

### Joint Venture to Expand Oklahoma Portfolio Responding to the Macro Opportunity

**Perth, Western Australia – June 10, 2020** - Brookside Energy Limited (**ASX:BRK**) (**Brookside**) and Stonehorse Energy Limited (**ASX: SHE**) (**Stonehorse**), together, (**the Companies**), are very pleased to announce the formation of a new Joint Venture (**Orion Project**) which will enable the Companies to exploit opportunities to acquire producing oil and gas properties in the world-class Anadarko Basin, Oklahoma.

#### HIGHLIGHTS

- The Orion Project is a 50/50 joint venture between the Companies, with Brookside's subsidiary, Black Mesa Energy, LLC responsible for identifying, acquiring and operating the properties on behalf of the joint venture<sup>1</sup>
- The joint venture will target natural gas weighted, mature long-life production assets with very low terminal decline and upside that can be unlocked from remedial workover activity and/or unexploited or underexploited behind pipe or deeper productive zones
- The Orion Project offers significant scalability, with the initial focus area extending over 1,100 square kilometres in the Anadarko Basin, covering several historic and currently producing oil and gas fields and many hundreds of vertical wellbores
- Work has commenced on the Orion Project, with the Black Mesa Energy team analysing comprehensive data sets covering the focus area to refine and identify acquisition opportunities – discussions have commenced on several targets already
- The current macro environment has created a unique opportunity to acquire producing properties in an area that we know extremely well at a time in the cycle when prices are below the incentive price for aggressive development

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Commenting on the announcement, Brookside Managing Director, David Prentice said:

*"We are delighted to be partnering with Stonehorse on this new venture. This time in the commodity price cycle is presenting some fantastic opportunities and we are extremely well positioned to take advantage of this and to continue to grow our asset base within the SWISH AOI.*

*"The Black Mesa team has been working hard over the last several weeks sifting through an enormous amount of data looking for the best opportunities and I'm excited to report that this work is already delivering up targets to pursue.*

*"This is going to be a very exciting initiative for us and we look forward to keeping our shareholders and the market updated as we progress it."*

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<sup>1</sup> Black Mesa will receive an 18.75% Working Interest Back in After Payout on assets acquired pursuant to the Orion Project Joint Venture in accordance with the terms of the Acquisitions Program Agreement between BRK Oklahoma Holdings, LLC and Black Mesa Energy, LLC.



## RESPONDING TO THE MACRO ENVIRONMENT

Recent global events that have impacted demand for oil and gas, together with the supply side tensions between the OPEC+ nations have resulted in sharply lower commodity prices. This has created a significant opportunity for companies that are able to respond to this macro environment.

The current price environment has seen a dramatic drop in the level of drilling and completion activity across the US basins (including the Anadarko Basin). This reduction in activity is likely to have a lasting impact on future US oil and gas production and help to quickly restore the apparent supply demand imbalance, putting upward pressure on prices.

In particular we see natural gas prices being a very strong beneficiary of this recovery with some commentators calling for much higher prices later this year and into 2021 and beyond.

This environment has created a unique opportunity to acquire producing properties in an area that we know extremely well at a time in the cycle when prices are below the incentive price for aggressive development.

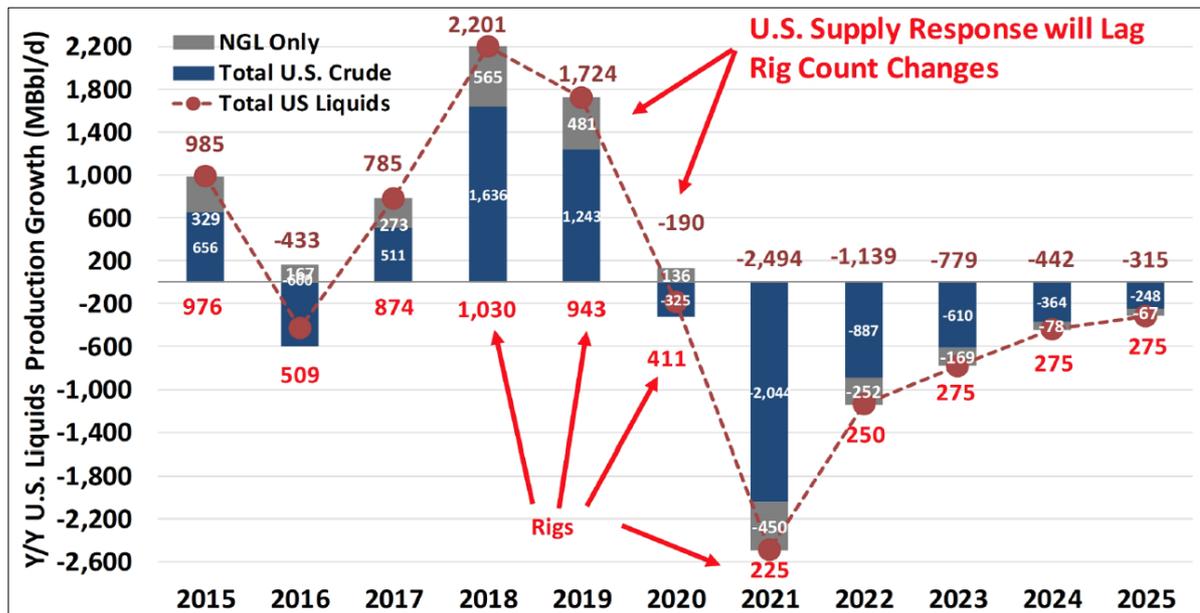


Figure 1. US Liquids Production Growth  
Source EIA, Raymond James Research



## JOINT VENTURE STRUCTURE AND KEY METRICS

The Orion Project is a 50/50 joint venture between Brookside Energy Limited and Stonehorse Energy Limited, with Brookside's subsidiary Black Mesa Energy, LLC responsible for identifying, acquiring and operating the properties on behalf of the joint venture.

The joint venture participants have committed to an initial combined investment in the Orion Project of US\$500,000 with the opportunity to expand this commitment as the joint venture grows.

The joint venture will be acquiring producing properties and the associated "Held by Production" acreage, with an emphasis on natural gas weighted production from mature vertical wells with very low terminal decline and substantial remaining economic life.

The producing properties will be cashflow positive at the current Forward Strip pricing, with upside that can be unlocked from remedial workover activities or from unexploited or underexploited behind pipe or deeper productive zones.

## JOINT VENTURE OBJECTIVES

The joint venture will acquire a portfolio of operated, long-life producing wellbores with upside that can be unlocked through low-cost, low-risk workovers (see Figure 2. below). The Companies aim to build out this portfolio at a low point in the commodity price cycle and then add value through operational execution.

The ultimate objective is to grow this asset base to complement our existing asset base and leasehold acreage within the SWISH AOI and to increase both operating cashflows and reserves.

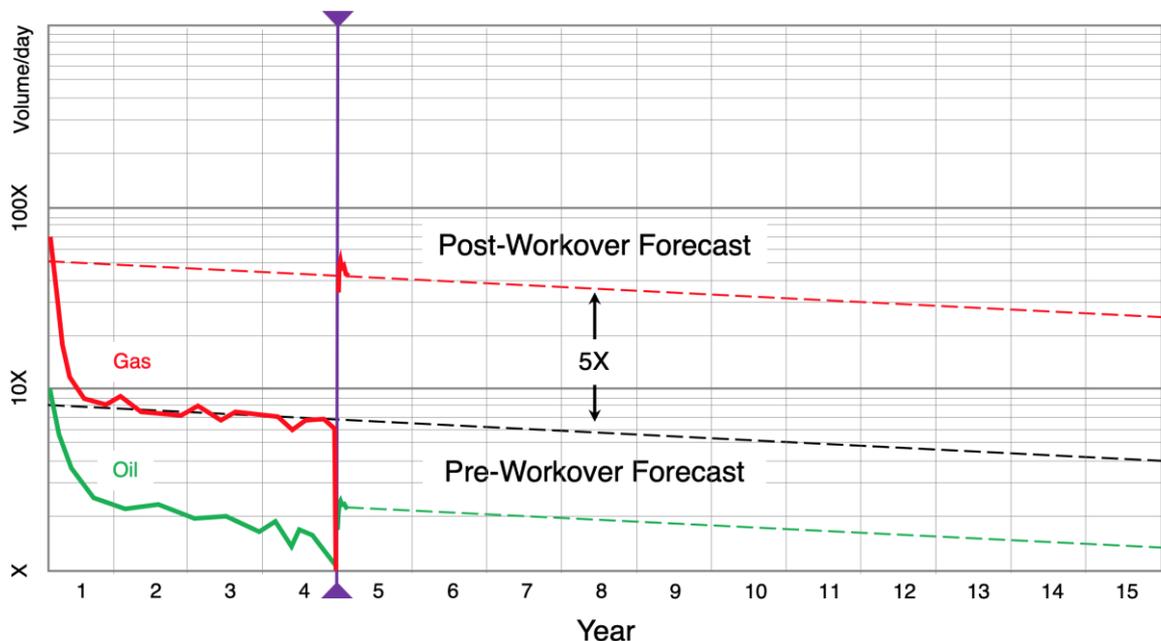


Figure 2. Anadarko Basin Vertical Well Workover Scenario



## **UPSIDE FROM HIGHER COMMODITY PRICES**

Forecast increases in commodity prices provide an opportunity to add significant additional value to producing properties acquired by the joint venture.

The following chart highlights the scope for pricing upside from today's Forward Price Strip compared to the April 2019 Forward Price Strip. The application of the April 2019 Forward Strip pricing (at around US\$55 per barrel) would add approximately 30% to the PV10 value of the Post-Workover forecast cashflows set out in the workover example shown in Figure 2. Above.

Additional upside will also be realised as natural gas prices potentially increase significantly into the northern hemisphere winter.

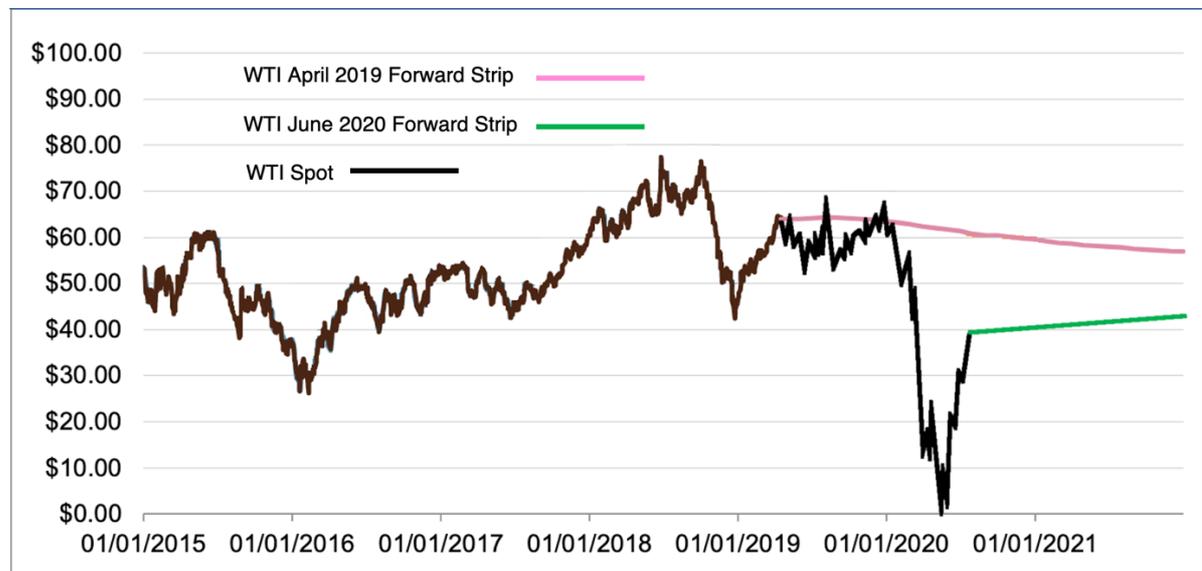


Chart 1. WTI Prices 2015-2021 (April 2019 Forward Strip v's June 2020 Forward Strip)

## **SCALE OF THE OPPORTUNITY**

The Orion Project Joint Venture's initial focus area extends over 1,100 square kilometres in the Anadarko Basin, covering several historic and currently producing oil and gas fields and many hundreds of vertical wellbores.

Work has commenced on the joint venture, with the Black Mesa Energy team analysing data from within the focus area to refine and identify acquisition opportunities.

The team has acquired, analysed and interpreted comprehensive data sets covering past and current production, geology, reservoir characteristics, wireline and mud logs, drill stem tests, drill core and 2-D seismic. This data and analysis is being used to refine and target opportunities and discussions have already commenced on several targets.

The Companies look forward to keeping their shareholders and the market updated as we successfully execute on the Orion Project objectives, that will see our respective asset portfolios enhanced, cashflows increased and shareholder value added in the near term.



## **BACKGROUND**

Brookside Energy is a Perth-based ASX listed company that generates shareholder value by developing oil and gas plays in the world-class Anadarko Basin.

The Anadarko Basin is a proven Tier One oil and gas development province with significant existing oil and gas gathering and transportation infrastructure, a competitive and highly experienced oil and gas service sector, and a favourable regulatory environment.

Brookside is executing a “Real Estate Development” approach to acquiring prospective acreage in the Anadarko Basin and adding value to it by consolidating leases and proving up oil and gas reserves. The Company then has the option of selling the revalued acreage or maintaining a producing interest.

This model is commonly used by private equity investors in the sector, and has been successfully piloted by Brookside in the northern Anadarko Basin’s STACK Play.

Brookside’s subsidiary and manager of US operations, Black Mesa Energy is an experienced mid-continent operator, which identifies opportunities and executes development under a commercial agreement with Brookside. The business model effectively assigns risk and provides commercial incentives to maximise value for both parties.

The Company is now set to scale-up its activities and asset base significantly with its operated- interests in the SWISH AOI.

**- ENDS -**

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### **ABOUT BROOKSIDE ENERGY LIMITED**

Brookside is an Australian publicly held company listed on the Australian Securities Exchange (ASX: BRK). The Company was established in 2004 and first listed via an Initial Public Offering in October 2005. The Company has established deep and valued relationships in the oil and gas sector over the last 10 years through its successful activities in the oil and gas sector focused on the mid-continent region of the United States. Brookside’s goal is to build value per share through a disciplined portfolio approach to the acquisition and development of producing oil and gas assets and the leasing and development of acreage opportunities.

Web <http://www.brookside-energy.com.au>

### **ABOUT BLACK MESA ENERGY, LLC**

Black Mesa Energy, LLC is a Tulsa-based oil & gas exploration and production company focused on profitable development of petroleum properties located in the Mid-Continent oil province of the United States. Our lean and highly specialized technical and operations team is committed to providing attractive returns for our investors and shareholders by generating and drilling high quality oil and gas prospects. The founders of Black Mesa have worked together for over 30 years at companies they previously founded, including Medallion Petroleum, InterCoast Energy and Brighton Energy. Over the course of their careers, the Black Mesa team has drilled hundreds of horizontal wells and thousands of vertical wells in numerous mid-continent oil and gas basins. In addition to the financial backing from the Black Mesa shareholders, Black Mesa partners with outside investors on larger-scale projects by offering non-operated direct working interest participation.

Web <http://www.blkmesa.com>



## GLOSSARY

<b>APO WI</b>	After pay out working interest
<b>AFIT</b>	After Federal Income Tax
<b>AOI</b>	Area of Interest
<b>BFIT</b>	Before Federal Income Tax
<b>BOE</b>	Barrels of Oil Equivalent
<b>COPAS</b>	Council of Petroleum Accountants Societies
<b>Development Unit or DSU</b>	Development Unit or drilling spacing unit is the geographical area in which an initial oil and/or gas well is drilled and produced from the geological formation listed in a spacing order. The spacing unit communitizes all interest owners for the purpose of sharing in production from oil and/or gas wells in the unit. A spacing order establishes the size of the unit; names the formations included in the unit; divides the ownership of the unit for the formations into the "royalty interest" and the "working interest"; Only one well can be drilled and completed in each common source of supply. Additional wells may be drilled in a Development Unit, but only after an Increased Density Order is issued by the Oklahoma Corporation Commission.
<b>Mboe</b>	1,000 barrels of oil equivalent
<b>Mcf</b>	1,000 cubic feet
<b>MMboe</b>	1,000,000 barrel of oil equivalent
<b>NPV<sub>10</sub></b>	The net present value of future net revenue, before income taxes and using a discount rate of 10%.
<b>NRI</b>	Net Revenue Interest
<b>PDP</b>	Proved Developed Producing Reserves
<b>Pooling Agreements</b>	The pooling agreements facilitate the development of oil and gas wells and drilling units. These binding pooling agreements are between the Company and the operators as specified in Appendix 1.
<b>PUD</b>	Proved Undeveloped Reserves
<b>Reserve Categories</b>	<p>These reserve categories are totalled up by the measures 1P, 2P, and 3P, which are inclusive of all reserves types:</p> <ul style="list-style-type: none"> <li>● "1P reserves" = proven reserves (both proved developed reserves + proved undeveloped reserves).</li> <li>● "2P reserves" = 1P (proven reserves) + probable reserves, hence "proved AND probable."</li> <li>● "3P reserves" = the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps "proven AND probable AND possible."</li> </ul>
<b>STACK</b>	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
<b>SCOOP</b>	South Central Oklahoma Oil Province - oil and gas play in the Anadarko Basin Oklahoma
<b>SWISH AOI</b>	Description of Brookside's Area of Interest in the SCOOP Play
<b>Working Interest</b>	Percentage of ownership in a lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit