities before the end of the year.

Appointment of experienced Drilling Manager

The Group's operations team has been strengthened with the appointment of Bruce Houtchens, an experienced Drilling Manager who will assist on the State 16-2 project. Having served as Manager of Drilling & Completions for the [Fidelity Exploration & Production Company](#), one of the most active and successful drillers in the Paradox Basin over the last decade, he coordinated drilling and completions operations in the Paradox and [the Bakken Shale](#) regions, with direct management of annual drilling budgets of up to US\$400 million. His direct experience in the Basin, combined with the Company's pre-existing high-quality 3D seismic data and a top-ranked location from which to drill, should help to ensure a safe and successful operation. The appointment should also help Zephyr deliver systematic well cost reductions, both now and in the future.

Significant upside potential beyond [Cane Creek](#)

Zephyr's current Paradox acreage of c.25,353 acres is held through multiple leases with variable expiry dates. These are estimated to hold an approximate Net 2C contingent recoverable resources of 9.9 million barrels of oil equivalent ('mmboe') in the Cane Creek reservoir alone, for which a Competent Persons Report ('CPR') prepared by [Gaffney Cline & Associates](#) in June 2018 estimated a net present value of approximately US\$50 million, using a flat oil price of US\$45 per barrel having applied a ten percent discount rate ('NPV_{10%}'). Beyond this, however, its Board considers further substantial upside potential exists from five additional zones thought to be productive and that data secured from the State 16-2 well will help to further define this. Together with geological analysis obtained from the initial drilling and reduced costs for a prospective horizontal appraisal well, this should be highly beneficial to the ongoing funding/farm-in discussions of the Paradox Project. With the Group's expected completion of a conditional equity placing (at a General Meeting scheduled for 2 November 2020) to raise a total of £2.25m (gross), it should be left well-funded with respect to pursuing value from both its Paradox Project and other strategic ventures. Considering the discounted valuation implied through the CPR, Zephyr shares may now offer substantial further upside to their present £5.1m post-money market capitalisation.

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