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# Orion Project Joint Venture

## Initial Acquisition Closed and Successful Workover Completed

Perth, Western Australia; 20 July 2020 - Brookside Energy Limited (ASX:BRK) and Stonehorse Energy Limited (ASX:SHE) (the Companies) are pleased to provide an update on the successful operation of the recently announced Orion Project Joint Venture (the Joint Venture). The Joint Venture is targeting producing properties and associated Held by Production (HBP) acreage predominantly within Brookside's existing area of focus in the SCOOP Play (the SWISH AOI).

### HIGHLIGHTS

- The Joint Venture successfully acquired a 43.45% interest in the Newberry Well (and its associated acres) which is located within Brookside's Jewell Unit in the SWISH AOI in the southern part of the SCOOP Play
- This vertical well (completed in the Sycamore Formation) which was drilled on an 80-acre spacing unit, holds these acres by production (**HBP Acres**) i.e. no acreage term or further drilling obligations
- The well was identified by the Black Mesa Energy, LLC (**Black Mesa**) team as an ideal value enhancement candidate with low terminal decline and the opportunity to increase production via a low-cost workover
- Workover operations have already been completed and have delivered an almost seven-fold increase in daily gas production and significantly extended the wells producing life
- Black Mesa has identified a large number of potential acquisition targets within the SWISH AOI that satisfy the Joint Venture's investment hurdles and work to advance these opportunities and add to the list of targets is ongoing

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

"This is a very positive start for the Orion Project and a great result to kick off the Joint Venture operations. The combination of improved production, cash flow and increased reserves with HBP acres within one of our existing drilling spacing units (**DSUs**) is compelling and we look forward to continuing to execute on this strategy - taking advantage of the time in the cycle to build production and grow our acreage position in our SWISH AOI.

"In the last few months we have also seen some early signs of stability in the price of oil with some market commentary calling for substantially higher prices as production falls, capex for new development is limited, inventory is drawn down, and demand improves. This price action looks encouraging and given the very strong economics of the acreage within the SWISH AOI we are watching this trend closely and are ready to respond quickly with our development plans for the area."

**Stonehorse Managing Director, David Deloub said:**

"Stonehorse is pleased to have made this initial investment under the Joint Venture with Brookside and we look forward to building on this early momentum. The opportunity to partner with Brookside on this project and to have access to the experience and expertise of the Black Mesa team is enabling us to continue to add to our portfolio of producing oil and gas properties in the Anadarko Basin."

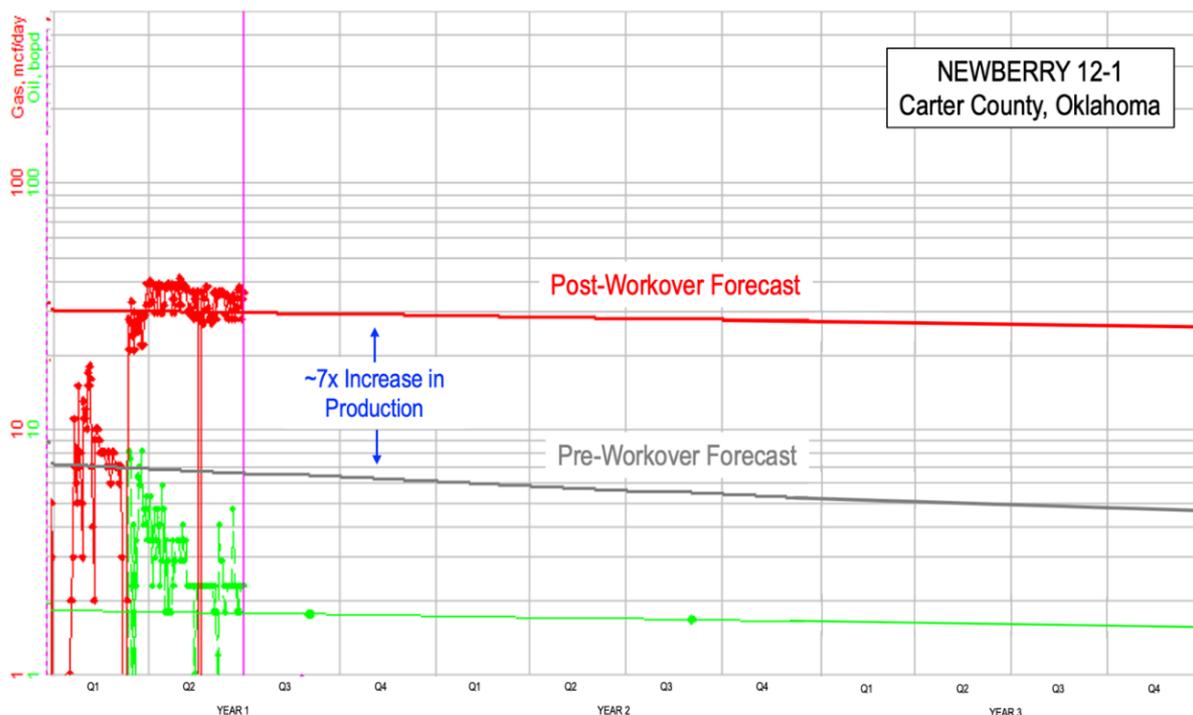


The Joint Venture has successfully acquired a 43.45% interest in the Newberry 12-1 well (and associated acreage) located in Carter County, Oklahoma. The Newberry well was drilled and completed in the early 1980's as a vertical well targeting the Sycamore formation and was spaced on an 80-acre DSU.

The Newberry well is located within Brookside's Jewell Unit in the SWISH AOI.

This well was identified by the team at Black Mesa as an ideal candidate for the Joint Venture, satisfying the hurdles for investment and importantly delivering HBP acres in the core of the SWISH AOI.

Black Mesa has subsequently completed a workover on this well to improve production. These successful operations resulted in a significant increase in daily production volumes (gas increased from 6Mcf/day pre workover to ~40Mcf/day and 2BOPD post workover). The well is now cashflow positive at the current STRIP pricing and importantly these operations have added proved oil and gas reserves, additional PV10 value and have significantly extended the wells producing life.



**Figure 1. Rate/Time plot Pre and Post Workover**

The costs<sup>1</sup> associated with the acquisition of the well (and the associated acreage) and the cost of the workover, were met by the Joint Venture partners (50/50) in accordance with the terms of the agreement.

The Joint Venture is continuing to work up a pipeline of opportunities that can be pursued during this period in the cycle. In this regard, the Black Mesa team have already identified a large number of potential acquisition targets within the SWISH AOI that satisfy the Joint Venture's investment hurdles and work to advance these opportunities and add to the list of targets is ongoing.

<sup>1</sup> Workover and related expenses of ~US\$25,200 plus acreage acquisition and ancillary costs of ~US\$78,897.



## 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.

**Stonehorse Energy** is a Perth-based ASX listed oil and gas exploration and production company which currently has working interests in a number of producing oil and gas assets located in Oklahoma and Texas in the United States. The Company’s overall objective is to be cashflow accretive by building a portfolio of working interests in high quality producing assets delivering a return on investment to its shareholders reflecting risk appetite and capital availability.

- ENDS -

This announcement has been authorised for release by the Boards of Directors of Brookside Energy Limited and Stonehorse Energy Limited.

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## 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>	<b>S</b> ooner <b>T</b> rend <b>A</b> nadarko Basin <b>C</b> anadian and <b>K</b> ingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
<b>SCOOP</b>	<b>S</b> outh <b>C</b> entral <b>O</b> klahoma <b>O</b> il <b>P</b> rovince - 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