

Stock Data

Share Price:	6.1p
Market Cap.:	£78.8m
Shares in issue:	1,291.2m
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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TPI acts as broker to Zephyr Energy.

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Zephyr Energy PLC

Zephyr recently completed a diagnostic fracture injection test (DFIT) on a 3ft interval of the lateral portion of the State 16-2LN-CC well located on the company's acreage within the Paradox Basin in Utah, USA. In addition to a raft of complementary data gathered to date, the DFIT test provided compelling evidence of the potential to develop the primary Cane Creek reservoir as a Hydraulically Stimulated Resource Play (HSRP) and utilise State 16-2LN-CC as a 'proof of concept' well for a wider development within the Paradox Basin via hydraulic stimulation.

The recently drilled State 16-2LN-CC well indicated hydrocarbon charge across all 4,555 feet of the horizontal lateral portion within the Cane Creek reservoir in addition to several overlying reservoirs. Wireline log data also indicated that c.85% of the lateral portion has the potential to be tested for production.

Based on this data, in addition to the excellent positioning of the lateral portion of the well with the reservoir and the potential to use the completion of State-16-2LN-CC as a 'proof of concept' well for a wider development of the company's Paradox acreage through hydraulic stimulation, Zephyr decided recently to conduct a diagnostic fracture injection test (DFIT) on a section of the well.

During this operation, a 3ft interval at the toe of the lateral section was perforated and hydraulically stimulated, providing strong evidence of the potential to develop the Cane Creek as a Hydraulically Stimulated Resource Play (HSRP).

The DFIT demonstrated several important variables. These included high formation pressure, a strong positive indicator of reservoir drive. In addition, the results indicated matrix permeability consistent with other prolific resource plays and demonstrable evidence of hydrocarbons flowing into the well following stimulation.

Additional rock mechanical data was also interpreted and provided further insight to assist with well completion design. In this regard, the results of the DFIT in tandem with log and core data gathered so far mean that Zephyr has now decided to complete State 16-2N-CC by way of hydraulic stimulation.

Final well completion design work is now underway and, despite industry supply constraints and volatile weather conditions across the western USA, Zephyr has secured completion equipment and manpower which will be on site in mid-October 2021. Completion operations are expected to take less than a week following this mobilisation and production testing will commence immediately after. As such, initial flow rates are anticipated by the end of October 2021.

Zephyr has noted that its goal is to minimise environmental and surface disruption while maximising economic return through the HSRP development route. In this regard, the company has pledged to offset 100% of its Scope 1 carbon emissions by the end of the current month. Additionally, Zephyr has committed to mitigating the environmental impact of a future development by reducing surface footprint, minimising disturbance and offsetting its emissions as its operations progress.

A successful HSRP test on State 16-2N-CC would serve to de-risk Zephyr's acreage significantly while at the same time providing crucial information with regards to future well distribution within a wider development. In the context of the Cane Creek reservoir alone, Zephyr estimates that an HSRP development has the potential to deliver up to 30 well locations targeting up to 18 mmboe of recoverable resources. However, in the event that up to eight additional overlying reservoirs can be targeted by future exploration drilling activity, the scale of a Paradox Basin development project is increased to 143 mmboe over more than 200 well locations in the longer term indicating a significantly larger scale project.

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