

Stock Data

Share Price:	5.50p
Market Cap.:	£96.29m
Shares in issue:	1,750.72m
52 week high/low:	5.80p/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.

Contact details

Tel: 0203 657 0050
Email: info@turnerpope.com
Web: www.turnerpope.com

Andrew Thacker
Corporate Broking and Sales

Barry Gibb
Research Analyst

TPI acts as joint broker to Zephyr Energy plc.

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Zephyr Energy plc

Drilling operations on the State 36-2R LNW-CC well ('the well') at the Group's flagship project in the Paradox Basin, Utah, were completed safely on 4 June 2024, having successfully achieved to a total depth of 10,290 feet (measured depth). The ability to hit the natural fracture system once again is, of course, critical to obtaining a high flow rate and initial results indicate the well has indeed penetrated a folded and naturally fractured Cane Creek reservoir. Intersecting the top of the reservoir c.15 feet from the original well bore and its natural fracture network, the well encountered drilling mud gas shows of a similar magnitude to the original well. Rock pore pressure analysis suggests formation pressures estimated at c.9,300 pounds per square inch (which is broadly consistent with previously drilled offset wells). Furthermore, it confirms the presence of hydrocarbons within a large structural compartment that falls within Zephyr's acreage and 3D seismic coverage. The coming weeks will see equipment mobilised for well completion and commencement of production testing. This will determine reservoir pressure, fluid composition, well flow rate, bulk reservoir permeability and deliver an early estimate of the overall potential recoverable resources. A successful outcome could then be translated quite rapidly into 2P reserves and potentially spike overall Group production from Q4 2024/Q1 2025.

High impact drilling in the Paradox

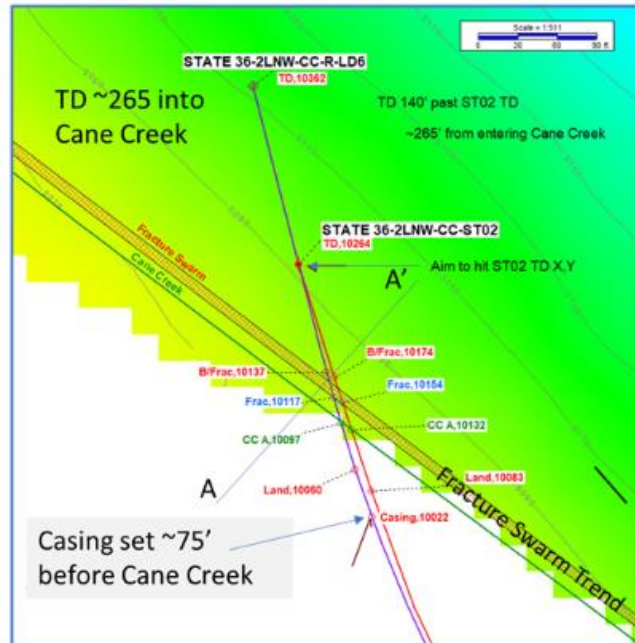
The blowout of State 36-2 reported on 11 April 2023 resulted in hydrocarbon release from the original well in an uncontrolled manner over three days. This left an impression of a large well capable of producing significant volumes of both natural gas and high-API gas condensate (that typically trades on a price/bbl slightly above WTI). Today's high impact drilling results from State 36-2R reinforce this expectation. Zephyr's operations team is now preparing to set a production liner across the Cane Creek reservoir section, after which the H&P 257 drilling rig will be demobilised from site. The significant majority of costs being incurred are of course covered through insurance on a reimbursement basis, leaving the Group adequately resourced to prove up the opportunity along with formal assessment of its 2P reserves.

The fluid mix itself is likely to be similar to that seen during State 16-2 well's own production test although, being somewhat further south, it may possibly produce a slightly higher proportion of gas condensate. Discussions continue with third-party processing companies in preparation of Dominion's gas supply pipeline accepting initial volumes from the redrill, offering potential to deliver first Paradox production (say, c.8mmcf/d plus condensate) as early as Q4 2024/Q1 2025.

Following this, output might be expected to rise steadily on a quarterly basis. Assuming expectations of the scale of the discovery can be confirmed along with its implications for the greater field development, TPI considers it possible that Zephyr may at some point seek to partner with a larger oil producer, in order to accelerate development of the overall Paradox Basin play. This would likely be based on upfront/ milestone payments plus free carry for Zephyr as it earns-in to the opportunity.

The map below shows the top Cane Creek reservoir, illustrating the well design and targeting of the new well relative to the original well which found productive hydrocarbon-bearing natural fractures. The trajectories of the original well and new well are shown in red and blue respectively.

Map of the Top Cane Creek Reservoir Illustrating the Well Design



Source: Zephyr, [RNS of 17 April 2024](#)

The new well appears to have achieved its key objective. This is to target the natural fracture productivity intersected by the original well by entering the Cane Creek reservoir close to the original well bore. This has been achieved by utilising offset geological and geophysical information to help steer the well and then performing electromagnetic ranging to locate the steel casing of the original well bore. Such precise data permitted Zephyr to closely replicate the original well trajectory and target the reservoir conditions found there.

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