

Stock Data

Share Price: 0.60p
Market Cap.: £4.18m
Shares in issue: 696.2m

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 this morning has provided an update on its project in the [Paradox Basin, Utah, USA](#), where it is now preparing to spud the 'dual-use' [State 16-2 well](#) (the 'Project') before the end of this year. Having completed a detailed initial well design back in October and undertaken a tender process for the related contracts, the Group is commencing remediation work on the Project's well pad and access road. This work is expected to take less than five days and is expected to finish well ahead of the scheduled rig mobilisation in early December. More importantly, this marks an important development landmark, as on-ground operational activities have officially begun. The coming weeks are expected to be a period of high activity for Zephyr as it seeks to deliver on this key drilling milestone.

State 16-2 – Well site co-located on an existing well pad

Endavouring to be both responsible stewards of both shareholder's capital and of the environment, management recognise that one of benefits to the State 16-2 site selection is the co-location of the new well on a pre-existing well pad. By re-utilising this particular pad, it will minimise environmental disruption by taking advantage of existing road and site infrastructure and thereby reduce cost, timeline and surface 'footprint' impact. Zephyr has also worked with the State of Utah to develop a plan to responsibly plug and abandon the existing inactive well on site, which it expects to undertake shortly after the road work has been completed.

Initial DOE funding tranche already received

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

Northern Paradox Basin: An Overlooked opportunity

The Paradox Basin has a long standing, proven history of exploration success and production history. Should the data gathered confirm and augment the Group's existing 3D seismic understanding, not only will Zephyr have the ability to re-use the 16-2 wellbore to drill a horizontal lateral for production purposes, but by using the vertical wellbore, costs to complete a future horizontal well might be expected to be approximately half that of fresh surface drilling.

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 ('mboe') 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 is expected to help further define. Together with geological analysis obtained from the initial drilling and reduced costs for a prospective horizontal appraisal well, this should be highly beneficial to ongoing funding/farm-in discussions of the Paradox Project. Following the Group securing new funding totalling £2.25m (gross) on [2 November 2020](#), Zephyr is now sufficiently 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 appears to offer substantial upside to their present £4.2m post-money market capitalisation.

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