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Empyrean Energy PLC - EME Independent Resource Audit of Mako Gas Field
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Empyrean Energy PLC ("Empyrean" or the "Company")

Independent Resource Audit of Mako Gas Field and Conversion to Gross Split PSC in Duyung PSC, Indonesia

Empyrean Energy plc, the oil and gas development company with interests in China, Indonesia and the United States, is pleased to announce an independent resource audit of the Mako gas field by Gaffney Cline & Associates ("GCA"). Additionally, West Natuna Exploration Limited ("WNEL" or the "Operator") has been invited to convert the Duyung Production Sharing Contract ("Duyung PSC") to the Government of Indonesia's ("GOI") new Gross Split PSC structure.

WNEL is the owner and operator of the Duyung PSC in the West Natuna basin, offshore Indonesia which contains the Mako gas field. Empyrean currently own a 10 percent shareholding in WNEL, and Conrad Petroleum Ltd. ("Conrad"), currently own a 90 percent shareholding in WNEL.

Highlights

- Gross 2C (contingent) resources audited by Gaffney Cline & Associates in the field of 276 Bcf (48.78 MMboe) of recoverable dry gas, and gross 3C resources of 392 Bcf (69.3 MMboe), representing additional field upside
- Identified exploration targets beneath the Mako gas field, including the high priority Tambak prospect (formerly 'Mako Deep') with potential to be up to twice the size of the existing Mako gas field discovery

- The Duyung PSC has been converted to the new GOI contractor- and investor-friendly Gross Split PSC scheme, which gives contractors greater spending and operational flexibility to carry out their business
- An updated field development plan using the Gross Split based fiscal terms has been submitted to the Indonesian authorities for approval

Tom Kelly, CEO of Empyrean, commented:

"The audit by GCA provides a tremendous endorsement of the Mako gas field, confirming much of Conrad's and our own technical assessment of the field. More work on a given field- whether drilling operations, technical maturation, or administrative progress (such as gas commercialisation and securing access to necessary infrastructure)-reduces risk, removes uncertainty and allows for more accurate appraisal and valuation. The conversion of the Duyung PSC to a Gross Split PSC is a step in the right direction resulting in strengthening project economics while at the same time lessening the bureaucratic burden on the execution of the project. Rarely do you get such a unique mix of low risk appraisal coupled with a potentially high reward exploration target under an advantageous structure. Empyrean looks forward to continuing to work closely with Conrad to unlock value from the Duyung PSC."

GCA Audit of the Mako Gas Field, Duyung PSC, Offshore Indonesia

The Mako gas field is an extremely large, shallow structural closure of over 350km². The reservoir is a Pliocene-age sandstone, with a gas-water contact at approximately 391m true vertical depth sub-sea. The field has excellent seismic definition with direct hydrocarbon indicators being very evident.

Having been drilled but not tested by prior operators of the acreage, the commercial viability of the Mako gas field was demonstrated by the Mako South-1 well drilled by WNEL in 2017. The well was drilled to core and test the Mako reservoir, flowing up to 10.8 MMscf/d of dry gas on test. In total, four wells have penetrated the reservoir section, and while further appraisal is planned given the huge areal extent of the field, the reservoir distribution is reasonably well understood.

The Mako field is located in the prolific West Natuna basin, approximately 16km from the WNTS pipeline system which delivers gas from Indonesia to Singapore. A plan of development has been submitted to the Indonesian authorities, and gas marketing discussions are in advanced stages, with a Heads of Agreement already signed with a buyer in Singapore for the Mako gas ("HOA").

GCA were commissioned to conduct an independent resource audit of the Mako gas field. GCA is a leading reserves certification and audit firm with 50 years' experience in conducting reserves and resource evaluations, and audits to the standards demanded by securities regulators and professional engineering bodies worldwide.

GCA rigorously tested internal reservoir models, development concepts, production estimates, and cash flow projections. This resulted in GCA rendering the following opinion on the resources and economics of the field:

GCA Estimated Contingent Resource & Post-Tax NPV, Mako Gas Field Development, Duyung PSC

Contingent Resources	Gross 100% Field	Net Attributable to Emphyrean (10%)
	Bcf	Bcf
1C (Low Case)	184	18.4
2C (Mid Case)	276	27.6
3C (High Case)	392	39.2

The resources are classified as "contingent" since no gas sales agreement ("**GSA**") has yet been signed and a Final Investment Decision ("**FID**") has not yet been taken. However, the HOA is a definitive step on the path to executing a GSA, the definitive gas sales document detailing all the terms regarding the sale of all Mako gas to Singapore. Once a GSA is signed / FID has been made, these resources will automatically be upgraded to reserves, and classified as proved, probable and possible. Negotiations on the GSA are underway and progressing as expected.

The Operator's current field development plan envisages an initial four well development scheme, a small platform with compression facilities and an additional four wells as a second phase to be drilled later in the field's life. The plateau production rate is envisaged to be up to 90 MMscf/d.

Near Field Exploration Potential

A series of prospects both beneath and above the Mako field have been mapped. Of particular note is the Tambak prospect (formerly 'Mako Deep'), a Lower Gabus structure that sits beneath the northern end of the Mako gas field. The target interval within Tambak exhibits seismic amplitude brightening, conformable with structural closure.

At the southern end of the field, over the structure's crest, sits the Mako Shallow prospect. This again shows very strong direct hydrocarbon indicators on seismic, conformable with closure in shallow Muda sandstones.

A drilling campaign is being planned to comprise an appraisal well within the Mako gas field and a well to test the Tambak prospect. Further announcements regarding the upcoming drilling program will be made in due course.

Conversion to Gross Split

In 2017, the Ministry of Energy and Mineral Resources in Indonesia ("**MEMR**") issued new regulations, introducing a new PSC scheme based upon a "Gross Production Split". The Gross Split PSC eliminates the previous cost recovery scheme in favour of a higher headline contractor share of revenues. Under the cost recovery regime, with the government take being directly reduced by contractor expenditure, budgeting is often a lengthy negotiation with potentially significant compromise. Under the new regime, the government take no longer depends on the exploration and development costs, hence the approval process for budgets has been dramatically streamlined, with the determination of optimal expenditure made by the contractor.

The Gross Split scheme on the other hand, being similar to the international well-established royalty/tax regime provides for more flexibility in the way that the various operational activities are procured and expended.

Mako Gas Field Plan of Development

A Plan of Development for the Mako gas field ("POD") was submitted early August 2018. The POD has been approved by SKK Migas, the Indonesian oil and gas regulator, and was pending approval from the MEMR prior to conversion of the Duyung PSC to a Gross Split PSC. Post the conversion to the Gross Split PSC, the POD has been revised to conform with the new requirements and submitted, and the revised POD is being evaluated by SKK Migas and the GOI. WNEL have advised that the POD is expected to be approved within Q1 2019. Approval of the POD will be another significant milestone for the project and the Company.

The information contained in this announcement has been reviewed by Empyrean's Executive Technical director, Gaz Bisht, who has over 29 years' experience as a hydrocarbon geologist and geoscientist.

****ENDS****

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