

Regulatory Announcement

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Company	Empyrean Energy PLC
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Headline	Placing of £816,000, Farm-in to Riverbend Project
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Empyrean Energy PLC
(**'Empyrean' or the 'Company', (EME)**)

Placing to raise £816,000
Participation Agreement signed for a 10% interest in the Riverbend Project, Texas

Highlights

- **Placing to raise £816,000 at 6p for new project.**
- **Directors participate in the capital raising.**
- **Participation Agreement signed for 10% of the Riverbend Project - an exciting new gas play.**
- **Riverbend Project has already confirmed high pressure gas reservoir with estimated 800 billion cubic feet equivalent gas potential.**
- **First well drilled encountered multiple gas flares and higher pressures and gas influx than those seen in prolific Austin Chalk wells drilled by other operators directly north of the Riverbend Project.**

Placing

Empyrean Energy Plc is pleased to announce it has raised £816,000 before expenses, through a placing of 13,600,000 new ordinary shares of 0.2p each in the Company ('Ordinary Shares') (together the 'Placing Shares') at a price of 6p per Placing Share (the 'Placing'). Empyrean Directors, Tom Kelly and Frank Brophy have taken up 2,000,000 and 166,666 shares respectively in the Placing and following this will own 8,500,000

and 1,333,332 shares respectively in the Company.

Proceeds from the raising will be used for the acquisition of a 10% interest in the Riverbend Project in Texas (further details below).

The Placing has been performed under existing share allotment authorities, and the Placing Shares equate to 12.7% of the enlarged issued share capital of the Company following completion of the Placing.

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares on issue. Following admission to trading on AIM, Empyrean's total issued and voting share capital will comprise 106,925,793 Ordinary Shares. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, securities of the Company.

Patrick Cross and John Laycock, being the Directors of Empyrean who are not participating in the Placing, having consulted with their nominated adviser, Blue Oar Securities Plc, consider the terms of the Placing to be fair and reasonable insofar as the Company's shareholders are concerned.

Application has been made for the Placing Shares to be admitted to trading on AIM and it is expected that admission will take place on 4th June 2009.

Following the Placing, Empyrean will have approximately £1,800,000 cash at bank (net of expenses) prior to its participation in the Riverbend Project below.

Riverbend Project

Empyrean is also delighted to advise that it has entered into a Participation Agreement with Krescent Energy Partners II, LP of Houston Texas ("Krescent") to acquire a 10% working interest in Krescent's Riverbend Project located in Tyler and Jasper Counties, Texas ("Project Area"). An affiliate company, Krescent Energy Company LLC is the designated operator.

The Project Area is located south of the prolific Brookeland Field (Austin Chalk) and southeast of the prolific Double "A" Wells (Woodbine) field. The Project Area currently comprises a total of approximately 40,000 acres under lease or exclusive option and an area of mutual interest totaling 50,000 acres. The main targets for the Project Area are the Austin Chalk and shallower Saratoga Chalk plays. Additional upside exists in the Wilcox and Yegua sand formations where Krescent has identified three separate prospects. The project comes with access to 60 square miles of Krescent's proprietary 3-D seismic coverage in the Project Area.

Anadarko Petroleum Corporation and Ergon Oil and Gas have been drilling directly north and west of the Project Area and have had spectacular initial flow rates on dual lateral Austin Chalk wells. Anadarko wells have tested as much as 51.2 million cubic feet of gas per day ("MMcf/d") and 1,100 barrels of oil per day ("Bo/d") and Ergon wells have tested as much as 208.8 MMcf/d and 8,800 Bo/d. Four (4) older wells

drilled 10 and 30 years ago in the Project Area all had significant shows reports in both the Austin Chalk and Saratoga Chalk zones. An estimated 30 or more locations exist on the Project Area for the Austin Chalk at this time.

Krescent commenced drilling operations for the Austin Chalk zones in the Project Area in July 2008. Upon penetrating the Austin Chalk "B" zone and while attempting to build angle to get the wellbore to horizontal within the targeted zone, the Quinn 3-H well encountered higher than anticipated pressures with commensurately significant gas influx to the wellbore. Krescent was able to successfully steer the well to horizontal within the targeted Austin Chalk "B" zone, but the pressures, gas influx and fractures exceeded those seen by other operators drilling similar wells to the north of the Project Area.

Ultimately, after achieving ~1,000-ft of total horizontal section through the main target Austin Chalk "B" zone, a blowout occurred and the entire ~1,000-ft horizontal section was lost. Because of the higher than expected pressures encountered while drilling, and due to limitations presented by the drilling equipment then on location, Krescent and its partners, elected to stop drilling and temporarily abandoned the well in order to move a rig on with a greater pump capacity and re-drill the lost horizontal section. Krescent and its partners also saw an opportunity to take advantage of falling rig and service rates in the industry. The new rig, which is capable of operating in the higher gas pressure environment, is expected to become available in approximately 60-90 days, and a further announcement will be made closer to arrival of the rig. The well has a sales pipeline already connected and upon successful completion the well will be flow tested direct to sales

Empyrean will earn its 10% interest by reimbursing Krescent for 10% of the land costs (EME share = US\$1,049,600), plus 10% of original cost estimate to drill the Quinn 3-H (EME share = US\$1,000,000) and then paying 10% of the cost to re-enter the Quinn 3-H well and drill and complete the horizontal section (EME share estimated at US\$300,000). Empyrean will then pay 13.33% of costs to earn a 10% interest on the second, third and optional fourth well before paying 10% of costs thereafter on those wells and any future wells drilled.

Commenting today, Executive Director Tom Kelly said: "We are delighted to have completed a capital raising above the market price of Empyrean over the last few days. We are also looking forward to working with Krescent to achieve a successful outcome at the Quinn 3-H well and unlock the enormous potential value of the Riverbend Project Area. The attraction of being able to secure a 10% interest in a project of this size during the drilling of the first test well after high pressure gas has already been confirmed is very compelling. This is a "must do" deal for Empyrean and we look forward to drilling operations re-commencing and updating the market on future results."

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