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**Company** [Empyrean Energy PLC](#)  
**TIDM** EME  
**Headline** Production and Q4 2013 Operational Update  
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### **Empyrean Energy PLC ('Empyrean' or 'the Company') Production and Q4 2013 Operational Update:**

#### **Sugarloaf AMI**

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 the following production and operations update for the three month period to the end of December 2013 ('Q4 2013' or the 'Quarter'). Empyrean has a 3% working interest in its flagship Sugarloaf AMI ('Sugarloaf' or the 'Project') in the prolific Eagle Ford Shale, Texas. The Project is operated by Marathon Oil Company, a subsidiary of US major Marathon Oil Corporation (NYSE: MRO) ('Marathon' or the 'Operator').

#### **Highlights**

- 119 gross producing wells on Sugarloaf AMI as at end of December 2013, an increase of 18 wells since the end of September 2013
- Production average of approximately 904 boe/day net to Empyrean for the three months to the end of December 2013
- Total production for Q4 2013 remained strong with a 2% increase in aggregate net production (83,127 boe) over the previous quarter (81,507 boe) and a 92% increase compared to Q4 2012 (43,356 boe)
- Marathon currently targeting to drill approximately 100-110 gross wells on the Sugarloaf AMI during 2014, representing an increase of over 100% on the 48 wells drilled during 2013
- Marathon has announced its intention to co-develop the Austin Chalk alongside the Eagle Ford Shale which provides low risk development upside potential with additional short term potential reserve gains as the Austin Chalk is further appraised
- Well down-spacing results successful with 90% of wells drilled during 2013 at 60 acre spacing or less and those wells drilled at 40-60 acre spacing showing higher initial rates of production than wells drilled on 80-160 acre spacing
- Selected areas to be developed at 40 acre spacing with pilot testing of 30 acre infill density - ability to leverage off existing infrastructure
- Sugarloaf estimated to require more than 400 wells (compared to previous estimate of 280 wells) to reach a fully developed scenario for the Eagle Ford Shale alone, with possibly a further 300 wells to develop the Austin Chalk, depending on spacing density - significant upside potential
- Marathon currently forecasting well costs to reduce significantly to US\$6.5 - 7.5 million from US\$7.5 - 8.5 million

- Empyrean has commissioned an updated independent reserves assessment with an effective date of 31 December 2013
- Proposed AUD\$1.84 billion takeover of ASX listed Aurora Oil & Gas Ltd (ASX Code: AUT), a partner in the Sugarloaf AMI, by Baytex Energy (TSX and NYSE Code: BTE) provides evidence of strong demand for quality Eagle Ford Shale assets

Empyrean CEO, Tom Kelly said, " The previous quarter was characterised by increased production and drilling and Marathon's commitment to co-develop the Austin Chalk alongside the Eagle Ford Shale is a major breakthrough for the Sugarloaf AMI partners, demonstrating its strong intention to continue this trend. In the short to medium term this development is likely to have a positive impact on reserves and value and in turn, to increase Empyrean's revenues and profits. When viewed in conjunction with the positive down-spacing results and improvements in forecasted development drilling costs for 2014, Empyrean is confident that it can efficiently and effectively unlock the intrinsic value apparent at Sugarloaf.

"Notably, the exciting nature of the Eagle Ford Shale has also been reflected through recent M&A activity regarding our partner, Aurora Oil & Gas Ltd, which has received a proposed takeover offer valued at AUD\$1.84 billion (market capitalisation) or C\$2.5 billion (including debt). This demonstrates the extent of industry interest in the region and endorses its future upside potential. Our focus is to fully maximise the commerciality of this asset alongside our experienced major partners, and to accelerate the creation of further value for shareholders."

### **Operations**

As at the end of December 2013, Empyrean had 119 gross wells that were producing at Sugarloaf. This represents an increase of 18 wells since the end of September 2013. In addition, there was one well drilling ahead and four further wells waiting for, or in the process of having, completion/stimulation operations.

Average daily net production for the 3 months to 31 December 2013 was approximately 904 boe/day. This was up marginally from production during the previous quarter which stood at 896 boe/day. This production figure has been calculated using the physical sales data received to date from Marathon for October and November 2013 for oil, gas and NGL's. For December 2013, the oil sales data has been used and an estimate of the gas and NGL's has been calculated using separate wellhead production numbers received for the gas. This method is due to the fact that the NGL's are stripped out of the gas after wellhead gas is recorded and accurate final NGL and gas production numbers are reported to the Company after they are sold some months later.

### **Reserves**

Empyrean is cooperating with AWE Limited (ASX Code: AWE), its ASX listed partner in the Sugarloaf AMI, to have an updated independent reserves assessment completed by DeGolyer and MacNaughton with an effective date of 31 December 2013. A further announcement will be made when the report has been finalised.

### **Sugarloaf Block A**

As announced on 23 September 2013, two wells are currently being prepared for fracking and testing in the Eagle Ford Shale on Block A. The Company understands that fracking operations are imminent. This participation is a part of Empyrean's interest in 'Sugarloaf Block A' operated by Burlington Resources Oil & Gas Company LP ('Burlington') a subsidiary of ConocoPhillips Company ('Conoco').

### **Eagle Oil Pool Development Project**

There were no new exploration operations carried out during the quarter as Strata-X (TSX.V Code: SXE, and ASX Code: SXA), the operator, is still carrying out work to establish the best alternatives for a new well location to test the oil accumulation in the Eocene aged Gatchell Sands. The project area consists of 5,160 gross acres and the Company has a 57.2% working interest.

In this area, one well was drilled and abandoned by Exxon in 1985. Royal Resources took over the well in 1986 and deepened it, encountering good oil shows in the Eocene Age Gatchell sands at an approximate depth of 13,200 feet. Test rates of up to 192 BBL/d and 427 mcf/d were reported. Approximately 10,000 BBL/d of light oil was recovered but the well was considered to be non-commercial likely due to formation damage by heavy

drilling mud and cement squeezing. Subsequent activity on the prospect was met with mechanical issues despite continuing indications of oil shows in the primary target. The Gatchell sands have produced over 1 billion barrels of oil in the Coalina area approximately 20 miles west and north-west of the Eagle acreage.

The Company believes that the Eagle Oil Pool Development Project offers exposure to significant upside and will progress its development in consultation with its project partners.

### **Riverbend Project**

Modest production continues from the Cartwright 1H well that was re-entered for completion into a secondary target zone, the Wilcox formation. Severe weather conditions, which have been well-documented in the US, have recently hampered production whilst production lines have been frozen. The latest report from the operator showed that there were approximately 2,053 acres held by production or lease with a greater area of mutual interest of approximately 40,000 acres. The Company does not have plans to pursue the area of mutual interest at this point in time due to the initial failure to successfully complete the Cartwright 1H well in the primary target zone with any commercially viable results. The Company has reviewed the prospectivity of the Riverbend Project and has determined that its funds and resources are better directed towards its flagship development project - the Sugarloaf AMI.

In addition, Empyrean has consulted a US based legal team to conduct an investigation into certain leases that were held under option by the project partners, some of which were recommended by the previous operator to be exercised and leased but which it has learned were never taken up by the operator on behalf of the project partners. Empyrean's legal team are conducting further enquiries to establish the likely success of any recovery action, given the former operator's bankruptcy, and the cost-effectiveness of pursuing any such action having regard to the anticipated costs. Subsequent investigations have not uncovered any evidence of profiteering or foul play in relation to the leases in question.

Any future operations proposed by the operator will be carefully considered in light of the Company's preference to focus its resources on the Sugarloaf AMI.

### **Corporate**

The Company has a current cash at bank position of US\$1.93 million and current outstanding debt of US\$12.17 million.

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

For further information please visit [www.empyreanenergy.com](http://www.empyreanenergy.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.

### **GLOSSARY OF ABBREVIATIONS**

"bbls"	barrels of oil, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons
"boe"	barrels of crude oil equivalent derived by converting natural gas to crude oil in the ratio of six thousand cubic feet of natural gas to one barrel of crude oil

"boe/day"	barrels of crude equivalent per day
"mcf"	one thousand cubic feet of natural gas
"JIB"	joint interest billing
"AUD"	Australian dollar
"CAD"	Canadian dollar

#### Notes to Editors:

Empyrean Energy Plc is an AIM listed (Ticker: EME) profitable US on-shore oil and gas development and production company focussed primarily on the advancement of its 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 119 gross producing wells with full development expected to reach over 400 wells and further upside potential from the Austin Chalk development that may be in the order of a further 300 wells. The Company has term debt facility of up to US\$50 million with Macquarie Bank in place in order to develop this acreage which is operated by US major Marathon Oil Company.

Other assets include a 57.2% 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 currently producing from the Wilcox formation.


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