

Stock Data

Share Price: 0.75p
Market Cap.: £5.22m
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 provided a further update on its project in the [Paradox Basin](#), Utah, USA, where it is now in the final stages of preparation ahead of the spud of its 'dual-use' [State 16-2 well](#) (the 'Project') that has been expected by the end of this month. The release confirmed the Group 'remains firmly on track' to deliver on this key corporate objective, noting that a conductor rig is now on-site, where it has commenced work to drill and set conductor casing. This initial exercise should be completed shortly and will create a stable base for the main Rig #34, that has been [contracted from Cyclone Drilling Inc.](#) ('Cyclone') and is expected to arrive next week, as well as provide protections for the surface formations during drilling operations. Drilling, once spudded, is expected to take between 30-40 days and will seek to acquire continuous core and electronic log data from the [Cane Creek](#) reservoir, as well as a comprehensive log suite across other shallower reservoirs. Significantly also, Zephyr confirmed that it has received the second US\$600,000 tranche of the US\$2 million grant funds allocated by the DOE for the drilling of the well. A further US\$600,000 is due once drilling has commenced, with the final balance of US\$200,000 to be received after additional routine well development milestones are met. As a result, the Group is now positioned to start unlocking considerable value from its Paradox Project.

Plan to deliver a successful well on time and within budget

The last two months has seen the Group take a number of significant steps in order to ensure that it can safely deliver a successful well on time and within budget. Having assembled a suitably experienced project drilling team and secured all permits/satisfied necessary pre-operational conditions, including access road remediation works and site preparations to responsibly plug and permanently abandon an existing inactive well on the pad, Cyclone was contracted to supply a purpose-built rig. Anticipating a 30 to 40 day drill-time post spud, the Board expects to follow this with a 1 to 3 month period during which it will review data acquired with a view to deciding whether to proceed to a horizontal lateral side track to target the primary [Cane Creek](#) reservoir. With this in mind, Zephyr has already identified two highly ranked locations that might be easily drilled from the host vertical well, which could also be reused should there be interest to test other, shallower clastic zones. Meanwhile, the Board continues to seek acquisitions of development and distressed production opportunities, including near-term development projects on which Zephyr's beneficial tax loss assets could be utilised to its benefit.

Significant upside potential beyond Cane Creek

Zephyr's current Paradox package of c.25,353 acres is held through multiple leases with variable expiry dates. These are estimated to hold 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 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. With tranches of grant funding being collected on schedule along with the equity funding totalling £2.25m (gross) secured on [2 November 2020](#), Zephyr

appears to be sufficiently resourced with respect to pursuing value from both its Paradox Project and other strategic ventures. Considering the discounted valuation implied through the CPR, Zephyr shares could offer substantial upside to their present £5.2m market capitalisation.

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