

## Regulatory Story

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**Empyrean Energy PLC** - EME Dempsey Production Testing to Resume  
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**8 March 2018**

**Empyrean Energy PLC ("Empyrean" or the "Company")  
Dempsey Production Testing to Resume**

- **Testing to recommence this month**
- **Moving progressively up hole and beginning with two gas reservoir intervals (Zone 3) covering over 400 gross feet (120+ metres)**
- **Plan has been carefully designed to test more zones before reaching overlying field production zones**
- **Focus on testing zones with the potential to flow without stimulation first, whilst maintaining the optionality to revisit any zone and stimulate, if required, later**

Empyrean Energy (EME: AIM), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to announce that it has been informed by Sacgasco Limited (ASX: SGC) ("Sacgasco"), the operator of the Dempsey 1-15 well in the Sacramento Basin, onshore California, that production testing of the Dempsey 1-15 well will re-commence this month following review of all existing results and data collected to date. The review has involved in-house technical capability, independent consultants, technical collaboration with partners and leading US well completion and stimulation experts.

The new program has been designed to allow earlier than previously planned testing of shallower zones that exhibit extensive gas shows and higher porosity and therefore are perceived to have a greater chance of flowing without stimulation, while preserving the opportunity for more testing and possibly reservoir stimulation of all zones in the well, including the previously tested deeper interval (Zone 2). Empyrean had previously announced on 17

January 2018 that production had commenced from Zone 2 and that stimulation was expected during Q1. The production and pressure data collected since 17 January in conjunction with the technical review has enabled the joint venture to formulate a more flexible forward operation plan.

Sacgasco will shortly commence operations to access two shallower potentially gas-filled reservoir sands (Zone 3) covering a gross interval of gas shows over 400 feet (120+ metres) at the same time as allowing access to the currently producing interval (Zone 2).

Technical analysis completed by Sacgasco indicates that Zone 3 potentially contains reservoir sands with significantly better porosity than exhibited by the tested Zone 2. Zone 3 sands also have a strong seismic signature, with positive seismic attributes interpreted to reflect better reservoir continuity and extent.

Other, as yet, untested zones of potentially gas saturated reservoirs, separate from the overlying field-level reservoirs, exist above Zone 3 and may also be tested. Sales of natural gas being produced from Dempsey 1-15 will continue until Zone 3 testing work begins this month.

Sacgasco confirms that a draft application to stimulate zones in the Dempsey well, should that be necessary in future, is near completion. The application is structured to accommodate future flexibility. Consultation with Government authorities and consultants on aspects of the stimulation process has occurred, and includes production and pressure data collected from the well since 17 January. Lodging of the application is part of the final process to achieve approval to stimulate.

**Empyrean CEO Tom Kelly commented,** "We look forward to testing operations re-commencing at Dempsey following an extensive technical review process. We have worked closely with Sacgasco, the operator of the well, to review the existing data, results and views of independent consultants. We are delighted to have reached consensus on forward operations that allow imminent testing of further prospective zones whilst maintaining the flexibility to revisit any zone at a later date to produce, re-evaluate or stimulate if required. Shareholders should note that Empyrean believes that testing these zones higher up in the well before any plan to fracture stimulate a deeper zone (or any zone for that matter) may provide a better chance of commercial gas flows and is a more logical next step now that we are able to stimulate at a later date if needed.

"Shareholders should also note that the draft application to stimulate has benefitted from extensive consultation with experts and authorities since our last update and also from the production and pressure data collected over that time. This work and consultation process is expected to result in a much smoother approval process given that the data and consultation were required in any case. Put simply, Empyrean supports the efforts being made by Sacgasco on the forward testing program and the stimulation application and reiterates that stimulation approval would not have been hastened by lodging the application earlier without the collected data and consultation process. We are excited and wish Sacgasco and the JV partners well for a safe and rewarding testing program."

**\*\*ENDS\*\***

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The information contained in this announcement was completed and reviewed by the Company's Executive Director, Mr Gajendra (Gaz) Bisht, who has over 28 years' experience as a petroleum geoscientist.

**Notes to Editors**

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**About Empyrean Energy Plc (LON: EME)**

Empyrean is a London AIM listed oil and gas explorer with three potentially high impact new projects. Empyrean has a 1800km<sup>2</sup> offshore oil permit located in the Pearl River Mouth Basin, China where it has completed 3D seismic in Q3, 2017 to further mature two large oil prospects, Jade and Topaz. Processing and interpretation is underway and preliminary internal interpretation of the raw seismic data has confirmed the structural validity of the Jade and Topaz prospects and also identified a third significant target named Pearl, which is located north of Topaz. The permit is directly South East of the billion barrel+ Liuhua Oil Field operated by CNOOC and two recent discoveries to the permits West and South further enhance the merit of Jade and Topaz. Empyrean is operator and holds 100% of the exploration rights through to commercial discovery where CNOOC have a back-in right to 51%.

Empyrean also has a 10% interest in West Natuna Exploration Limited that holds 100% of the Duyung PSC in offshore Indonesia and is targeting the Mako Shallow Gas Discovery that has an independently verified 2C and 3C gas resource of between 430-650 Bcf recoverable gas. Successful testing operations were recently completed at the Mako South-1 Well with 10.9 million cubic feet of gas flow and better than expected reservoir quality and multi Darcy permeability. The operator is currently analysing data with a view to providing a development plan.

Empyrean also has a joint venture with ASX listed Sacgasco Limited on a suite of projects in the Sacramento Basin, onshore California, USA. The package includes two mature, multi-Tcf gas prospects, 'Dempsey' and 'Alvares', and an Area of Mutual Interest (the "Dempsey Trend AMI") that includes at least three already identified, large Dempsey-style follow up prospects. Dempsey is a large structure mapped with 3D seismic and interpreted by Sacgasco to have the potential to hold a prospective resource of over 1 Tcf of gas in up to seven stacked target reservoirs. The joint venture has completed drilling of a 2,970 metre (9,747 feet) combined appraisal and exploration well; Dempsey 1-15, to evaluate this prospect. Wireline logs confirmed numerous zones for production testing.

Aside from compelling technical merit, the Dempsey-1 well location sits next to existing gas metering and surface infrastructure that is owned by the joint venture. This will allow for any gas discovery to be tested and connected into the local pipeline at relatively low cost and in an accelerated timeframe. This early potential for short-term cash flow in the event of a commercial discovery would be significant for the joint venture and for the state of California where gas demand is high and approximately 90% of consumption is imported from other states. Gas produced in the Sacramento Basin currently prices at a 10-15% premium to Henry Hub Gas Prices. The joint venture is currently testing the Dempsey Prospect.

Alvares is a large structure mapped with 2D seismic and interpreted by Sacgasco to hold prospective resources of over 2 Tcf estimated potential recoverable gas. A well drilled by American Hunter Exploration Limited in 1982 for deeper oil intersected 5,000ft of gas shows. No valid flow test was conducted due to equipment limitations and the deeper oil target failing. However minor gas flows to surface were recorded even with these limitations. The possibility of using the existing well bore to sidetrack and get a valid flow test, thus reducing costs will be examined.

The Dempsey Trend AMI is an Area of Mutual Interest extending to approximately 250,000 acres and containing the Dempsey prospect (described above) as well as at least three other, Dempsey-style prospects which have been identified on existing seismic.

[www.empyreanenergy.com](http://www.empyreanenergy.com)

**About Sacgasco Limited (ASX. SGC)**

Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration in the Sacramento Basin, onshore California. SGC has an extensive portfolio of gas prospects at both exploration and appraisal stages, including multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America. SGC is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

[www.sacgasco.com](http://www.sacgasco.com)

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