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10 October 2024

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

**Paradox project update**

***Decision to drill lateral extension on the State 36-2R well;  
Letter of Intent signed to fund the extended lateral***

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").

**Highlights**

- Following a detailed assessment process, the board of directors of Zephyr (the "Board" or the "Directors") has approved the drilling of an extended lateral on the well.
- Management estimated ultimate recoveries ("EURs") from the well, following completion of the extended lateral, are as high as two million barrels of oil equivalent ("boe"), substantially higher than recoveries that could be achieved from producing from the well in its current form.
- A non-binding letter of intent (the "LOI") has been signed with a U.S.-based industry investor to fund 100% of the estimated cost of the extended lateral, on commercially attractive terms to all parties, with no issue of Zephyr's equity or any further exposure into the Paradox project.
- Drilling operations are expected to commence before the end of 2024, or in early 2025, depending on rig availability and weather conditions.

**Background**

On 6 September 2024, the Company announced that following two successful production tests, including achieving peak production rates in excess of 2,100 barrels of oil equivalent per day ("boepd"), the well had been temporarily shut-in, as per normal operations, while Zephyr's team evaluated the data gathered from the production tests to determine the optimal way forward for the well.

The key decision from this assessment was whether to produce the well in the short-term, or to defer production temporarily to extend the wellbore (the "extended lateral") to increase overall hydrocarbon recovery potential.

While the Directors believe the well is capable of considerable production rates in its current form, it would be doing so from only a 130-foot completed interval which would make it more difficult to extend the well in the future as a result of depletion in the area of the wellbore.

**Decision to drill the lateral extension**

Following a detailed assessment process, the Board is pleased to announce that it has now approved the drilling of the extended lateral.

This decision was based on the following two key factors:

- EURs from the well are expected to be substantively higher once the proposed extended lateral is completed. Management estimates that, based on all the available data, the EURs from the well could be as high as two million boe once the extended lateral is completed, given the increase in size of the well's drainage area following the completion of drilling; and,
- the acidisation process used in the well production tests was extremely effective and had the benefit of significantly enhancing near-wellbore productivity. The Board believes that the combination of a longer completed interval and subsequent acidisation could potentially be one of the key factors in the successful long-term development of the Paradox project, reducing costs and improving EURs from the well. This could result in significantly reduced project risk and enhanced project economics.

Based on these factors the Board believes that it is firmly in the best interests of the Company and its Shareholders to proceed with the extended lateral.

The proposed length of the extended lateral is expected to be 5,500 feet and the cost of the operation is expected to be circa US 7 million (including the workover preparations on the existing well, the drilling of the lateral extension, acidisation and the well production test).

The Board currently anticipates that drilling operations will commence late in the fourth quarter of 2024 or early in the first quarter of 2025, depending on rig availability and weather conditions.

**Funding of the lateral extension**

On 6 September 2024, the Company announced that the Board had launched a process to identify an industry or asset-level financial partner to accelerate both the development of the well and the wider Paradox project. The announcement also noted that investment could come in the form of a farm-in with an industry operator, a joint venture with a non-operator investor, or asset level funding. On 26 September 2024, the Company announced, *inter alia*, that these financial and/or investment discussions were at an advanced stage.

The Company is now pleased to announce that it has entered into a non-binding LOI with a U.S.-based industry investor (the "wellbore investor") with non-operated investment experience to fully fund the extended lateral.

Under the proposed terms outlined in the LOI, which is on commercially attractive terms to all parties, the wellbore investor would assume a direct non-operated interest in the State 36-2R wellbore (the "wellbore interest") without any Company equity issued in respect of the transaction. Under the proposed terms, Zephyr would retain operatorship and receive a majority of the economic benefits from the well. In addition, the investor would not receive any further interest or option in the Paradox project other than the individual wellbore interest.

The Board expects to complete full binding documentation for the funding of the extended lateral over the coming weeks, well ahead of its proposed drilling commencement date. While there is no guarantee that this funding path will be successful, the Board is optimistic of closing on the LOI by progressing to full binding documentation, particularly as the wellbore investor has a long track record related to the successful closing of similar investments. The Board is further encouraged by the level of additional industry interest shown in relation to the funding opportunity.

The Company will continue other funding discussions with industry and asset-level financial partners in respect of the larger, long-term development of the Paradox project.

**Colin Harrington, Zephyr's Chief Executive, said:**

*"Following the recent successful production tests we have been working tirelessly to determine the optimal way forward for the well and the Paradox project as a whole.*

*"This work has highlighted that the combination of an extended lateral and acidisation will potentially deliver a large and highly productive well, and demonstrate that we have found the key for the long-term development of the Paradox project.*

*"We look forward to closing the funding for the extended lateral in the coming weeks, after which we will launch a process to secure a rig contract and additional equipment. We expect to commence the next phase of operations at site in late 2024 or early 2025."*

**Contacts:**

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**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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