

Stock Data

Share Price:	2.60p
Market Cap.:	£45.52m
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

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.

Attention is drawn to the disclaimers and risk warnings at the end of this document.

Retail clients (as defined by the rules of the FCA) must not rely on this document.

Zephyr Energy plc

Further to the Paradox project update of 14 November 2024, CEO Colin Harrington has today confirmed his Board's expectation that Zephyr will be in a position to sign binding documentation to secure asset level funding for State 36-2R well's ('the Well') forthcoming drilling operations later this month. This important update accompanied a more routine and largely anticipated release detailing both Williston Basin's 3Q 2024 production numbers and a warrant exercise period extension. The fact that the Group has managed to advance its funding negotiations so rapidly after confirming positive result from Paradox's second phase production test on 6 September, suggests both a high level of interest and confidence in a successful outcome. The final terms will of course be key, but the fact that the proposal contains no equity element while retaining operatorship and the majority of the Well's economic benefits points to a positive scenario for shareholders. Other funding discussions with different industry and asset-level financial partners in respect of the larger, long-term development of the wider Paradox project remain ongoing.

State 36-2R lateral extension c.US\$7m funding requirement

Zephyr announced its decision to drill a lateral extension on the State 36-2R well on 10 October, while also confirming a non-binding letter of intent (the 'LOI') has been signed with a US-based industry investor ('the Investor') to fund 100% of the estimated cost. The Board now expects to close the c.US\$7m requirement later this month, following which it will execute a rig contract in anticipation of commencing the next phase of on-site operations at the end of 2024 or early 2025. Final agreed terms clearly remain key, although these may have been influenced by Zephyr management's own estimated ultimate recoveries ('EURs') from the Well following completion of the extended lateral, which could be as high as two million barrels of oil equivalent ('boe'). This figure is substantially higher than would likely be achieved in its current form.

Lateral extension offers greater potential for shareholders

The Well's successful second phase production test result made the decision on whether to produce it in the short-term, or otherwise defer production temporarily in order to extend the wellbore with a view to substantially increasing overall hydrocarbon recovery potential, a relatively simple one. Reflecting its confidence in the scale of the underlying opportunity and the wish to secure maximum rewards for shareholders, the Board proposed to extend the lateral to an expected length of 5,500 feet.

The asset-level funding will cover workover preparations on the existing well, the drilling of the lateral extension and acidisation, followed by a production test. The start date will depend on rig availability and weather conditions. Being already permitted for up to a 10,000-foot lateral, the proposed play might be expected to benefit both from greater connected volumes and the material positive impact acidisation could have on its deliverability.

Third Quarter 2024 Williston Basin production results in line with expectations

Results for the quarter ended 30 September 2024 related to hydrocarbon production from Zephyr's non-operated asset portfolio ('the portfolio') in the Williston Basin, North Dakota. Production averaged 1,047 barrels of oil equivalent per day ('boepd') net to Zephyr, and 96,324 boe for the period, compared to average production in the second quarter of 2024 of 1,226 boepd. This was in line with management expectations, being lower than the previous quarter due to natural decline. For the full 2024 financial year, management continues to expect the portfolio to deliver in line with its previous forecast of an average 1,100-1,300 boepd, representing an increase from the average 1,040 boepd achieved in 2023.

At the end of Q3 2024, 228 wells in the portfolio were available for production (compared with 231 wells at the end of Q2 2024.) Net working interests currently average 7.0% per well (equivalent to 16.0 total wells net to Zephyr). The Group has hedged a total of 27,500 barrels of oil ('bbls') over the fourth quarter of 2024. 10,500 of these are hedged at a price of US\$80.91 per barrel of oil ('bbl'), while the other 17,000 bbls are hedged by way of financial collars with a weighted average floor price of US\$71.35 per bbl and a weighted average ceiling price of US\$84.38 per bbl.

One year extension of warrant exercise period

In connection with a £12 million equity fundraise to fund both ongoing development at the Williston Basin and the Paradox project announced on 26 January 2022, Zephyr issued 89.6m warrants ('the Warrants') exercisable at a price of 7.5p per new ordinary share for a period of three years from the date of issue. Accordingly, these are due to expire on 11 February 2025 and presently remain unexercised. Following agreement with the holders of the Warrants, the Board has extended their expiry date from 11 February 2025 to 30 September 2026. All other terms, including the exercise price, remain unchanged. The exercise price represents a 183% premium to Zephyr's mid-market closing price on the last trading day before this announcement. In the event that all the Warrants are exercised, this would generate cash proceeds of £6.7 million for the Group. No director of the Group holds any warrants.

THIS DOCUMENT IS NOT FOR PUBLICATION, DISTRIBUTION OR TRANSMISSION INTO THE UNITED STATES OF AMERICA, JAPAN, CANADA OR AUSTRALIA.

Conflicts

This is a non-independent marketing communication under the rules of the Financial Conduct Authority ("FCA"). The analyst who has prepared this report is aware that Turner Pope Investments (TPI) Limited ("TPI") has a relationship with the company covered in this report. Accordingly, the report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing by TPI or its clients ahead of the dissemination of investment research.

TPI manages its conflicts in accordance with its conflict management policy. For example, TPI may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to TPI that is not reflected in this document. TPI may have acted upon or used research recommendations before they have been published.

Risk Warnings

Retail clients (as defined by the rules of the FCA) must not rely on this document. Any opinions expressed in this

document are those of TPI's research analyst. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price.

The value of securities, particularly those of smaller companies, can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of smaller company securities may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. Past performance is not necessarily a guide to future performance and forecasts are not a reliable indicator of future results. AIM is a market designed primarily for emerging or smaller companies and the rules of this market are less demanding than those of the Official List of the UK Listing Authority; consequently, AIM investments may not be suitable for some investors. Liquidity may be lower and hence some investments may be harder to realise.

Specific disclaimers

TPI acts as joint broker to Zephyr Energy plc ("Zephyr Energy") which is listed on the AIM Market of the London Stock Exchange ('AIM'). TPI's private and institutional clients may hold, subscribe for or buy or sell Zephyr Energy's securities. Opinions and estimates in this document are entirely those of TPI as part of its internal research activity. TPI has no authority whatsoever to make any representation or warranty on behalf of Zephyr Energy.

General disclaimers

This document, which presents the views of TPI's research analyst, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, express or implied, is given as to their accuracy or completeness. Any opinion reflects TPI's judgement at the date of publication and neither TPI nor any of its directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. Any forecast or valuation given in this document is the theoretical result of a study of a range of possible outcomes and is not a forecast of a likely outcome or share price. TPI does not undertake to provide updates to any opinions or views expressed in this document. TPI accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by applicable law).

The information in this document is published solely for information purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. The material contained in the document is general information intended for recipients who understand the risks associated with equity investment in smaller companies. It does not constitute a personal recommendation as defined by the FCA or take into account the particular investment objectives, financial situation or needs of individual investors nor provide any indication as to whether an investment, a course of action or the associated risks are suitable for the recipient.

This document is approved and issued by TPI for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. This document may not be published, distributed or transmitted to persons in the United States of America, Japan, Canada or Australia. This document may not be copied or reproduced or re-distributed to any other person or organisation, in whole or in part, without TPI's prior written consent.

Copyright © 2024 Turner Pope Investments (TPI) Limited, all rights reserved.