

Regulatory Story

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Empyrean Energy PLC - EME Increased interest in Sacramento Basin Projects
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Empyrean Energy PLC ("Empyrean" or the "Company")

Increased interest in Multi Project Farm-In in Sacramento Basin, California

Empyrean reaches agreement to increase its interest in the Sacramento Basin package of projects on the following basis:

- **Increase from 25% to 30% of Dempsey Prospect, targeting 1 Tcf conventional gas, to be drilled Q3 2017**
- **Increase from 10% to 25% of Alvares Appraisal Prospect, targeting 2 Tcf gas**
- **Increase from 25% to 30% of Dempsey Trend AMI, including at least three large Dempsey style follow up prospects**

The increased interest being acquired is fully funded through the drilling of the Dempsey-1 Well

Empyrean is pleased to announce that it has entered into a new agreement with Sacgasco Limited (ASX: SGC) ("Sacgasco"), to increase Empyrean's interest in the package of gas projects in the Sacramento Basin, onshore California (the "Farm-In"), previously announced on 15 May 2017

and amended on 16 June 2017. Empyrean will use part of the placing proceeds of £660,000 announced on 20 June 2017 and pre-existing cash to pay entirely for the increased interest through to the drilling of the Dempsey-1 Well which is anticipated to commence in Q3 2017.

Dempsey

Under the new agreement with Sacgasco, Empyrean is to pay a further US\$90,000 having already paid an amount of US\$10,000, (collectively "the Dempsey Deposit"), within three working days of signing a definitive Farm-out Agreement (the "Farm-Out Agreement") and Joint Operating Agreement ("JOA") with Sacgasco in order to secure Empyrean's right to participate in the Dempsey Prospect. Empyrean is then required to pay US\$2,000,000 upon being cash called by Sacgasco (the "Dempsey Consideration") towards the dry hole cost (i.e. up to the point of testing and running production casing or abandonment) of the Dempsey-1 Well to earn its increased 30% Working Interest ("WI") in the Dempsey Prospect. If the Dempsey-1 well costs exceed US\$3,200,000 then Empyrean will pay 30% of any further costs under standard JOA terms.

Assuming completion of the Farm-In and the payment of both the Dempsey Deposit and the Dempsey Consideration, the interests in the Dempsey Gas Project will be: Sacgasco (Operator): 45%; Bombora Natural Energy Pty Ltd: 15%; Xstate Resources Limited (ASX: XST): 10%; and Empyrean: 30%.

Alvares

Under the new agreement with Sacgasco, Empyrean has agreed to pay 33.33% of the dry hole well costs (i.e. to testing and setting of production casing or abandonment) in the next Alvares appraisal well to earn a 25% WI in the Alvares prospect. Empyrean's 33.33% earn-in is capped at a total well cost for Alvares of US\$10,000,000, after which Empyrean will pay 25% of the costs moving forward (the "Alvares Consideration"). Empyrean has also agreed to pay US\$20,000 upon signing the Farm-out Agreement and JOA to reimburse Sacgasco for back costs associated with leasing and permitting the Alvares prospect. The joint venture partners have decided that drilling a well at the Dempsey Prospect is a first ranking priority before any proposal or decision to drill a well at Alvares will be made.

Assuming completion of the Farm-In and the payment of both the Alvares Deposit and the Alvares Consideration, the interests in the Alvares Gas Project will be: Sacgasco (Operator): 44%; Bombora Natural Energy Pty Ltd: 10%; Xstate Resources Limited (ASX: XST): 21%; and Empyrean: 25%.

Dempsey Trend AMI

Under the new agreement with Sacgasco, Empyrean will provide technical assistance to Sacgasco

to further mature prospects within the Dempsey Trend AMI in order to earn an increased 30% WI. In addition, Empyrean will have an option to participate in the already identified prospects on the following increased interest basis:

- Prospect #1: EME pays 60% of dry hole cost (i.e. to testing and setting production casing or abandonment) to earn 30% WI
- Prospect #2: EME pays 45% of dry hole cost (i.e. to testing and setting production casing or abandonment) to earn 30% WI
- Prospect #3: EME pays 45% of dry hole cost (i.e. to testing and setting production casing or abandonment) to earn 30% WI

Tom Kelly, Empyrean CEO, commented:

"Empyrean continues to work hard to provide its shareholders with potentially transformational exploration opportunities. The increased interest in the Sacramento Basin projects reflects our increasing confidence and understanding of the opportunity to be part of an exciting package that offers multiple chances to make very large gas discoveries in a region of the USA with increasing gas demand and excellent existing surface infrastructure. Any discovery we make can very quickly be put into production to create early cash flow. We are excited to be working closely and very cooperatively with the operator, Sacgasco, to give our companies the best chance of success."

****ENDS****

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The information contained in this announcement was completed and reviewed by the Company's Technical Director, Mr Frank Brophy, who has over 40 years' experience as a petroleum geologist.

Notes to Editors

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 1800km² offshore oil permit located in the Pearl River Mouth Basin, China where it has commenced 3D seismic Q2, 2017 to further mature two large oil prospects, Jade and 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. Empyrean is currently participating in drilling the Mako South-1 well which is planned to take core, run a full suite of modern logs and conduct a flow test commencing June 2017.

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 Company plans to commence a 3,200 metre (~10,500 feet) combined appraisal and exploration well, Dempsey-1, in Q3 2017 to evaluate this prospect.

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 will be drilling and testing the Dempsey Prospect, a 1 Tcf gas target in Q3, 2017.

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

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

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