

RNS Miscellaneous

Drilling Contract Executed for Jade Prospect

EMPYREAN ENERGY PLC

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Empyrean Energy plc

Block 29/11, China -Empyrean and COSL Execute Final Drilling Contract for Jade Prospect

11 November 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 the Integrated Drilling Contract ("**IDC**") for the drilling of the Jade prospect exploration well on Block 29/11, offshore China, (the "**Jade Prospect**") has been executed by Empyrean and China Oilfield Services Limited ("**COSL**").

HIGHLIGHTS

- **IDC Signed by Empyrean and COSL with targeted well spud date late December 2021**
- **Drilling rig availability confirmed and all technical, commercial and contractual terms agreed**
- **IDC confirms the 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**
- **Empyrean will now pay the 10% deposit (\$US1.23m) under the terms of the IDC**
- **Drilling rig availability has been confirmed, the Geological Programs agreed and the Well Site Survey contract awarded**
- **Progression of the various permits required to drill are progressing on schedule with CNOOC EnerTech-Drilling & Production Co ("**CNOOC EnerTech**") engaged to manage a number of critical pre-drilling permitting and logistical requirements**

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 previously announced in September 2021, the Company and COSL agreed all technical, commercial and contractual terms and COSL confirmed rig availability and a target spud date of 15 December to 30 December 2021 for the Jade Prospect. The Geological Program has now been incorporated into the IDC and both parties have executed the final contract. CNOOC approval was sought and provided ahead of the award of the IDC and again prior to signing of the IDC and all parties are aligned in the targeted timing to drill the Jade Prospect in December.

The signed IDC confirms the 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 Company awarded the Well Site Survey contract in October 2021 and is making good progress on other drill preparation activities. The Well Site Survey will commence as soon as there is a good weather window with low enough swell to safely and effectively complete the survey, as recent sea conditions at the well site have been poor. The Drilling and Geological Programs have been finalised and are incorporated in the IDC. The Company will now pay the 10% deposit (US\$1.23 million) within 15 days under the terms of the IDC.

As announced last week, CNOOC EnerTech have been engaged to manage a number of these critical pre drilling permitting and logistical requirements as well as performing a major managerial role over all aspects of the drilling operations

The drilling of the Jade Prospect remains subject to further funding being secured by the Company. The Company is currently in negotiations with potential counterparties and is aiming to finalise the necessary arrangements in the coming weeks. Further updates in this regard and in relation to the Jade well drilling preparation and permitting activities 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:

"The signing of the integrated drilling contract with COSL, marks another important milestone for Empyrean as we gather momentum on the downhill run to drilling the Jade prospect next month. We thank COSL for their diligent and collaborative approach to date. We have already locked in the drill rig and awarded the well site survey and are making very good progress with other drilling preparation activities, acquiring long lead items and securing the necessary drill permits. As announced last week we have engaged CNOOC EnerTech to manage a number of these critical workstreams. Finally, we would like to again thank CNOOC for their continued support and cooperation throughout this process."

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