

RNS Drilling/Production Report

Award of Drilling Contract for Jade Prospect

EMPYREAN ENERGY PLC

Released 07:00:08 02 September 2021

RNS Number : 5189K
Empyrean Energy PLC
02 September 2021

This announcement contains inside information

Empyrean Energy Plc / Index: AIM / Epic: EME / Sector: Oil & Gas

Empyrean Energy plc

Block 29/11, China - Award of Drilling Contract for Jade Prospect including significantly reduced drilling cost estimate and December target Spud Date

2 September 2021

Empyrean Energy plc ("**Empyrean**" or the "**Company**"), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to advise that it has awarded an Integrated Drilling Contract ("**IDC**") for the drilling of the Jade prospect exploration well on Block 29/11, offshore China, (the "**Jade Prospect**") to China Oilfield Services Limited ("**COSL**").

HIGHLIGHTS

- **Award of IDC to COSL with targeted well spud date set for 15 December to 30 December 2021**
- **Drilling rig availability confirmed and all technical, commercial and contractual terms agreed**
- **The final IDC requires a Drilling Program and Geological Program to be incorporated (underway) in the coming weeks**
- **COSL proposal includes a significantly reduced drilling cost estimate of US\$12.3m (previous estimate US\$18.5m), plus a success-based testing cost estimate of US\$7.4m**
- **Drilling Program, Geological Program, preparation for the Well Site Survey and preparation for various permits required to drill are all underway**

Empyrean is the operator of Block 29/11 in China and has 100% working interest during the exploration phase. In the event of a commercial discovery, its partner, China National Offshore Oil Company ("**CNOOC**"), may assume a 51% participating interest in the development and production phase.

As part of the award process, the Company and COSL have agreed all technical, commercial and contractual terms and COSL has confirmed rig availability and a target spud date of 15 December to 30 December 2021 for the Jade Prospect. A condition of the award is that Empyrean and COSL have now agreed that there will be no further exceptions, qualifications or deviations to the technical, commercial and contractual terms and conditions ahead of signing the IDC. The Drilling Program and Geological Program are the only remaining items to be incorporated into the IDC and are procedural in nature. CNOOC approval was sought and provided ahead of the award of the IDC and all parties are aligned in the targeted timing to drill the Jade Prospect in mid to late December.

As announced on 23 April 2021, Empyrean appointed AGR to complete a comprehensive well design and engineering project for the Jade Prospect. Empyrean then elected, based on AGR's analysis and recommendation, to use a four-string casing design for the drilling of the Jade Prospect.

The Company had previously been quoted US\$18.5 million to drill the Jade well with testing of any oil column to be in addition to this amount. Following the well engineering and design work completed with AGR, the Company has been working diligently with COSL towards securing a rig and finalising costs for the well. To this end, the parties have reached agreement on a substantially reduced turnkey quote for the drilling of the Jade Prospect of US\$12.3 million on a dry hole basis, an approximate 34% saving on the initial quote. On a success basis, testing of any oil column has been quoted at US\$7.4 million.

The substantially reduced drilling contract quote has been reached without compromising the well design, safety or operational efficiency of the proposed well.

The Company is making good progress on other drill preparations including preparation of the Drilling Program, Geological Program, Well Site Survey and various pre-drilling permits.

The Company announced on 9 July 2021 that it had raised gross proceeds of £5.02 million (US\$6.92 million) through an equity placing and that the net proceeds would be used to secure a suitable drilling rig and order long lead items, as well as for the Company's general working capital requirements. The Company will require further funding, via a joint venture, exercise of warrants or from an equity raising in order to enable it to undertake the drilling of the Jade Prospect.

Further updates in relation to the finalisation of the IDC will be made in due course.

The Jade Prospect

The 2021 drilling campaign is targeting a world class conventional oil target in the Jade Prospect, to which Gaffney Cline & Associates ("GCA") assigned a Geological Chance of Success ("GCoS") of 32%. Subsequent to this independent assessment, the Company completed a gas cloud study and post stack seismic inversion study that it believes further mitigates risk and increases the GCoS to 41%.

The Jade Prospect has a GCA audited mean in place potential of 225 MMbbl and a P10 in place upside of 395 MMbbl. Four recent nearby discoveries by CNOOC immediately to the West of the Jade Prospect are filled to their P10 potential or better. All four CNOOC discoveries have gas clouds showing in the overburden on seismic.

Empyrean's excellent quality 3D seismic indicates that there is a classic "fill to spill" geological setup in the basin, and a robust regional seal, that provides the Jade and Topaz Prospects with a very real possibility of being filled in a similar fashion to nearby discoveries. The Jade and Topaz prospects have gas clouds, similar to nearby discoveries, in the overburden on 3D seismic. Dry wells nearby do not have gas clouds. The Jade Prospect is the first of the three identified prospects within Block 29/11, which also contains the Topaz and Pearl prospects. The combined audited mean in place potential of all three prospects is 884 MMbbl and a P10 in place upside of 1,588 MMbbl. The post stack seismic inversion study showed Jade and Topaz both have the potential for excellent carbonate buildup reservoir quality with excellent porosity and permeability. Any oil discovered is expected to be light oil in the 38-41 API range, similar to nearby discoveries. These attributes combined with the potential for exceptional natural reservoir drive supports the potential for excellent recovery rates.

China is the largest importer of oil in the world.

The information contained in this announcement has been reviewed by Empyrean's Executive Technical director, Gaz Bisht, who has over 31 years' experience as a hydrocarbon geologist and geoscientist.

Empyrean CEO, Tom Kelly, stated:

"This award of contract to COSL at approximately 34% below our previously anticipated drilling cost estimate is a massive leap forward for Empyrean and the reduced drilling cost is effectively better than a 34% JV style deal as there is zero dilution to Empyrean. The countdown to the drilling of the Jade prospect has begun. Locking in rig availability, finalising costs and setting a target spud date were all essential to securing the remaining funds required to drill the Jade Prospect whether that be by JV, warrant exercise or equity raise. The thorough work Empyrean has completed in conjunction with AGR resulting in the negotiation and award of contract is a credit to our technical director Gaz Bisht and the team at COSL. All other drilling preparation activities, including finalising the site survey, ordering long lead items and securing the necessary drill permits, are progressing well. We also thank CNOOC for their continued support and cooperation throughout this process."

For further information please contact the following:

Empyrean Energy plc

Tom Kelly

Tel: +61 6146 5325

Cenkos Securities plc (Nominated Advisor and Broker)

Neil McDonald

Tel: +44 (0) 131 220 9771

Pete Lynch

Tel: +44 (0) 131 220 9772

First Equity Limited (Joint Broker)

Jason Robertson

Tel: +44 (0) 20 7330 1883

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

DRLSSWSIEEFSELU

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#),

including restrictions on use and distribution apply.

© 2021 London Stock Exchange plc. All rights reserved.