

## Regulatory Story

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**Company** Empyrean Energy PLC  
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**Empyrean Energy PLC**  
 ("Empyrean" or the "Company"; Ticker (EME))  
**Sugarloaf Project, ("Sugarloaf"), Block B, Texas USA**  
**Independent Reserves Report**

- **Independent reserve assessment received for the Sugarloaf Project**
- **Report has NPV (10%) to Empyrean of 3P reserves of US\$77.6 million**
- **Report shows future net revenue to Empyrean totalling US\$179.7 million**

Empyrean is pleased to report that independent petroleum consultants, Netherland Sewell & Associates, Inc. ("NSAI"), of Houston, Texas have completed estimates of petroleum reserves and future revenues for Empyrean's interest in the Sugarloaf Project. Their report has an effective date of 31 December 2010.

The following reserve allocations have been made by NSAI:

- Total proved (1P) reserves - 608,050 bbls of crude oil condensate, 2.72 billion cubic feet ("Bcf") of natural gas net to Empyrean and Net Present Value of future net revenue, before income taxes, discounted at 10% ("NPV(10)") of US\$24.6 million
- Total proved plus probable (2P) reserves - 1,324,014 bbls of crude oil condensate, 5.98 Bcf of natural gas net to Empyrean and NPV(10) of US\$46.7million
- Total proved plus probable plus possible (3P) reserves - 2,612,129 bbls of crude oil condensate, 11.99 Bcf of natural gas net to Empyrean and NPV(10) of US\$77.6 million

**Key Points**

- The report is based on the field status of 9 producing wells as at 31 December 2010.
- NSAI have assumed a full field development of 283 wells on 80 acre well spacing. This number may increase if tighter spacing proves to be viable.
- The economic model generated by NSAI assumes a NYMEX West Texas Intermediate and Henry Hub forward commodity pricing strip curve from 31 December 2010. Oil and Gas prices have then been adjusted for the high calorific value of the gas, transportation and regional price variations.
- With the planned development program thru 2011, the Empyrean board believes that a large portion of possible reserves will be converted into the 2P category during 2011.

The Following table summarises the Reserve and Net Present Value estimates from the Netherland Sewell & Associates, Inc. Report.

Statement of Reserves and Future Net Revenue for Empyrean's Interest

Category	Net Reserves		Future Net Revenue (USD)	
	Oil (Barrels)	Gas (MCF)	Total	Present Worth at 10% discount

Proved	608,050	2,720,329	42,990,500	24,616,700
Probable	715,964	3,264,644	48,861,600	22,056,300
Possible	1,288,115	6,008,774	87,854,600	30,932,600
<b>Totals</b>	<b>2,612,129</b>	<b>11,993,747</b>	<b>179,706,700</b>	<b>77,605,600</b>

Reserves are for Emphyrean's post farmout interest in Sugarloaf (3.0%) and are net of all royalties. Two wells, Kennedy and Kowalik, are calculated at their higher working interests of 9% and 10.2%. Future Net Revenue to Emphyrean is after deducting royalties, state production taxes, ad valorem taxes, capital expenditure, operating expenditure and abandonment costs but not company income taxes.

Netherland Sewell and Associates Inc have prepared the estimates in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers (SPE).

#### Key Assumptions

- Oil and gas prices used are based on 31 December 2010 NYMEX West Texas Intermediate prices and are adjusted for quality, transportation fees and regional price differential. Gas prices are based on 31 December NYMEX Henry Hub prices and are adjusted for energy content, transportation fees, and a regional price differential. All prices before adjustment are shown on the following table;

Period Ending	Oil Price (USD/Barrel)	Gas Price (USD/MMBTU)
31/12/2011	93.61	4.59
31/12/2012	93.95	5.08
31/12/2013	92.95	5.33
31/12/2014	92.40	5.49
31/12/2015	92.55	5.64
Thereafter	93.11	5.79

- Well costs of US\$6.8 million per well
- Field development of 283 horizontal wells based on 80 acre spacing
- Operating costs per well of US\$20,000 per month

There is potential to increase reserves by increasing recovery per well and by reducing future well spacing.

There is potential to reduce the operating costs per well as economies of scale are achieved.

Commenting today, Executive Director Mr Tom Kelly said - "We are extremely pleased that the first independent reserves estimate for Emphyrean's interest in the Sugarloaf project has confirmed the value of the project. The project is robust and has the potential to generate significant cash flows to Emphyrean for many years to come. The Eagle Ford Shale is an exciting discovery in the USA and we are right in the middle of one of the most productive condensate rich areas."

The information contained in this announcement was completed and reviewed by the Technical Director of Emphyrean Energy Plc, Mr Frank Brophy BSc (Hons) who has over 40 years experience as a petroleum geologist.

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