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UNITED STATES

Empire Strikes Down Under

Dale Granger Friday, May 4, 2018 - 12:01 am



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The decision to lift the fracking moratorium in the Northern Territory has put a spring in the step of Australian oil and gas explorers and none more so than U.S. company and Australian Securities Exchange (ASX)-listed Empire Energy, which has seen its share price shoot into the stratosphere.

Formerly known as Imperial Corporation until 2011, Empire Energy's stock spiked 84% to 35 cents during the four weeks to April 27 as the company emerged as the best oil and gas performer for the month on the ASX, according to data released by Australian Oil & Gas Research today.

Furthermore, Australian Oil & Gas Research also revealed that Empire Energy, which has its global headquarters in Canonsburg, Pa., and producing wells in Appalachia, Kansas and Oklahoma, had been the fastest growing oil and gas company on the ASX over the past 12 months—a period in which the junior's share price has soared 400%.

Speaking from Empire's wholly-owned Australian subsidiary, Empire Oil & Gas Pty Ltd's Australian office in Sydney, Executive Chairman Bruce McLeod told Hart Energy that the company's strong position in the Northern Territory and its cautious hedging strategy had wooed investors.

Empire Energy holds 14,6 million acres in the Northern Territory's Beetaloo and McCarthur sub-basins, where it had suspended exploration activities since 2016 pending the fracking inquiry's favourable verdict and the Labor Party's subsequent decision to green light shale drilling last week.

McLeod said Empire's decision to hedge oil (West Texas) at US\$66 and gas (Henry Hub) at an average of US\$4.11 from 2010 to late 2017 had carried the company through the downturn and enabled it to sustain steady production during three particularly turbulent years of cascading oil prices.

Gross oil production was 192,000 barrels for 2017 during a year in which gas yielded 2.31Bcf from Empire Energy's fields. Now the company is looking to expedite its program in Australia.

"We hold about 80-90% of the acreage in the McCarthur sub-basin but had little choice but to hold back while the fracking moratorium was in place until we were certain of the outcome, which has certainly had a nice effect on our share price," McLeod said.

"Most importantly, we were able to weather the storm of very depressed oil prices and gas as well with our very aggressive hedging strategy. This enabled us to keep production steady with very little capital and we were able to raise some money during the down period on the back of that performance."

Now that the fracking ban has been lifted, McLeod said he expected a flurry of exploration activity in the NT with companies gearing up for a busy 2019 before the wet season curtails activities in the summer months.

"The final lifting of the fracking moratorium gives us one more leg up in the whole process of being able to identify and being able to negotiate with a JV partner to help develop our NT acreage. Ideally, we would love a partner with a lot of cash and expertise in shale plays. A logical route for us to travel would be to Asia, where companies are looking for long-term security of gas supply.

"I guess in a way we are lucky that we have hit the crossroads now of increasing oil prices and a projected demand for LNG over the next 10 to 20 years while we, at a very conservative estimate, flag a P50 resource of 13 Tcf. But we expect it to be considerably higher in basins where you have at least five to six stacked shale formations, whereas our prospective resources are based on one formation across those tenements."



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