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23 July 2024

Zephyr Energy plc
(the "Company" or "Zephyr")

Initial results from State 36-2R well production test

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF), the Rocky Mountain oil and gas company focused on responsible resource development and carbon-neutral operations, is pleased to provide an update on operations on the State 36-2R LNW-CC well (the "well") at the Company's flagship project in the Paradox Basin, Utah, U.S. (the "Paradox project").

The Company has completed the initial phase of the production test on the well, in which the well was tested at multiple rates and choke settings to ascertain its production potential.

Initial production test observations include:

- 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.

While the initial test was successful on multiple fronts, there was also evidence that the natural fracture network may be partially obstructed from the greater reservoir at this well location. The fracture network may be either 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 compartmentalised by faulting.

The Company plans to "acidise" the well to further remove any drilling mud emulsions from the natural fracture network and maximise the well's connectivity with the larger reservoir. This operation is expected to take place in the first half of August and will be immediately followed by a second production test.

The Company is evaluating further options to improve well connectivity (if needed). At a higher level, Zephyr's team has also begun assessing broader development options to capitalise on the positive benefits of the overall higher condensate yield and high reservoir deliverability as part of a larger asset development plan.

Colin Harrington, Zephyr's Chief Executive, said:

"We're delighted with the results from the initial production test. The well demonstrated excellent deliverability and consistently higher condensate yields than expected, both of which are highly encouraging signs for the underlying value of our 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 crude oil prices (inclusive of trucking costs), which indicates that future barrels could be in strong demand in the local refinery market.

"Our 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 our future offtake and processing requirements.

We look forward to keeping Shareholders updated on progress over the coming weeks."

Contacts

Zephyr Energy plc

Colin Harrington (CEO)

Chris Eadie (Group Finance Director and Company Secretary)

Tel: +44 (0)20 7225 4590

Allenby Capital Limited - AIM Nominated Adviser

Jeremy Porter / Vivek Bhardwaj

Tel: +44 (0)20 3328 5656

Turner Pope Investments - Joint-Broker

James Pope / Andy Thacker

Tel: +44 (0)20 3657 0050

Panmure Liberum Limited - Joint-Broker

Hugh Rich / James Sinclair-Ford

Tel: +44 (0) 20 7886 2500

Celicourt Communications - PR

Mark Antelme / Felicity Winkles / Ali AlQahtani

Tel: +44 (0) 20 8434 2643

Qualified Person

Dr Gregor Maxwell, BSc Hons. Geology and Petroleum Geology, PhD, Technical Adviser to the Board of Zephyr Energy plc, who meets the criteria of a qualified person under the AIM Note for Mining and Oil & Gas Companies - June 2009, has reviewed and approved the technical information contained within this announcement.

Notes to Editors

Zephyr Energy plc (AIM: ZPHR) (OTCQB: ZPHRF) is a technology-led oil and gas company focused on responsible resource development from carbon-neutral operations in the Rocky Mountain region of the United States. The Company's mission is rooted in two core values: to be responsible stewards of its investors' capital, and to be responsible stewards of the environment in which it works.

Zephyr's flagship asset is an operated 46,000-acre leaseholding located in the Paradox Basin, Utah, 25,000 acres of which has been assessed to hold, net to Zephyr, 2P reserves of 2.6 million barrels of oil equivalent ("mmboe"), 2C resources of 34 mmboe and 2U resources 270 mmboe.

In addition to its operated assets, the Company owns working interests in a broad portfolio of non-operated producing wells across the Williston Basin in North Dakota and Montana. Cash flow from the Williston production will be used to fund the planned Paradox Basin development. In addition, the Board will consider further opportunistic value-accretive acquisitions.

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