Regulatory Story

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Empyrean Energy Plc
("Empyrean" or the "Company"; Ticker: (EME))

Interim Results for the six months ended 30 September 2012

Empyrean Energy Plc, the AIM-listed oil and gas producer and explorer with its primary asset in the Eagle Ford Shale, onshore Texas, today announces its unaudited interim results for the period ended 30 September 2012.

Highlights for the period

Financial

- Revenues for the six months to 30 September 2012 of c.£1.62 million
- Profit after tax for the six months to 30 September 2012 of £66,000
- Cash and cash equivalents at 30 September 2012 of £0.60 million plus a Macquarie debt facility of up to US$50.00 million to support continuing participation in the Sugarloaf Project

Sugarloaf Project

- Marathon Oil Company ("Marathon") the operator of Empyrean's primary Sugarloaf Project ("Sugarloaf Project"), has indicated that approximately 65 wells are planned to be drilled at the Sugarloaf Project during 2013
- Ongoing evaluation of closer well spacing with results expected in early 2013
- Austin Chalk, Pearsall Shale and other potential horizons within the Sugarloaf Project to be evaluated with a view to increasing production and reserves
- Number of producing wells has more than doubled from 24 in March 2012 to 51 wells in production as at 30 September 2012
- Recent corporate activity and Sugarloaf Project working interest acquisitions demonstrate significant increase in the value of the Sugarloaf Project
- Empyrean's proven reserves (1P) have increased by 54.4% to 2.3 MMboe
- Empyrean's probable reserves have increased by 20.1% to 2.0 MMboe
- Empyrean's proven plus probable reserves (2P) have increased by 36% to 4.3 MMboe

A graph setting out the net production to Empyrean for oil/condensate and gas only can be found on the Company's website at www.empyreanenergy.com

Tom Kelly, CEO said:

"The Sugarloaf Project continues to be the primary focus for Empyrean in the short term. We are excited by Marathon's initiatives to further improve production, recoveries and reserves providing potential transformational upside. We look forward to the evaluation of whether closer spacing can deliver greater efficiencies and increased reserves and also to whether the Austin Chalk and Pearsall horizons can be exploited to deliver additional production and reserves. The increase in proven and probable reserves is an excellent result. The profit for this period is lower than management expectation due to a combination of expenses incurred in relation to the Macquarie facility and a one off adjustment to revenue due to the way that revenue had been reported by Marathon Oil however we expect to see a more rapid increase in production growth and revenues during the next six months and anticipate that the profit after tax for the six months ending 31 March 2013 will be significantly higher than for the six months ended 30 September 2012."

Please find below the Chairman's and Technical Director's statement and the interim accounts.

Empyrean Energy Plc
Tom Kelly Tel: +61 8 9480 0111

Shore Capital & Corporate Limited
Anita Ghanekar Tel: +44 (0) 20 7408 4090
Edward Mansfield

Lionsgate Communications
Jonathan Charles Tel: +44 (0) 7791 892509
jcharles@lionsgatecomms.com

Chairman's Statement

I am pleased to report that Empyrean has continued to make progress in its endeavour to become a substantial oil and gas producer, with 51 producing wells at the end of September, up from the 24 in March this year. It has secured a debt facility from Macquarie Bank Limited of up to US$50.00 million to support its continuing participation in the Sugarloaf Project.

The Sugarloaf Project, in East Texas, is currently the main focus of the Company's operation. It is a liquids rich Eagle Ford Shale development play. It is operated by Marathon, an S&P 500 energy company, which took over from Hilcorp Energy Company ("Hilcorp") in 2011. Marathon has steadily accelerated its development programme, as well as conducting technical trials to improve the speed and efficiency of drilling and completions and to optimise well spacing. It has proved to be a very reliable and experienced operator for this project.

Marathon also recently announced a capital budget of US$5.2 billion for 2013, of which US$1.9 billion has been allocated to the Eagle Ford Shale. Marathon's Chairman, President and CEO, Clarence P. Cazelot Jr commented 'About one-third of our overall budget, or $1.9 billion, is allocated to the Eagle Ford Shale play in south Texas where we demonstrated our ability to deliver very strong results in 2012 and recently raised our 2013 production target there to 85,000 net barrels of oil equivalent per day (boed). The economics and well performance we're achieving in the Eagle Ford, along with our ability to drive efficiencies, make this play a focal point of our growth strategy...'.

Empyrean's holding in the liquids rich portion of the Sugarkane Field has proved to be ideally located and buoyed by a strong oil price. Marathon also recently demonstrated its further commitment to the greater field through additional acquisitions and notified the Company of its intention to drill a further 65 wells on Empyrean's project acreage in 2013, which represents a very healthy portion of Marathon's total capital budget for the Eagle Ford Shale.

A recently published reserve report update from Netherland Sewell and Associates ("NSAI") has delivered a significant uplift in reserves at the Sugarloaf Project. Empyrean's share of proven plus probable reserves has been recently assessed by NSAI to be 4.39 million barrels of oil equivalent, an increase of 36 per cent.

Empyrean's focus will remain on the Sugarloaf Project in the short term, however recent exploration activity on acreage close to our Eagle Oil Pool Development Project ("Eagle") in the San Joaquin Basin - California may provide additional data for us to consider and we hope will provide stimulus for further activity and exploration at Eagle during 2013. At Riverbend we await the plans currently progressing to replace the existing operator to be concluded and will update on the forward plan as soon as it comes to hand from the new operator.

The following technical report provides details of all the projects in which Empyrean is currently engaged.

Dr Patrick Cross
Chairman
21 December 2012

Technical Overview

Sugarloaf Project
Block B

The development of the onshore Sugarloaf Project in East Texas has continued to be the principal focus of activity for Empyrean during the last six months. The project involves the exploitation of the Sugarkane Field (Block B) within the Sugarloaf Project. The primary objective is the prolific Eagle Ford Shale, although secondary targets, including the Austin Chalk and Pearsall Shale, also exist. Empyrean's working interest is ideally placed within the liquids rich portion of the Sugarkane Field which, depending on the geological setting, can vary in its production character from so-called "black oil" to condensate and even dry gas and have associated Natural Gas Liquids ("NGLs"). Empyrean is involved in an area of approximately 24,300 acres equating to 729 net acres.

Since production first commenced in 2008, operatorship has changed hands twice. Hilcorp replaced Texas Crude Energy Inc in 2010 and drilled three farmin wells and 19 post farmin wells before selling most of its interest to Marathon in November 2011.

Marathon is the present operator and has initiated a more accelerated drilling programme than Hilcorp when it spudded its first well, Pfeifer Bell, on 12 January 2012.

Marathon is well-placed as being a reliable and experienced operator for the Sugarloaf Project. It currently holds approximately 305,000 net acres, has 18 rigs currently operating under contract and four dedicated frac crews.

The Eagle Ford Shale is an "unconventional" play. Modern breakthroughs in drilling and completion techniques have allowed the exploitation of these hydrocarbons. Horizontal drilling of approximately 6,000ft lateral wells at vertical depths of 12,000ft are now common practice. Highly sophisticated fraccing procedures are required to extract hydrocarbons from the fractured shales. Marathon, as operator, is committed to optimizing drilling, completion and production processes. Marathon has embarked on a number of technical initiatives. These include evaluating tighter well spacing down from the current 160 acre and 80 acre spacing to 60 acre and 40 acre spacing. A pilot programme is underway to evaluate these closer spacing alternatives and results are anticipated during early 2013. In addition, cost savings in both CAPEX and OPEX are being continuously sought and reviewed. Wells are at present taking between 15-20 days to drill depending on the final measured depth. Fraccing and completion operations account for approximately 60-70% of the total cost of a well.

In these early stages of well production , 30 and 60 day figures have been published to give an idea of what is being produced and in what quantities. Depending on the amount of gas and NGLs being produced with the condensate, the early wells have been producing between 500 - 1000 BOE (barrels of oil equivalent) per day over 30 and 60 day durations. More recent wells (eg Davila 1H) produced an average of 1123 BOE per day during the first 30 days of production.

At the recent AGM in May 2012, Empyrean reported that a total of 24 wells were producing at the end of March 2012, of which 11 had been drilled by Marathon. These figures have increased markedly. Up until the end of September there were 51 producing wells at Sugarloaf. To the end of October 2012, the number of producing wells has increased to 55**.**

The original drill programme for 2012 was 45 wells. This figure was reached by the end of October 2012. The plan for the calendar year 2013 is for the drilling of an additional 65 wells. It has been estimated that based on an 80 acre spacing ,the full development of the Eagle Ford Shale in Block B would require at least 280 wells. And that does not take into account the secondary objectives, such as the investigation of the Austin Chalk and Pearsall formations which will be investigated more thoroughly in the near future. The Austin Chalk alone could account for an extra 150 wells across the Sugarloaf Project acreage and adjacent properties.

Riverbend Project (10% WI)

No remedial work has so far been carried out on the Cartwright No 1 well which continues to produce gas and very minor amounts of condensate. There is currently a proposal to change the operator of the project.

Eagle Oil Pool Development Project ("Eagle") (48.5%WI)

This is a proven accumulation of oil and gas. Eagle is estimated to contain between 7-22 million barrels of oil and 12-23 billion c.ft of gas. Preliminary planning and discussions have commenced for a vertical well test of the Gatchell Sands and possibly the Monterey and Kreyenhagen shales. Timing for this well test is currently not confirmed. A recent joint venture signed between a nearby acreage holder, Calgary based Zodiac Exploration Inc ("Zodiac") with Aera Energy LLC ("Aera"), a large California operator that is owned by Shell and ExxonMobil involves two vertical and two horizontal well tests of either the Kreyenghagen and/or Monterey shales. The first of these wells is said to be due to commence by June 2013 in Zodiac's announcement. This recent development is seen as a positive one for the Company's plans at Eagle. In the Eagle North - 1 well, the Company encountered both the Monterey Shale and Kreyenhagen Shale on its way to drilling the target Gatchell Sands. If the joint venture between Zodiac and Aera achieve success with their resource plays in either the Monterey or Kreyenhagen - it is likely to have a transformational bearing on both asset value and the exploration focus for Empyrean and its partners at Eagle.

Outlook

At Sugarloaf, we expect that production will continue to grow as Marathon completes the drilling programme through 2013. Most of the drilling to hold acreage by production has been completed and the drill programme is now focused on targeted condensate rich well locations. We expect to see further efficiencies gained from pad drilling, however the pad drilling may result in some backing up of wells awaiting stimulation and completion.

The results of closer spacing initiatives should be evaluated and available in the first half of 2013. Some of the results of additional productive horizons should also start to come through during the same timeframe.

At Eagle, we expect that the Zodiac/Aera well on nearby acreage will spud during the first half of 2013. We will be monitoring developments there with keen interest whilst plans for a well test by the Eagle joint venture partners are in early discussion and design stage.

Mr Frank Brophy BSc (Hons)
Technical Director
21 December 2012

The technical information contained in this report 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.

Independent review report to Empyrean Energy Plc for the period ended 30 September 2012

Introduction

We have been engaged by Empyrean Energy Plc (the "Company") to review the interim financial statements for the six months ended 30 September 2012 comprising the statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the rules of the London Stock Exchange Plc for companies trading securities on the AIM Market.

As disclosed in Note 1, the accounting policies are consistent with those that the directors intend to use in the next financial statements. The interim financial statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the interim financial statements in the interim financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review we are not aware of any material modifications that should be made to the financial information as presented in the interim financial statements for the six months ended 30 September 2012.

CHAPMAN DAVIS LLP
Chartered Accountants
2 Chapel Court
London SE1 1HH
21 December 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Note	6 months to 30 September 2012 (unaudited) £'000	6 months to 30 September 2011 (unaudited) £'000	Year ended 31 March 2012 (audited) £'000
Revenue		**1,622**	1,168	2,694
Cost of sales				
Operating costs (excluding oil and gas and exploration expenditure impairment)		**(268)**	(15)	(186)
Amortisation		**(720)**	(395)	(1,057)
Gross profit		**634**	758	1,451
Administrative expenses		**(487)**	(272)	(678)
Share based payments (directors and employees)		**-**	-	(460)
Exploration expenditure (impairment)		**(63)**	(19)	(22)
Oil and gas properties (impairment)		**-**	-	-
Operating profit		**84**	467	291
Profit on sale of project		**-**	-	466
Interest (payable)		**(18)**	(60)	(82)
Profit on ordinary activities before taxation		**66**	407	675
Taxation on profit on ordinary activities		**-**	-	-
Profit for the financial period		**66**	407	675
Other comprehensive income				
Share based payment reversal		**-**	-	-
Total comprehensive income for the period		**66**	407	675
Attributable to				
Equity shareholders of the Company		**66**	407	675
Basic earnings per share (expressed in pence)	3	**0.03p**	0.22p	0.35p
Diluted earnings per share (expressed in pence)	3	**0.04p**	0.22p	0.36p

All financial results presented are from continued operations.

STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2012

	Note	6 months to 30 September	6 months to 30 September	Year ended 31 March 2012

	Note	2012 (unaudited) £'000	2011 (unaudited) £'000	(audited) £'000
Assets				
Non-current assets				
Intangible assets		**4,689**	4,757	4,106
Oil and gas properties		**12,324**	8,272	8,618
Plant and equipment		**-**	-	-
		17,013	13,029	12,724
Current assets				
Trade and other receivables		**1,421**	205	984
Cash and cash equivalents		**596**	211	1,537
		2,017	416	2,521
Total assets		**19,030**	13,445	15,245
Liabilities				
Current liabilities				
Trade and other payables		**(4,298)**	(69)	(763)
Convertible loan note		**(405)**	(877)	(437)
Macquarie facility		**(142)**	-	-
		(4,845)	(946)	(1,200)
Net current assets / (deficiency)		**(2,828)**	(530)	1,321
Net assets		**14,185**	12,499	14,045
Shareholders' equity				
Called up share capital	**4**	**428**	394	426
Share premium account		**24,653**	23,816	24,602
Other reserves		**1,149**	668	1,128
Retained loss		**(12,045)**	(12,379)	(12,111)
		14,185	12,499	14,045

STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Note	6 months to 30 September 2012 (unaudited) £'000	6 months to 30 September 2011 (unaudited) £'000	Year ended 31 March 2012 (audited) £'000
Cash generated in operating activities		**724**	764	2,029
Net cash inflow / (outflow) from operating activities		**724**	764	2,029
Proceeds from sale of project		**-**	-	651
Interest received		**-**	2	2
Net cash inflow from returns on investments		**-**	2	653
Purchase of tangible assets		**-**	-	-
Purchase of intangible assets		**(1,825)**	(1,166)	(2,110)
Net cash (outflow) from capital expenditure		**(1,825)**	(1,166)	(2,110)
Net cash (outflow) before financing		**(1,101)**	(400)	572
Issue of ordinary share capital	**5**	**18**	-	432
Share issue costs		**-**	-	(78)
Proceeds from borrowings		**142**	-	-

Net cash inflow from financing	**160**	-	354
Increase/(decrease) in cash	**(941)**	(400)	926
Cash and cash equivalents at beginning of period	**1,537**	611	611
Cash and cash equivalents at end of period	**596**	211	1,537

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

	Called Up Share Capital £'000	Share Premium £'000	Share Based Payment Reserve £'000	Retained Losses £'000	Total Shareholders' Equity £'000
6 months ended 30 September 2012 (unaudited)					
As at 1 April 2012	426	24,602	1,128	(12,111)	14,045
Shares issued during the period	2	51	-	-	53
Share issue expense	-	-	-	-	-
Equity-settled share-based payments	-	-	21	-	21
Profit for the period	-	-	-	66	66
Balance as at 30 September 2012	**428**	**24,653**	**1,149**	**(12,045)**	**14,185**
6 months ended 30 September 2011 (unaudited)					
As at 1 April 2011	365	23,150	668	(12,786)	11,397
Shares issued during the period	29	666	-	-	695
Share issue expense	-	-	-	-	-
Equity-settled share-based payments	-	-	-	-	-
Profit for the period	-	-	-	407	407
Balance as at 30 September 2011	**394**	**23,816**	**668**	**(12,379)**	**12,499**
Year ending 31 March 2012 (audited)					
As at 1 April 2011	365	23,150	668	(12,786)	11,397
Shares issued during the period	61	1,530	-	-	1,591
Share issue expense	-	(78)	-	-	(78)
Share based payments	-	-	460	-	460
Profit for the period	-	-	-	675	675
Share based payments reversal	-	-	-	-	-
Balance as at 31 March 2012	**426**	**24,602**	**1,128**	**(12,111)**	**14,045**

NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

1. Basis of preparation

The interim report has been prepared in accordance with the AIM rules and the basis of accounting policies set out in the accounts for the year to 31 March 2013 and on the basis of all International Financial Reporting Standards (IFRS) that are expected to be applicable to the company's statutory accounts for the year ended 31 March 2013, except as disclosed below. If any amendments, new standards or new interpretations are issued these may require the financial information provided in the interim report to be changed. The interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The interim financial statements have been prepared on a going concern basis in accordance with IFRS and comply with IAS 34.

The amounts in the interim report for the periods ended 30 September 2012 and comparative 30 September 2011 are unaudited. The amounts in this report for the year ended 31 March 2012 are extracted from the audited statutory accounts for that period and as such are not the company's statutory accounts for that financial year. The 31 March 2012 accounts have been reported on by the company's auditors and delivered to the Registrar of Companies and received an unqualified audit report and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim report of Empyrean Energy Plc was authorised for issue by the Board on 21 December 2012.

Going concern
The directors have a reasonable expectation that Empyrean Energy Plc have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the interim accounts.

2. Segmental Analysis

The primary segmental reporting format is determined to be the geographical segment according to the location of the asset. The Directors consider the Company to have a single business being the exploration for, development and production of oil and gas properties.

There is one geographical trading segment being North America which is involved in the exploration for, development and production of oil and gas properties. The Company's registered office is located in the United Kingdom.

	6 months to 30 September 2012 (unaudited)	**6 months to 30 September 2011 (unaudited)**	**Year ended 31 March 2012 (audited)**
3. Earnings Per Share			
The calculation of earnings per share is based on the earnings after taxation divided by the weighted average number of shares in issue during the period:			
Net profit after taxation	**£66,000**	£407,000	£675,000
Weighted average number of ordinary shares of £0.002 used in calculating basic earnings per share	**213,401,473**	185,963,177	195,384,970
Basic earnings per share (expressed in pence)	**0.03p**	0.22p	0.35p
Profit adjusted for interest on convertible loan	**£81,000**	£447,000	£731,000
Weighted average number of ordinary shares of £0.002 in issue inclusive of outstanding options and convertible debt	**226,552,498**	199,114,076	204,140,471
Diluted earnings per share (expressed in pence)	**0.04p**	0.22p	0.36p
4. Called Up Share Capital			
The authorised share capital of the Company and the called up and fully paid amounts at 30 September 2012 were as follows:			
Authorised			
1,000,000,000 ordinary shares of 0.2p each	**2,000**	2,000	2,000
Issued and fully paid			
213,936,868 ordinary shares of 0.2p each	**428**	394	426

Share Options

The following equity instruments have been issued by the Company and have not been exercised at 30 September 2012:

Equity	Number of Options	Exercise Price	Expiry Date
Incentive options	8,875,000	£0.06	28 May 2013
Consultant options	500,000	£0.06	16 April 2013
Incentive options	12,100,000	£0.08	30 April 2014

Incentive options	14,800,000	£0.08	2 March 2015
Finance options	15,000,000	£0.08	19 July 2016
Finance options	15,000,000	£0.10	19 July 2016

The following equity instruments have been granted by the Company during the period ended 30 September 2012:

Equity	**Number of Options**	**Exercise Price**	**Expiry Date**
Finance options	15,000,000	£0.08	19 July 2016
Finance options	15,000,000	£0.10	19 July 2016

The following equity instruments have been exercised during the period ended 30 September 2012:

Equity	**Number of Options**	**Exercise Price**	**Expiry Date**
Incentive options	300,000	£0.06	28 May 2013

No options expired during the half year.

There are 15,000,000 finance options exercisable at £0.12 expiring 4 years from the date of grant committed that have not yet been granted at the date of this interim report.

Warrants

The following equity instruments have been issued by the Company and have not been exercised at 30 September 2012:

Equity	**Number of Warrants**	**Exercise Price**	**Expiry Date**
Warrants	4,000,000	£0.0875	1 March 2015

Convertible Loan Facility

As at 30 September 2012, £457,000 (2011: £877,000) of the convertible loan facility including accrued interest remained unconverted into equity.

5. Cashflow

During the half year ended 30 September 2012, the Company issued 576,190 shares resulting from the conversion of the convertible loan facility plus the accrued interest. There was no impact on the cash position. Interest expense of £18,000 was recorded in the profit and loss.

6. Dividend

The Directors do not recommend the payment of a dividend.

7. Post Balance Sheet Events

On 17 October 2012, 2,345,205 fully paid ordinary shares of 0.2p each were issued as a result of note conversions at a price of £0.06 per share. On 14 November 2012, 1,572,347 fully paid ordinary shares of 0.2p each were issued as a result of note conversions at a price of £0.06 per share. This resulted in the balance of the convertible loan reducing to £192,500.

8. Director's Responsibility Statement

The Directors confirm that, to the best of their knowledge the condensed set of financial statements for the six months ended 30 September 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The Directors of Empyrean Energy Plc and their functions are: Dr Patrick Cross (Chairman), Mr Thomas Kelly (Chief Executive Officer), Mr Frank Brophy (Technical Director) and Mr John Laycock (Finance Director).

9. Availability of Accounts

Copies of these interim results are available from Empyrean Energy Plc, GPO Box 2517, Perth WA 6831, Australia. Alternatively a downloadable version is available from the following web address: http://www.empyreanenergy.com/news/reports.html.

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