

Regulatory Story

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Empyrean Energy PLC - EME Reduction of Interest in Duyung for Cash & Shares
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Empyrean Energy PLC ("Empyrean" or the "Company") Reduction of Interest in Duyung PSC, Indonesia, for Cash and Shares

11 February 2019

Empyrean, the oil and gas development company with interests in China, Indonesia and the United States, is pleased to announce that it has entered into a binding, conditional purchase agreement (the "**Agreement**") pursuant to which AIM listed Coro Energy plc ("**Coro**") will acquire a 15% interest in the Duyung Production Sharing Contract ("**Duyung PSC**") from West Natuna Exploration Limited ("**WNEL**") for aggregate consideration in cash and Coro shares of US\$4.8 million and the contribution of US\$10.5 million by Coro toward the 2019 drilling campaign at the Mako gas field (the "**Consideration**"). The cash and share component of the Consideration will be paid pro rata to the existing owners of WNEL, being Empyrean, which currently has a 10% effective interest in the Duyung PSC, and Conrad Petroleum Ltd ("**Conrad**"), which currently has a 90% effective interest in the Duyung PSC, each through shareholding in WNEL.

WNEL is the owner and operator of the Duyung PSC in the West Natuna basin, offshore Indonesia which contains the Mako gas field.

Highlights

- The Consideration will be paid US\$2.95 million in cash and US\$1.85 million in the form of new ordinary shares in Coro (the "**Consideration Shares**")
- Empyrean will receive cash consideration of US\$295,000 and Consideration Shares with a value of US\$185,000 for the transfer to Coro of 1.5% of its current 10% interest in the

Duyung PSC

- Following completion of the transaction, including the payment by Coro of US\$10.5 million in partial funding of the 2019 drilling programme at the Mako gas field and subject to necessary Government and regulatory approvals, WNEL will make a direct transfer of interest in the Duyung PSC to Empyrean and the other owners. Empyrean's interest will be a direct ownership and no longer held through WNEL. The owners of the Duyung PSC will be Conrad (76.5%), Empyrean (8.5%) and Coro (15%)
- Details of the 2019 drilling campaign will be set out in an agreed work programme and budget for the year (the "**2019 Work Programme**")
- Coro has today paid US\$2.95 million in cash comprising US\$1.75 million of the cash consideration (of which US\$175,000 has been paid to Empyrean) and US\$1.2 million of drilling campaign contribution, which shall be treated as a break fee in the event Coro fails to complete
- Gross 2C (contingent) resources certified by Gaffney Cline & Associates in the field of 276 Bcf (48.78 MMboe) of recoverable dry gas with gross 3C resources of 392 Bcf (69.3 MMboe) representing additional field upside
- Identified exploration targets, both above and beneath the field, include the Tambak (formerly 'Mako Deep') prospect (scheduled for 2019 drilling) and the 'Mako Shallow' prospect
- The field development plan has been submitted to the Indonesian authorities for approval
- The field is located close to the West Natuna Transportation System, offering the potential to sell gas into the Singapore market, where an MOU has been signed with a gas buyer earlier this year
- Favourable gas price in Singapore, with piped gas complementing LNG import supply

Tom Kelly, CEO of Empyrean, commented:

"The sale to Coro Energy Plc of a 15% interest in the Duyung PSC is mutually beneficial for all parties concerned. The Mako Gas discovery is such an exciting project with appraisal wells planned for 2019 that are low risk with potential to improve the understanding of the Mako discovery, add proven reserves and at the same time potentially unlock further transformational value if the Tambak Prospect (formerly Mako Deep) is successful. Rarely do you get such a unique mix of low risk appraisal coupled with a potentially high reward exploration target. Empyrean will now be largely funded for the majority of the 2019 appraisal programme and whilst Empyrean will sell 15% of its interest and drop from 10% currently to 8.5% at completion, the potential uplift in valuation of the asset will come with minimal financial risk to Empyrean. Empyrean looks forward to continuing to work closely with Conrad Petroleum and Coro Energy Plc to unlock value from the Duyung PSC."

The Transaction

Pursuant to the terms of the Agreement, Empyrean will receive cash consideration of US\$295,000 on signing and Consideration Shares in Coro with a value of US\$185,000 in consideration for the transfer to Coro of 1.5% of its current 10% interest in the PSC. Conrad will receive initial cash consideration of US\$2.655 million and Consideration Shares with a value of US\$1.665 million in consideration for the transfer to Coro of 13.5% of its current 90% interest in the PSC.

The number of Consideration Shares to be issued has been determined according to the volume weighted average price of Coro's shares for the 30 days prior to the Agreement being entered into (being 2.3492 pence per share). 60,905,037 shares of 0.1p each will therefore be issued to the WNEL owners as the share element of the consideration of the transaction. The balance of the consideration will be paid on first closing (within thirty-four business days). Transfer to PSC title, which requires Indonesian regulatory approval, is expected to follow with a long stop date of 31 December 2019, failing which Coro will receive transfers of 15% of the shares of WNEL instead.

Following completion of the transaction, the owners in the PSC will be Conrad (76.5%), Empyrean (8.5%.) and Coro (15%).

Further announcements will be made in due course, as appropriate.

The Mako Gas Field, Duyung PSC, Offshore Indonesia

The Mako gas field is an extremely large, shallow structural closure, with an area extent of over 350 square km. 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. Overall 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 16 km from the WNTS pipeline system which delivers gas from Indonesia to Singapore. A plan of development has been submitted to the Indonesian authorities and initial gas marketing discussions have commenced, resulting in a Heads of Agreement being signed with a buyer in Singapore for the Mako gas.

An independent report on the field's potential was carried out by Gaffney Cline & Associates earlier this year, resulting in the following gross resource certification:

<i>Category</i>	<i>Gas Recoverable (Bcf)</i>
1C	184
2C	276
3C	392

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, To Be Tested in 2019

A series of prospects both beneath and above the Mako field have been mapped. Of particular note is the Tambak (formerly 'Mako Deep') prospect, a Lower Gabus structure that sits beneath the northern end of the Mako field. The target interval within Tambak exhibits seismic amplitude brightening, conformable with structural closure. The prospect has a prospective resource range of 200 to 300 Bcf with a mid-case 250 Bcf and a CoS of 45%.

At the southern end of the field, over the structure's crest, sits the Mako Shallow prospect. This again shows a very strong direct hydrocarbon indicators on seismic, conformable with closure in shallow Muda sandstones. The Shallow Muda prospect has potential to add a further 100 Bcf of recoverable resources and a very high CoS of 75%.

A drilling campaign is being planned for 2019 and a test of the Tambak prospect is expected to be a part of the 2019 Work Programme.

****ENDS****

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