

Stock Data

Share Price:	5.95p
Market Cap.:	£76.8m
Shares in issue:	1,290.3m
52 week high/low:	7.89p/0.42p

Company Profile

Sector:	Oil & Gas
Ticker:	ZPHR
Exchange:	AIM

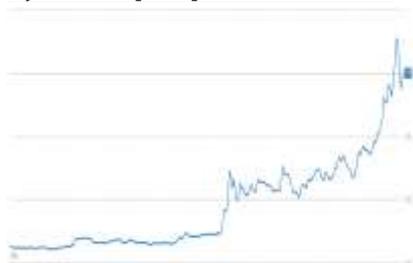
Activities

Zephyr Energy is an independent oil and gas E&P company with a strategic focus on hydrocarbon development projects in the Rocky Mountain region of the US.

Company website:

www.zephyrplc.com

1-year share price performance



Source: LSE

Past performance is not an indication of future performance.

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Zephyr Energy PLC

Since the detailed analysis of the data gathered from the 'dual use' stratigraphic test well, State 16-2, located on Zephyr's flagship project in the Paradox Basin in Utah, Zephyr has confirmed that the proposed State 16-2LN-CC lateral well is located in a suitable location from which to test the natural fracture play (NFP) in the Cane Creek reservoir. As such, rig mobilisation is now underway with drilling operations and subsequent testing scheduled thereafter.

Mobilisation of the Cyclone Rig #34, the same rig that drilled State 16-2, commenced on 5 July 2021 and spudding of State 16-2LN-CC is expected well before the end of July. The company has indicated that drilling will take approximately 20 days to reach target depth (TD) and we expect that subsequent testing of the well will take a further 40-45 days. Analysis of the data acquired so far indicates that the Cane Creek is a highly pressurised oil driven reservoir with significant volumes of associated gas, similar to the plays developed in the Denver-Julesburg Basin in Colorado.

The earlier 'dual use' State 16-2 well, drilled in Q1 2021, identified c.20 overlying reservoirs of which Zephyr high-graded eight which exhibited sufficient thickness for potential future development. As such, in addition to testing the commercial potential of the Cane Creek reservoir, we expect that State 16-2LN-CC will also acquire further data, such as fluid samples, from these overlying horizons to augment the existing data set.

The State 16-2LN-CC well will probe the Cane Creek reservoir from the existing well pad. If the anticipated NFP option should prove to be a limiting factor to a significantly wider development in that natural fractures are not as widespread as expected within the reservoir, Zephyr has indicated that a hydraulically stimulated resource play (HSRP) has the potential to be an ideal alternative development solution across its acreage.

This option has a major advantage in that a higher percentage of resources could be recoverable given that a development project is not dependent on focusing on areas where the reservoir is naturally fractured to deliver production. Coordinated completion activities imply that the company could drill up to 12 wells from a single pad, targeting a greater volume of the resource and reducing the unit well cost appreciably. This blueprint would also be suitable for targeting productive overlying reservoirs, enhancing the scale of a potential development significantly.

On the basis of the NFP development option, Zephyr has estimated that the Cane Creek play could contain 12 mmboe of net risked recoverable resources (with an NPV (10%) of \$225m at a \$70 oil and a \$2.50 gas price according to company estimates). The inclusion of a further 23 wells targeting the eight overlying reservoirs could add a further 14 mmboe of net risked recoverable resources to this development play using a 7% recovery factor.

The development of the Cane Creek by HSRP from 30 well locations indicates a higher resource recovery factor of up to 18 mmboe net to Zephyr while the development of the eight additional high-graded reservoirs provides the potential for up to 200 well locations targeting an additional risked resource potential of 125 mmbbls net to the company. On an oil-in-place estimate of c.1 billion barrels of oil for the eight additional reservoirs, this still represents a conservative estimated recovery factor of up to 12.5%.

We expect that State 16-2LN-CC will reach TD in early to mid-August with subsequent testing over the following month and a half. Like the State 16-2 well drilled in Q1 2021, we anticipate that the upcoming well will deliver a raft of valuable data, including detailed well logs, geologic information and hydrocarbon flow rates should testing be successful. After this point, we anticipate that Zephyr will commission a refreshed CPR with updated resource estimates and maiden reserves. Armed with such a portfolio of data, we believe that efforts to attract financial or industry partners for a wider development will accelerate significantly.

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