

## Regulatory Story

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**Company** [Empyrean Energy PLC](#)  
**TIDM** EME  
**Headline** Replacement: Independent reserves report  
**Released** 10:14 28-Oct-2011  
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 Empyrean Energy PLC  
 28 October 2011

**FORMATTING AMENDMENT**

The ' Sugarloaf Project, ("Sugarloaf"), Independent reserves report ' announcement released on 28 October 2011 at 7.55am under RNS No 0285R has been reformatted.

All material details remain unchanged.

The full text is shown below.

**28 October 2011****Empyrean Energy PLC**

("Empyrean", "EME" or the "Company"; Ticker (EME))

**Sugarloaf Project, ("Sugarloaf"), Eagle Ford Shale Block B, Texas USA****SIGNIFICANT INCREASE IN 1P AND 2P RESERVES AT SUGARLOAF**

*Upgraded total of 3.2 Million Barrels of Oil Equivalent ("MMboe") (2p) provides NPV (10) of 16.8p/share\**

- **Empyrean's proven reserves (1P) have increased by 41.7% to 1.5 MMboe**
- **Empyrean's probable reserves have increased by 37.1% to 1.7 MMboe**
- **Empyrean's proven plus probable reserves (2P) have increased by 39.1% to 3.2 MMboe**
- **NPV (10) of 1P reserves of US\$30.8m equates to approximately 8.9p/share\***
- **NPV (10) of 2P reserves of US\$57.7m equates to approximately 16.8p/share\***
- **Closing price of Empyrean as of yesterday was 5.25p/share**
- **Eagle Ford Shale is proving to be one of the USA's largest onshore discoveries**

Further to the announcement of 9 March 2011, Empyrean is pleased to report that independent petroleum consultants, Netherland Sewell & Associates, Inc. ("NSAI"), of Houston, Texas have completed updated estimates of petroleum reserves and future revenues for Empyrean's interest in the Sugarloaf Project. The Sugarloaf Project is producing from the Eagle Ford Shale formation. Their report has an effective date of 31 August 2011.

Two further wells being drilled and completed before the end of 2011 but post the date of the report are expected to add to the 1P and 2P reserve positions and further increase the value of the Sugarloaf Project to Empyrean.

The Following table summarises the Reserve and Net Present Value estimates from the Netherland Sewell & Associates, Inc. Report.

Empyrean Net Reserves	Oil (Barrels)	NGL's (Barrels)	Gas (MCF)	Total BOE (Barrels)	NPV (10) \$US	
Proved (1P)	749.4	313.9	2,643.1	1,503.8	30,862,700	
Probable	818.6	378.2	3,185.0	1,727.6	26,832,100	
Proved + Probable (2P)	1,568.0	692.1	5,828.1	3,231.4	57,694,800	

Reserves are for Empyrean's post farmout interest in Sugarloaf (3.0%) and are net of all royalties. Two wells, Kennedy and Kowalik, are calculated at their higher working interests of 9% and 10.2%. Future Net Revenue to Empyrean is after deducting royalties, state production taxes, ad valorem taxes, capital expenditure, operating expenditure and abandonment costs but not company income taxes.

Netherland Sewell and Associates Inc have prepared the estimates in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (SPE).

**Key Assumptions**

- Oil and gas prices used are based on NYMEX West Texas Intermediate prices and are adjusted for quality, transportation fees and regional price differential. Gas prices are based on NYMEX Henry Hub prices and are adjusted for energy content, transportation fees, and a regional price differential. All prices before adjustment are shown on the following table;

Period Ending	Oil Price (USD/Barrel)	Gas Price (USD/MMBTU)
12-31-2011	89.18	4.204
12-31-2012	91.01	4.578
12-31-2013	92.13	5.055
12-31-2014	92.31	5.327
12-31-2015	92.78	5.538
Thereafter	93.30	5.735

- Well costs of US\$7.8 million per well for the first year and US\$6.8 million thereafter
- Field development of 276 horizontal wells based on 80 acre spacing
- Operating costs per well of US\$15,000 per month

There is potential to increase reserves by increasing recovery per well and by reducing future well spacing.

There is potential to reduce the operating costs per well as economies of scale are achieved.

Commenting today, Executive Director Mr Tom Kelly said - "The increase in proven and probable reserves was anticipated in the design of the 2011 drilling program. The 2011 drilling program has been extremely successful. We are delighted that further fundamental value has been unlocked and that the project has been further de-risked. The independent report adds confidence to the participants and will pave the way for further development. We are 22 wells into an anticipated 276 well full development. Marathon Oil Corporation have shown substantial faith in the Eagle Ford Shale and will be taking over as operator of our project in November this year. We note that they are excited at the prospect of being able to add significant value to their Eagle Ford Shale acreage and expect that this will have a positive impact at Sugarloaf. Empyrean has been trading at a discount to the Net Present Value discounted by 10% ("NPV10") of its 1P reserves and a greater discount to the NPV10 of its 2P reserves for our Sugarloaf Project alone - we hope that this reserves assessment starts to reverse that situation."

The information contained in this announcement was completed and reviewed by the Technical Director of Empyrean Energy Plc, Mr Frank Brophy BSc (Hons) who has over 40 years experience as a petroleum geologist.

\* NPV (10) is the Net Present Value of future net revenue, before income taxes, discounted at 10% and the issued capital of Empyrean has been approximated at 215,000,000 shares to allow for the conversion of remaining convertible notes.

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