

#### Stock Data

Share Price:	5.00p
Market Cap.:	£87.54m
Shares in issue:	1,750.72m
52 week high/low:	6.00p/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](http://www.zephyrplc.com)

#### 5-year share price performance



Source: [LSE](https://www.lse.com)

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

The much-anticipated initial phase of the production test on the State 36-2R LNW-CC well ('the well') at Zephyr's flagship project in the Paradox Basin, Utah, has been completed. Undertaken at multiple rates and choke settings in order to ascertain its production potential, high reservoir deliverability and high initial reservoir pressures (approximately 8,600 pounds per square inch absolute) were observed. Achieving peak production rates of 1,350 barrels of oil equivalent per day ('boepd') while still choked back and constrained, indicates excellent potential for long term productivity which will be further delineated with a longer testing period. It furthermore delivered a significantly higher condensate-yield than Zephyr's previously drilled Paradox project well (with more than a three-fold increase in condensate rate versus that from the State 16-2LN-CC well) which holds significant positive implications for the larger Paradox development. The release goes on to note, however, that despite the excellent initial rates, evidence suggests that the natural fracture network may still be partially restricted from the greater reservoir at this well location. This is most likely due to the fracture network being plugged by the heavyweight drilling mud used for well control purposes (from both the well and the original State 36-2 well) or otherwise compartmentalised by faulting. As such, Zephyr now plans to 'acidise' the well to further remove any drilling mud emulsions from the natural fracture network and maximise its connectivity with the larger reservoir. This operation is expected to take place in early to mid- August and will be immediately followed by a second production test. It is also evaluating further options to improve well connectivity (should it be needed). A successful outcome could then be translated quite rapidly into 2P reserves and potentially spike overall Group production during H1 2025.

### Initial production test observations

- High reservoir deliverability and high initial reservoir pressures (approximately 8,600 pounds per square inch absolute).
- Peak production rates achieved during the production test were 1,350 barrels of oil equivalent per day, at which level the well was still choked back and constrained.
- Significantly higher condensate-yield than Zephyr's previously drilled Paradox project well (with more than a three-fold increase in condensate rate versus that from the State 16-2LN-CC well). Future production rates would likely be controlled to facilitate stable flows and maximise economics from the high condensate yield.
  - Condensate yield averaged 180 barrels per 1,000 mscf produced and peaked at over 600 barrels of condensate per day. Condensate produced had an average American Petroleum Institute ("API") gravity of 58 degrees, making it a highly desirable barrel for Utah's refinery market. The condensate produced from the well to date was sold to a Utah refinery at a price close to current WTI crude oil prices (inclusive of trucking costs).
  - This elevated liquid yield has the potential to be a significant driver of improved economics and may increase recoverable liquid volumes across the Company's White Sands Unit.
  - Almost zero evidence of water production, another potential boost to the well's economics by reducing the need for water disposal.

## Encouraging signs for the underlying value of Zephyr's wider Paradox asset base

The well's production test demonstrated excellent deliverability and consistently higher condensate yields than had been anticipated, both of which are highly encouraging signs for the underlying value of the Group's wider Paradox asset base. The condensate barrels produced from the well to date have been tested and were sold at a price close to current WTI (inclusive of trucking costs), which indicates that future barrels will receive strong demand in the local refinery market.

While this is very positive on multiple fronts, evidence collected also indicates that the natural fracture network may still be partially restricted from the greater reservoir at this well location. The suggestion is that the fracture network may be plugged by the heavyweight drilling mud which was used for well control purposes (from both the well and the original State 36-2 well) or otherwise compartmentalised by faulting. Where such reservoir compartmentalisation is found, petroleum accumulations are segregated into a number of individual fluid/pressure compartments, preventing or slowing flow across 'sealed' or 'semi-sealed' boundaries. Accordingly, the next step is to further clean out the nearby reservoir to attempt to maximise the well's connectivity with the larger reservoir, and then immediately run a second production test. The data from that test will be used to determine future offtake and processing requirements. Progress updates are expected over the coming weeks.

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