

## Regulatory Story

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**Empyrean Energy PLC - EME** Alvares 1 Testing and Operations Update  
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**30 August 2018**

**Empyrean Energy PLC ("Empyrean" or the "Company")**

**Alvares 1 Testing and Operations Update, Sacramento Basin, California**

Empyrean Energy (EME: AIM), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to announce that it has been informed by Sacgasco Limited (ASX: SGC) ("Sacgasco"), the operator of the Company's interests in the Sacramento Basin, onshore California, that it has obtained regulatory approval to test the potential for overlooked natural gas in the Alvares 1 well with re-entry targeted for early Q4 2018. Empyrean has a 25% working interest in the Alvares prospect ("Alvares").

The aim of the Alvarez appraisal work is to prove up large gas resources by appraising extensive natural gas shows in a 1982 well (that was focused on oil targets), by re-entering and testing the integrity of the existing wellbore, before testing a conventional reservoir zone, as well as a new fractured reservoir play concept.

The initial task is to test the integrity of the existing casing, then log through the casing to select perforation zones; and then test various zones of gas saturated reservoirs in the well. Consistent with good oilfield practice and for evaluation efficiency, Sacgasco have designed the programme with flexibility to respond to the results of testing.

The Alvares well had a drilled section of over 5,000 feet of high pressure gas shows which were not fully evaluated at the time of drilling due to the oil focus of the operators. The Alvares 1 well

is one of only three on-structure wells in the under-explored part of the Northern Sacramento Basin that flowed pipeline quality natural gas to the surface on test. At Alvares, the flow stage of the open hole test in the Stoney Creek Formation failed almost immediately as the test equipment in the well bore was dislodged by high pressures.

The target Stoney Creek Formation at Alvares is separate from, and older than any of the formations tested at the Company's Dempsey well or the Tulainyo well recently drilled by the Company's JV partner. Stoney Creek rocks have only rarely been drilled in the 100 years of exploration in the Sacramento Basin.

The two wells that drilled significant portions of the Stoney Creek Formation, James 1 (1947) and Alvares 1 (1982), flowed natural gas to surface from Stoney Creek reservoirs when oil was the commercial focus. Under the revised programme, the well bore will be assessed for its suitability for directly flow testing various gas saturated reservoirs interpreted from petrophysical and mud logs, and seismic in the Alvares well.

State-of-the-art through-casing gas detection logs, and high penetration perforating tools are planned to be utilised for the testing.

Empyrean notes that Pancontinental Oil & Gas NL's subsidiary, Bombora Natural Energy Pty Ltd, has executed an agreement with Sacgasco to fund 50% (up to US\$200,000) of drilling and pressure testing costs to assess the previously plugged Alvares 1 well bore integrity prior to planned flow testing.

#### *Dempsey Project*

Following the previously announced recommencement of gas production from the Dempsey 1-15 well, Sagasco has advised that some water accumulated in the well bore and reduced gas production. Production of gas from the Dempsey well has been shut-in temporarily for pressure build-up as a means to clear water from the well bore before recommencing gas production.

The Dempsey 1-15 well is the first deeper well in the eastern area of the northern Sacramento Basin to be based on 3D seismic. For the first time in 100 years of exploration in the Sacramento Basin, natural gas has flowed to sales from older under-explored sediments. Extensive gas shows over 5,000 feet of sediments demonstrate gas charged systems with characteristics similar to productive Basin Centered Gas Systems in other basins. Moreover, the seismic data demonstrates multiple opportunities for improved reservoir development away from the Dempsey well bore.

Further information will be released on the planned programme at Alvarez in due course.

**Empyrean CEO Tom Kelly commented,** "We are looking forward to the commencement of testing at Alvarez in Q4 2018. The Alvares 1 well has previously flowed pipeline quality gas to the surface from the targeted reservoir formation and we believe that given the relative costs of re-entering the existing well bore are a fraction of the cost of a new well, it is definitely worth ascertaining whether the old well bore can be efficiently utilised. The gas shows whilst drilling for oil back in the 1980's offer a very enticing initial target with significant potential.

"Empyrean has already been part of a significant discovery of approximately 373 billion cubic feet of gas at its 10% owned Mako Gas Field in Indonesia which now offers low risk appraisal with significant upside. The opportunity to explore efficiently for large gas accumulations relatively close to infrastructure in the energy hungry Californian market really compliments Empyrean's portfolio that is spearheaded by its offshore China permit offering best case prospective resources from three mature drill targets of over 770 million barrels of oil."

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.

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

For further information:

**Empyrean Energy plc**

Tom Kelly

Tel: +61 8 9380 9920

**Cenkos Securities plc**

Neil McDonald

Tel: +44 (0) 131 220 9771

Beth McKiernan

Tel: +44 (0) 131 220 9778

**St Brides Partners Ltd**

Lottie Wadham

Tel: +44 (0) 20 7236 1177

Frank Buhagiar

Tel: +44 (0) 20 7236 1177

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