

Regulatory Story

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Empyrean Energy PLC - EME Operations Update from Mako Gas Discovery
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Empyrean Energy PLC ('Empyrean' or 'the Company')

Operations Update from Mako Gas Discovery, Indonesia

HIGHLIGHTS

- Plan of Development for the Mako Gas Field ("Mako POD") submitted to SKKMigas, the Indonesian oil and gas regulator
- Heads of Agreement ("HOA") signed with a regional gas buyer for the sale of all Mako gas
- Indonesian Government owned and accredited consultant, Lemigas, were contracted to certify initial reserves and assist with POD work and submission
- Concurrently, Conrad Petroleum Limited ("Conrad") has completed a preliminary internal estimate of 2C Contingent Resources of 373Bcf based on gas sales to be sold within the Duyung PSC term of the full Mako Gas Field
- Lemigas certified 2P "Reserves"* of 152.30Bcf gas based on Mako South-1 gas well only
- Further appraisal wells are planned to lift the Lemigas certified Resources to reflect the potential of the full Mako Gas Field

- Strong unsolicited third-party interest shown in participating in the Duyung PSC pre-POD
- High Impact Exploration 'leads' identified below the Mako Gas Field ("Mako Deep")

Empyrean Energy plc, the oil and gas development company with interests in China, Indonesia and the United States, advises that it has been informed by Conrad, its partner in the Duyung PSC, offshore Natuna Basin - Indonesia on progress at the Mako Gas Discovery. The Duyung PSC is 100% held by West Natuna Exploration Limited ("WNEL"). Empyrean is a 10% shareholder in WNEL with Conrad owning the remaining 90%.

Conrad has advised Empyrean that WNEL has submitted the Mako POD to SKKMigas, the Indonesian oil and gas regulator, which will, in turn recommend the Mako POD to the Indonesian Ministry of Energy and Mines. The Indonesian Ministry of Energy and Mines is expected to approve the POD during Q4 2018. WNEL contracted Indonesian Government owned and accredited consultants, Lemigas, to work on preparation and submission of the POD and to help ensure that all SKKMigas and Indonesian Ministry of Energy and Mines requirements were substantially met.

The Mako POD approval process paves the way for the Duyung PSC to convert into a Production Permit through to 2037 following approval of the Mako POD.

As part of the initial Mako POD submission, WNEL has negotiated and reached a HOA for the sale of all Mako gas to a regional utility. The final terms and pricing will be contained in a Gas Sales Agreement ("GSA") to be negotiated between the parties

As part of the POD submission, Lemigas completed a certification of reserves ("Lemigas Reserves") based primarily on the Mako South-1 well and an area of circumference spreading out from the well. In addition, Conrad has completed an internal calculation of its contingent resources ("Contingent Resources") based on the full Mako Gas Field. The Conrad preliminary estimate of 2C Contingent Resources of 373Bcf is expected to be converted into reserves following a Final Investment Decision ("FID") by WNEL and the signing of a GSA and agreements to access ("Access Agreements") the West Natuna Transport System ("WNTS"), the pipeline that carries gas to mainland Singapore. Conrad also has plans for third party certification of its Contingent Resources using current Society of Petroleum Engineers ("SPE") standards in due course. The "Lemigas Reserves" are shown in the table below:

"Lemigas Reserve" Certification*	1P	2P	3P
Initial Gas In Place (Bcf)	38.03	190.38	620.70
Recoverable Gas Reserve (Bcf) as at April 01, 2018	30.42	152.30	496.56

Lemigas Mako POD "Reserves"

** It is important to note that "reserves" in this context does not equate with the current SPE definitions followed by Conrad but does signify approval for WNEL to extract the certified volume of gas.*

Work on the FID, GSA and Access Agreements is a priority for WNEL in the coming 12 months.

Recently completed re-processing of 2009 vintage 2D seismic data utilising the latest advanced techniques has substantially improved imaging of the geological features underneath the Mako Gas Field. Ongoing evaluation of this data has identified a significant exploration 'lead', named Mako Deep. Whilst Mako Deep is named due to its proximity below the Mako Gas Field, it is in fact relatively shallow by industry standards at 2000-6000ft below mean sea level. Mako Deep is likely to contain well developed thick sand packages as proven by the Tengirri-1 well (drilled by Conoco in 1975). Provisional initial estimates show that Mako Deep has the potential to contain very large quantities of recoverable hydrocarbons, both oil and natural gas. Seismic interpretation, and analysis of the cuttings of the old Tengirri well are underway to further delineate and de-risk this exciting 'lead' for potential future drilling that could be executed sometime during 2019.

Following a technical presentation by Conrad in London recently and in the lead up to the submission of the POD to SKKMigas, there has been several approaches by third parties interested in participating in the Duyung PSC. Whilst no transactions have been concluded, the level of interest in the Mako Gas Field is encouraging.

Empyrean CEO, Tom Kelly commented "The extent and excellence of work completed by Conrad in conjunction with Lemigas is extremely pleasing. To reach submission of the POD to SKKMigas within 12 months of making a significant gas discovery is a credit to the Conrad team and Lemigas. Adding further excitement in the form of a high impact exploration target in Mako Deep on top of 373Bcf of 2C Contingent Resources, recoverable from the Mako Gas Field is really making the Duyung PSC an excellent asset for Empyrean and its co-shareholder in WNEL, Conrad."

Conrad Managing Director, Justin Pettett also commented "We have assembled a world class team that set ambitious targets to deliver upon following the Mako Gas Field discovery in 2017. So far, all objectives have been met and delivered ahead of time. This has been an extremely busy year and we are now well placed to achieve further progress towards development at Mako into 2019. We are transitioning from explorer status into developer and producer and with further large and compelling exploration upside at Mako Deep. We look forward to updating Empyrean shareholders of future progress."

This report has been reviewed by Empyrean's Executive Technical director, Gaz Bisht, who has over 29 years experience as a hydrocarbon geologist and geoscientist.

Further updates will be provided in due course.

****ENDS****

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