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State 16-2 Dual-Use Well: Overview

- Zephyr Energy plc has secured **$2 million in non-dilutive grant funding** to drill a dual-use vertical well on an existing pad in its Paradox Basin leasehold acreage.
  - Well to be spud prior to year-end 2020.
- Grant funding comes from a project team led by the University of Utah’s Energy & Geoscience Institute (“EGI”), and is sponsored by the U.S. Department of Energy and its National Energy Technology Laboratory (the “DOE”).
- The well is estimated to cost $2.5-$3.0 million, of which the grant will cover the first $2 million expended.

- **The primary objective** is to acquire a comprehensive data set across the Cane Creek reservoir:
  - Logs and continuous core.
  - Data acquired will serve to de-risk future drilling efforts.

- **The secondary objective** is to facilitate re-use by using the vertical wellbore as a sidetrack host for future drilling of a horizontal appraisal lateral:
  - Re-use significantly reduces future drilling costs, from an estimated $6.0 million to $3.0 million.

**Existing pad ready for re-use**
*Photo courtesy of Michael Vanden Berg, UtGS*
State 16-2 Well: Location

- 12 miles southeast of Green River, Utah.
- The location has good road access and is within a few hours drive of oilfield service bases in Vernal, UT and Grand Junction, CO.

- Located on a current Zephyr lease covered by 3D seismic data shot in 2018.
- Drilling operations will utilize a pre-existing well pad serviced by existing roadways, substantially reducing surface footprint and environmental impact.

Images courtesy of Google Earth
State 16-2: Drilling Objectives

- Perform a safe and incident-free operation.
- Cut 90’ whole core in the Cane Creek reservoir.
- Acquire comprehensive electronic log data.
- Deliver a stable Temporarily Abandoned well with the 9 5/8” casing shoe:
  - Allowing for future lateral side track to test the Cane Creek reservoir
- Complete all well operations within budget.
State 16-2: Data Acquisition

- The well will be drilled as a mildly-deviated well which will TD in the Paradox Formation salts below the Cane Creek reservoir.

- The well design is based on analogue offsets and is designed to protect shallow zones and manage over-pressure found in the Paradox Formation.

  **Core acquisition** from the Cane Creek reservoir will allow improved understanding of:

  - matrix porosity and permeability;
  - facies types;
  - possible fluid information;
  - geomechanical properties;
  - small scale fracture analysis; and
  - log calibration to the Cane Creek logged interval.

  **Log acquisition** from the Paradox Formation will allow improved understanding of:

  - shallower clastic zones reservoir properties;
  - in situ stress conditions; and, 
  - larger scale fracture and structural analysis.
State 16-2: Well Re-Use Potential

The current plan, post-data acquisition, will leave the State 16-2 well temporarily abandoned at the 9 5/8" casing shoe in such a state that’s entirely safe but also available for re-use.

This gives Zephyr the opportunity to drill a future horizontal lateral side track to target the primary Cane Creek reservoir.

Zephyr has identified two highly ranked Cane Creek locations that can be easily drilled from this location:

- The cost to test this primary target will be substantially reduced compared with an entirely new well:
  - Reduced from $6.0 million down to $3.0 million
- The host vertical well could also be re-used should there be interest to test other, shallower clastic zones like the C7, C8 or C9

- This results in:
  - significant de-risking of future development;
  - a much reduced surface footprint; and,
  - 50% lower capex to test greater Paradox Formation potential.