

Stock Data

Share Price:	4.30p
Market Cap.:	£72.52m
Shares in issue:	1,686.50m
52 week high/low:	5.48p/1.91p

Company Profile

Sector:	Oil & Gas
Ticker:	ZPHR
Exchange:	AIM

Activities

Zephyr Energy plc ('Zephyr', 'the Group') is an independent oil and gas E&P Group with a strategic focus on carbon-neutral hydrocarbon development projects in the Rocky Mountain region of the US.

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 joint broker to Zephyr Energy plc.

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Zephyr Energy plc

Zephyr has provided an update on its Salt Wash Helium project ('the Project'). While stating that it is not seeking for helium to become a primary focus of the Group, the Board do consider it offers significant and currently unrecognised potential value for Shareholders, particularly in consideration of the growing supply-demand imbalance that has recently been seen to drive prices up to US\$1,000 per million standard cubic feet ('mscf'), while also being able to further utilise its team's significant experience in the Paradox Basin. Noting recent market interest in helium-related companies and considering that the economics for the Project are attractive based on its helium content alone notwithstanding further upside from oil and gas development, several funding options are now being appraised. Having received informal proposals, including potential funding for 100% of the drill at the asset level that falls within timing obligations of the Farm-in agreement ('the Farm-in'), the Board is now considering the best alternative to maximise value. Zephyr will provide an update on the above matters in due course.

Low risk, proven helium development

The Salt Wash Field ('the Field') has an already discovered, proven helium resource in the Leadville Formation, with further opportunity for upside through three deeper helium exploration targets which have been successfully proven in other nearby fields in the Paradox Basin. Zephyr's management forecasts the Salt Wash project to include:

- Net helium discovered resource potential of 0.07 to 0.19 billion cubic feet ('BCF') (Leadville Formation only)
- Net helium un-risked, prospective resource of a further 0.04 to 0.66 BCF (including exploration targets)
- An estimated net present value at a ten per cent discount rate ('NPV-10') of c.US\$58m with the risked upside case having an NPV-10 of c.US\$120m (using US\$650/mscf and US\$750/mscf pricing, respectively)

As announced on 18 October 2023, the Field has a thin (15 feet) oil rim, above which is an inert gas cap (approximately 500 feet of gas column) which consists of approximately 72% nitrogen 22% hydrocarbon gases, and 1.4% to 1.7% helium content. The Field historically produced 1.65 million barrels of oil and 11.7 BCF of gas prior to its abandonment in 2014, at which time the oil rim was largely produced and the market for natural gas and helium was not supportive of continued development.

As per the terms of the Farm-in, Zephyr made two initial payments of US\$300,000 each to the incumbent leaseholder ('the Seller') during FY2023.

Farm-in agreement includes a provision for Commitment Well

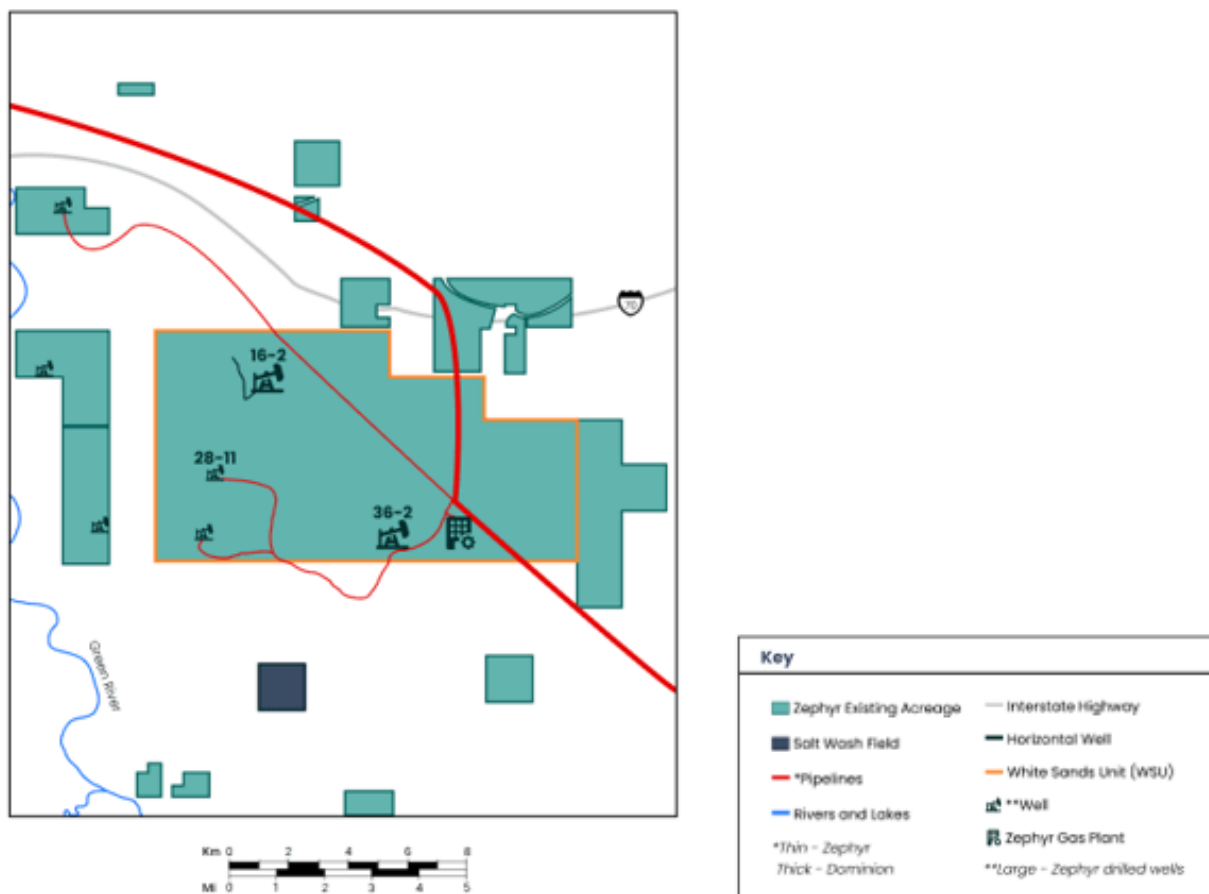
The Farm-in agreement includes a provision to spud the dual-purpose Leadville Formation delineation well (the 'Commitment Well') before 30 June 2024. The Commitment Well will test the prospect's three additional helium exploration targets and other potential hydrocarbon bearing reservoirs.

Zephyr accordingly plans to drill, log and case one vertical delineation well to top basement rock (circa 11,000ft measured depth) in order to obtain a 100% share in the leasehold. The Seller will have the option to back-in to the leaseholding at a 25% working interest, with no historic cost exposure, once this delineation well is drilled and a field development plan has been proposed by Zephyr. From that point forward, the Seller would become a fully paying 25% working interest ("WI") partner. Zephyr has begun the work to integrate the well planning for the Commitment well within its wider Paradox project development. Should it not meet the specified condition to drill the Commitment well during H1 2024, the Group could lose its rights to the leaseholding.

Salt Wash Field - Past development targeted thin oil rim, bypassing existing helium gas cap

Discovered in 1961 and consists of a four-way dipping anticline within the Leadville Formation, previous development of the Field targeted a thin oil rim, bypassing the existing helium gas cap. It produced from the mid-1960's until abandonment in the 2010's (at a time when market prices for helium and natural gas made it uneconomic). Its proven productive Leadville Formation reservoir offers good porosity and permeability capable of economic flow rates. Historical production of 1.65 million barrels of oil and 11.7 BCF of gas in total (8.26 BCF from the Lower Leadville reservoir) prior to being shut in. The inert, helium-bearing undeveloped gas cap is delineated by multiple offset wells (gas in Place defined by >10 wells, with virgin pressure provides optimal production conditions).

Zephyr acreage in the Paradox Basin including the new Salt Wash Field



Source: Zephyr, RNS of 27 March 2024

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