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Empyrean Energy PLC - EME Q4 2014 Production from Sugarloaf AMI, Texas
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Empyrean Energy PLC ('Empyrean' or 'the Company') Q4 2014 Production from Sugarloaf AMI, Texas

Empyrean Energy, the profitable US onshore oil, gas and condensate exploration, development and production company with assets in Texas and California, is pleased to provide an update in respect of production from its flagship Sugarloaf AMI Project ('Sugarloaf' or the 'Project') in the prolific Eagle Ford Shale, Texas, for the three month period to the end of December 2014 ('Q4 2014' or the 'Quarter').

Empyrean has a 3% working interest in the Project, which is operated by Marathon Oil Company, a subsidiary of US major Marathon Oil Corporation (NYSE: MRO) ('Marathon' or the 'Operator').

Highlights

- **Significant increase in total production to Empyrean's interest from Sugarloaf for Q4 2014**
 - 166,572 boe net to Empyrean's interest *before* royalties and costs ("royalties") and 111,921 boe net to Empyrean's interest *after* royalties, representing an increase of 39% and 38% respectively on Q3 2014
- **Average daily production from Sugarloaf for Q4 2014 of 1,811 boe net to Empyrean's interest *before* royalties and 1,217 boe net to Empyrean's interest *after* royalties**
- **As at 31 December 2014, there were a total of 187 gross producing wells at Sugarloaf**
- **As at 20 March 2015, there were a total of 205 gross producing wells including 21 in the Austin Chalk**
- **Benefited from improvement in single well recoveries / productivity and from further improvement in drilling and completion cost efficiencies during 2014**
- **Awaiting results of first "frac and stack" pilot programme**
- **Sugarloaf remains one of the lowest marginal cost shale plays in the USA**

Empyrean CEO, Tom Kelly said, *"Despite extremely challenging oil prices recently, our production from*

Sugarloaf is continuing to grow steadily as further development wells are brought on line. We are fortunate that our project is located in the liquids rich sweet spot of the Eagle Ford Shale play and therefore enjoys relatively low marginal costs of production compared with other shale plays across the USA.

"Marathon continues to optimise well performance and drilling and completion costs continue to decrease. We are confident that further data gathered from existing Austin Chalk wells, in conjunction with additional Austin Chalk wells coming on line at lower spacing density, has the potential to deliver a significant increase in contingent resources along with an increase in proven reserves for existing producing locations in the short to medium term.

"In response to the continued and significant level of drilling activity at Sugarloaf, we are taking steps to adjust the basis on which we report production figures in order to ensure that we are in a position to update shareholders on a timely and accurate basis, and in a manner consistent with our revenue reporting."

Further Information

In its production update for the three month period to 30 September 2014 ('**Q3 2014**'), the Company announced total production from Sugarloaf net to Empyrean of 96,660 boe and stated that, based on a comparison with initial wellhead production data received in respect of that period, it believed that there was further revenue from production attributable to Q3 2014 that will require to be accrued for in Empyrean's interim results for the six month period to 30 September 2014.

The Company is now pleased to report that all revenue attributable to the Q3 2014 production months has now been received and that an additional 22,954 boe net to Empyrean's interest *before* royalties now brings the Q3 2014 production to 119,614 boe. This equates to 81,091 boe *after* royalties.

The Company is pleased to report that total production for Q4 2014 was 166,572 boe net to Empyrean's interest *before* royalties and 111,921 boe net to Empyrean's interest *after* royalties, representing an increase of 39% and 38% respectively on production for Q3 2014. In addition, net average daily production for Q4 2014 was 1,811 boe net to Empyrean's interest *before* royalties and 1,217 boe/d *after* royalties and net average daily production for the month of December 2014 reached 1,984 boe/d *before* royalties and 1,336 boe/d *after* royalties. Going forward, Empyrean intends to report all production numbers as net to Empyrean's interest *after* royalties, unless otherwise stated, in order to bring the Company's policy into line with its licence partners and the methodology used for reporting the Company's annual and interim financial results.

At the end of the quarter, Empyrean had 187 gross wells that were producing at Sugarloaf, an increase of 33 wells since the end of September 2014. Furthermore, as at 20 March 2015, Empyrean had 205 gross wells that were producing at Sugarloaf and, of these, there are 21 wells in the Austin Chalk formation.

Marathon continues to reduce the costs of the Project with spud to total depth cycle times dropping from an average 24 days in late 2011 to as low as 10 days, with an average of 12 days, during 2014. This has assisted in the drilling and completion costs of some wells drilled in late 2014 falling below US\$7 million. Further cost reductions are expected as contractors and service providers become more competitive as the USA rig count continues to drop under present oil price concerns, and further efficiencies are achieved.

In line with its stated policy, Empyrean has previously used revenue remittance advice only to report on production in quarterly updates. However, in an effort to enable the Company to release future quarterly updates closer to the end of the quarter being reported on and to ensure these accurately reflect production from all wells known to be in production, Empyrean intends to report using a combination of revenue remittance advice and wellhead data in order to estimate ("accrue") for any production during the relevant quarter for which revenue has not yet been received. This approach will enable the Company to include production from newly-completed wells that are known to be in

production but for which the legal documentation required to distribute revenue from the operator to the working interest partners is still in the process of being executed and filed with the authorities and production from which is not reflected in the revenue remittance received. As the drilling programme at Sugarloaf has maintained such high levels of activity, the backlog in the processing of such documentation and the requirement to accrue for as yet unallocated production has become more material to Empyrean, and it is viewed that this change in reporting policy is necessary in order to provide consistency and transparency.

Corporate

The Company is in active discussions with its current debt funder, Macquarie Bank Limited, and is evaluating additional alternatives in order to secure the required additional funding to support the Company's continued participation in the Project and the current development programme.

For further information please visit www.emyreanenergy.com or contact the following:

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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.

Notes to Editors:

Empyrean Energy Plc is an AIM listed (Ticker: EME) profitable US on-shore oil, gas and condensate exploration, development and production company with assets in Texas and California. The Company's portfolio represents a mix of assets at various stages of development. Its flagship project is the Sugarloaf AMI in the prolific Eagle Ford Shale, Texas, where it has a 3% working interest in approximately 24,000 gross acres centrally positioned in the liquids rich sweet-spot within the field. Empyrean has an interest in 205 gross producing wells with full development expected to reach over 770 wells. Further development of the Eagle Ford Shale anticipated to require in the order of a further 300 wells, with down spacing potential of a further 200 wells. Further development of the Austin Chalk anticipated to require in the order of a further 300 wells, with down spacing potential of a further 235 wells. The Company has a term debt facility of up to US\$50 million with Macquarie Bank, subject to reserve hurdles and drawdown approvals, in place in order to develop this acreage which is operated by US major Marathon Oil Company.

Other assets include a 58.084% interest in the Eagle Oil Pool Development Project located in the San Joaquin Basin, southern California, a proven oil and gas province. Empyrean's large working interest in this project provides the Company with flexibility and leverage with potential high impact from success. Additionally, Empyrean has a 7.5% interest in the Sugarloaf Block A operated by ConocoPhillips in the Eagle Ford Shale, and a 10% working interest in the Riverbend Project in Texas.


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