

**Stock Data**

Share Price: 0.83p  
Market Cap.: £5.78m  
Shares in issue: 696.2m

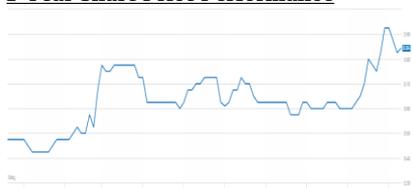
**Company Profile**

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

Ahead of its year-end target date, Zephyr has announced that it plans to **spud** the 'dual-use' **State 16-2 well** ('the Project') today. Over the last week, the main Rig #34 **contracted from Cyclone Drilling Inc.** ('Cyclone') was mobilised to the well site where it was subsequently assembled and tested. In addition, all ancillary services and service providers required to support drilling operations are now on location. Once spudding has been completed, follow-on drilling is expected to take between 30-40 days in order to acquire continuous core and electronic log data from **Cane Creek** reservoir, as well as a comprehensive log suite across other shallower reservoirs. Results from the analysis of this information might then be expected within the following three or so months. Significantly in this respect, the spudding of the State 16-2 well is also the trigger for the Group to draw down the third US\$600,000 tranche of the US\$2 million grant funds allocated to the Project by the US Department of Energy and its National Energy Technology Laboratory (the 'DOE'). The balance of the DOE funding, a further US\$200,000, will then be received by Zephyr in one final tranche upon the completion of operations. As a result, the Group is now positioned to start unlocking considerable value from its Paradox Project.

## Primary well objectives

The primary objectives of the well are to drill a mildly deviated hole (8-degree maximum inclination) to an approximate true vertical depth ('TVD') of 9,815 feet, in order to allow Zephyr to acquire up to 100 feet of continuous core from reservoir. The Group also plans to run a comprehensive well log suite across the entire Paradox Formation, which includes the primary Cane Creek reservoir target and at least five other potential reservoir zones, in order to gain additional insight into the potential of these secondary targets.

## Re-utilising the vertical portion of the well

Once drilling of the well has been completed and the cores/logs acquired, the well will be temporarily plugged back at 6,450 feet TVD. Zephyr (or a farm-in partner) will then have the opportunity to re-utilise the vertical wellbore as a sidetrack host from which a horizontal appraisal well can be drilled. By re-utilising the vertical portion of the well, Zephyr's Board estimates the total costs of drilling a future horizontal appraisal well will be reduced from c.US\$6 million to c.US\$3 million.

## 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<sub>10%</sub>'). 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 potentially offer substantial upside to their present £5.8m market capitalisation.

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