

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

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

### Highlights

- The Orion Project Joint Venture is a 50/50 joint venture between the Companies, with Brookside Energy'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 Joint Venture 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, Stonehorse Executive Director, David Deloub said:

*“This new venture affords us the opportunity to continue to build out our oil and gas asset portfolio by leveraging off our existing relationships with our JV partner and the technical team at Black Mesa through the acquisition of producing properties within our focus area in a low commodity price environment”.*

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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.

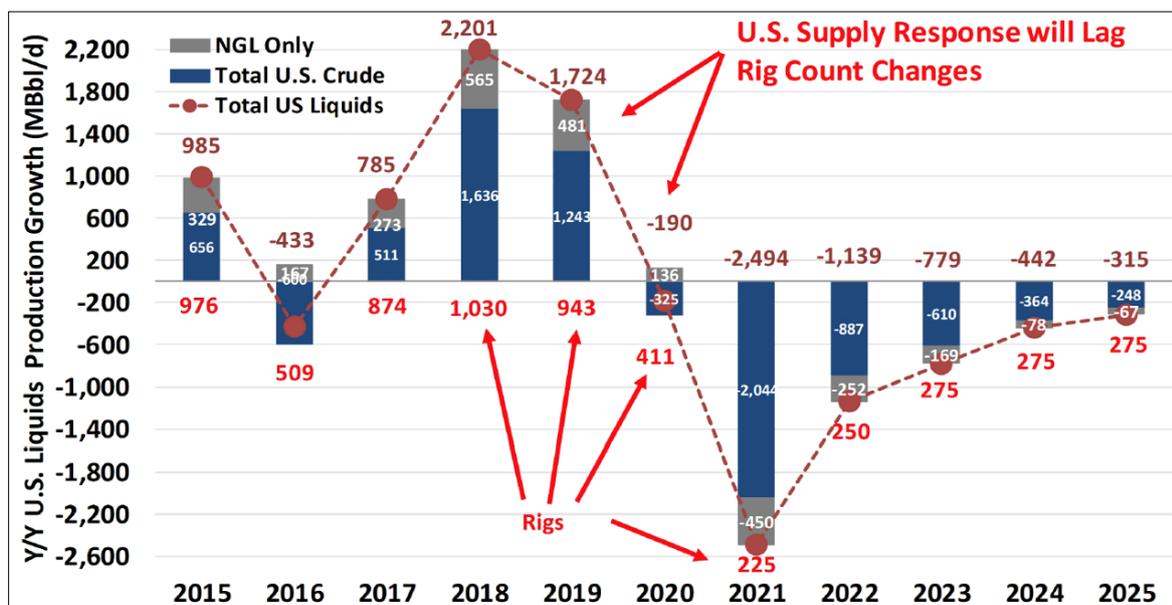


Figure 1. US Liquids Production Growth.

Source EIA, Raymond James Research



## Joint Venture Structure and Key Metrics

The Orion Project is a 50/50 joint venture between Stonehorse Energy Limited and Brookside 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 within the SWISH area and to increase both operating cashflows and reserves.

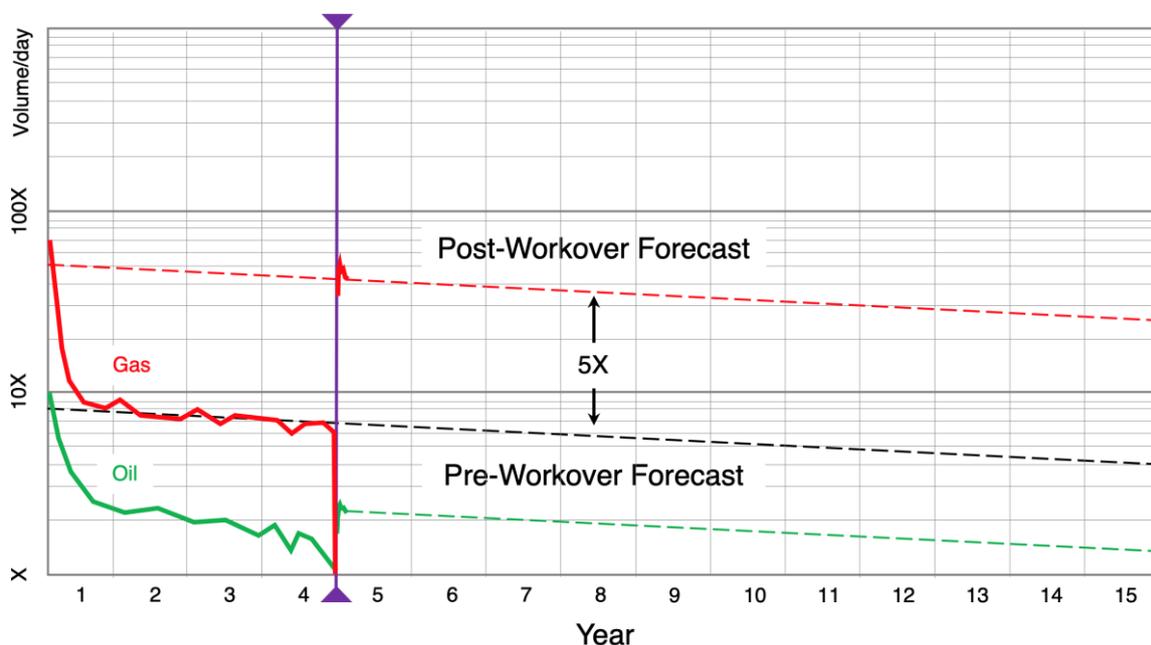


Figure 2. Anadarko Basin Vertical Well Workover Scenario



## **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.

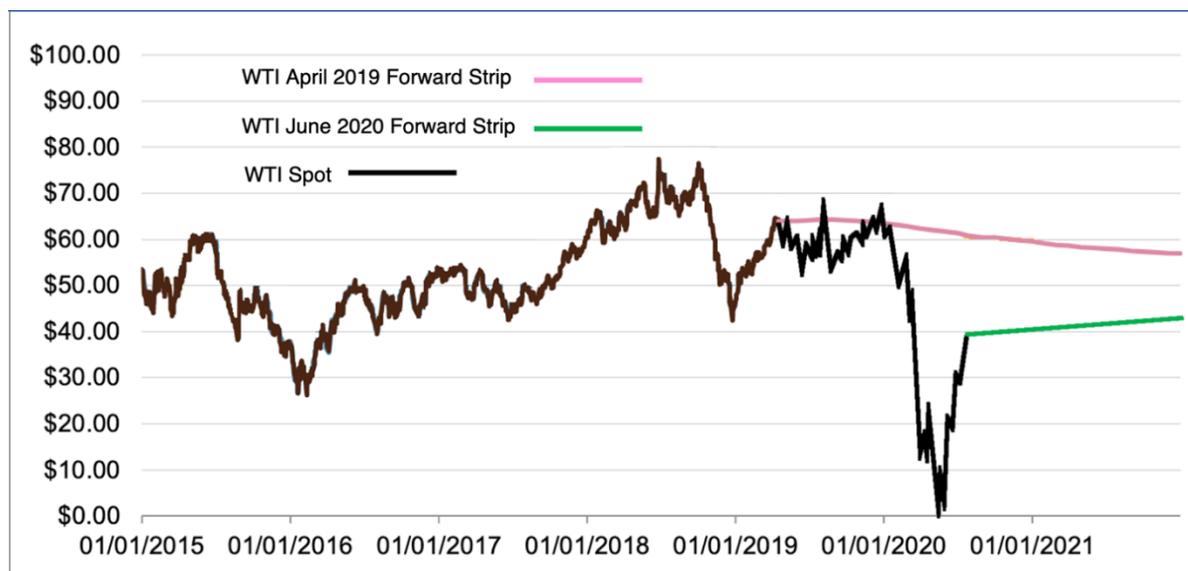


Chart 1. WTI Prices 2015-2021 (April 2019 Forward Strip v's June 2020 Forward Strip)

## **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.



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**Forward-Looking Statements and Other Disclaimers**

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**GLOSSARY**

<b>BOE</b>	Barrels of Oil Equivalent
<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
<b>IP24</b>	Initial Production Rate, measured over a 24-hour period