

Stock Data

Share Price:	6.5p
Market Cap.:	£84.8m
Shares in issue:	1,304.8m
52 week high/low:	7.30p/0.57p

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

5-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

After two weeks of flow testing on highly restricted chokes, the State 16-2LN-CC well is demonstrating highly encouraging average daily facility-constrained hydrocarbon flow rates of 420 boepd with hourly peaks in excess of 690 boepd when chokes are reduced slightly. With further results to be determined as completion fluid continues to be recovered and facility constraints are addressed, indications are that State 16-2LN-CC is a highly successful and commercial 'proof of concept' well in the Cane Creek reservoir. These quantifiable results also imply that a strategy of hydraulic stimulation completions across both the Cane Creek and overlying reservoirs identified in this area of the Paradox Basin are looking increasingly compelling across Zephyr's 37,000 acre licence area.

In mid-October 2021, the State 16-2LN-CC well, targeting the Cane Creek reservoir, was successfully completed via hydraulic stimulation and was stimulated in 14 separate stages across 4,020 feet of horizontal lateral wellbore. This process utilised approximately 40,000 barrels of water, 2.4 million pounds (1,090kg) of sand and a cross linked gel fluid which was in-line with pre-completion forecasts.

Zephyr subsequently placed the State 16-2LN-CC on flow back on 28 October 2021 under a heavy 7/64 inch choke in order to prevent formation damage during the early stages of flowback and the well is currently flowing significant volumes of hydrocarbons.

We note that current rates are constrained by the existing facilities. However, daily flow rates are already averaging 420 boepd with hourly rates in excess of 690 boepd when moved to a slightly less restricted 12/64 inch choke. The well is also flowing back completion fluids at a rate of c.1,200 bpd as production testing continues and we expect that hydrocarbon flow rates will increase as the recovery of completion fluids diminishes over time. Zephyr has outlined that the fluid composition is evolving as completion fluids are recovered and the ultimate gas to oil ratio will be determined in due course.

In spite of the high initial flow rates, the company has noted limited pressure drawdown so far. Zephyr is encouraged by this early indication suggesting that the portion of the reservoir targeted by the well could be a large connected volume.

In regard to Zephyr's seven interests in non-operated producing wells in the Williston Basin, the company has issued a Q3 performance update. Several of these wells were brought on stream during Q3 during which time production rates net to Zephyr have increased from 232 boepd in July to 549 boepd in September 2021.

Over the three months ended 30 September 2021, the company sold 35,848 barrels of oil equivalent comprising 31,604 bbls of oil, 1,083 bbls of NGLs (natural gas liquids) and 18,967 mmcf gas (3,161 boe). At respective average selling prices of \$68.62/bbl, \$38.21/bbl and \$4.71/mcf, we expect Zephyr to record net revenue of c.\$2.3m for the period prior to the company's share of operating costs for each well. With additional wells expected to be brought on line in Q4, Zephyr will now report non-operated production numbers on a quarterly basis.

These initial results represent a significant landmark for Zephyr as well testing continues and the hydrocarbon mix delivered from the Cane Creek reservoir is established. In coming days, the company will seek to address facility constraints in an effort to ascertain maximum production rates. The hydrocarbon flows from this successful 'proof of concept' well will also inform the company in regard to both long term reservoir performance and the potential for further optimisations including longer lateral lengths and refinements of completion techniques. Combined with growing output from the company's non-operated assets in the Williston Basin, we believe that Zephyr's Rocky Mountain region resource play strategy is now delivering significant returns.

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