

25 May 2023

PROPOSAL RECEIVED TO DRILL A HALF MOON PROSPECT APPRAISAL WELL IN THE PERMIAN BASIN

Black Mountain Energy Ltd (the Company; ASX: BME) has received a proposal for the drilling of a well in the Permian Basin on its Half Moon Prospect.

- Manzano Energy has proposed a Working Interest Unit (WIU) and the drilling of a well.
- The well is designed to appraise the 3rd Bone Spring (3BS) interval with a 1.75 mile (~2.8 km) horizontal lateral.
- The project is estimated to commence in June 2023 with first production being achieved within 3 to 4 months.
- BME's working interest is ~11.7% following pooling with Manzano Energy.
- 3BS wells in the greater area are forecasted to produce on average 439,000 bbls of oil and 1.9 bcf of gas plus natural gas liquids (NGLs)¹.
- Technical workflows are showing material upside potential across the acreage and new appraisal data would help steer the development plan.
- The Company is interested in quickly monetizing the prospect since it first announced acquiring the asset only 4 months ago.

HALF MOON PROSPECT

On 25 January 2023, the Company announced that it had acquired 100% of Earthstone Energy Inc ("Earthstone") interest in 8 operating wells and leases in the Permian Basin in New Mexico, USA. While the acquisition has provided immediate gas production and revenue from the older late life wells, the Company believes that significant undeveloped hydrocarbon potential exists in multiple formations which underpinned the rationale of the acquisition.

Technical workflows have progressed, and the Company believes that there are opportunities



Figure 1: Drilling Rig in the Permian Basin of Texas from Black Mountain Oil & Gas

to appraise and develop the 3rd Bone Spring (3BS) interval with horizontal drilling and fracture stimulation technology. Area operators have begun routinely targeting the channel margin with success. *Figure 2* shows 3rd Bone Spring area activity relative to the Company’s acreage position.

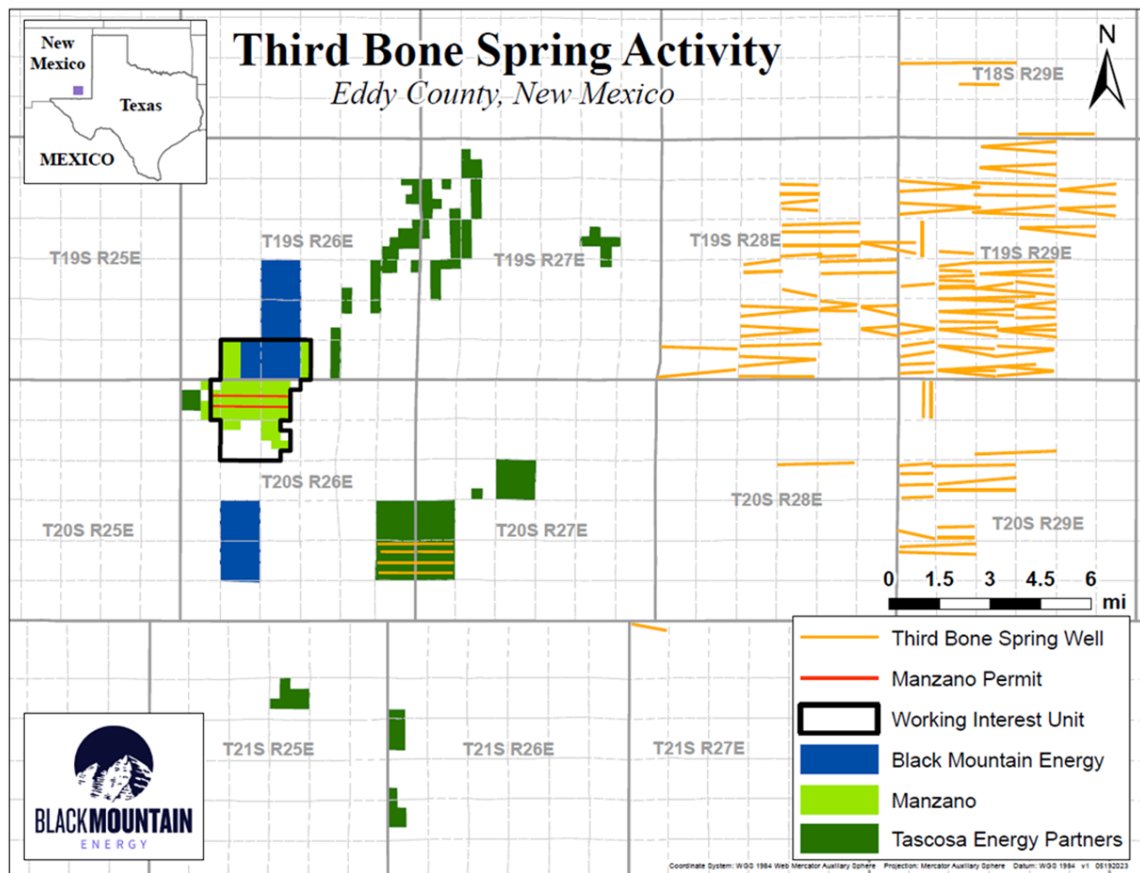


Figure 2: Half Moon Prospect Area Map with 3BS Activity

Specifically, there are over a hundred Eddy County Horizontal wells drilled in the 3rd Bone Spring interval. These wells range from 3 to 25 miles from BME’s Half Moon Prospect. While there are a wide range of outcomes, analysis shows the average EUR (estimated ultimate recovery) is approximately 439,000 bbls of oil and 1.9 bcf of gas plus natural gas liquids (NGL’s)¹. See *Figure 3*. It is important to note that these area results may not be achieved across the Company’s acreage position and the data shown in *Figure 3* does not constitute a type curve on drilling expectations.

The Company’s Half Moon acreage, however, sits in an ideal position up dip in areas with reduced structural complexity and lower water cuts. Technical workflows show material upside potential across the acreage and new appraisal data will ultimately help steer the future development plan.

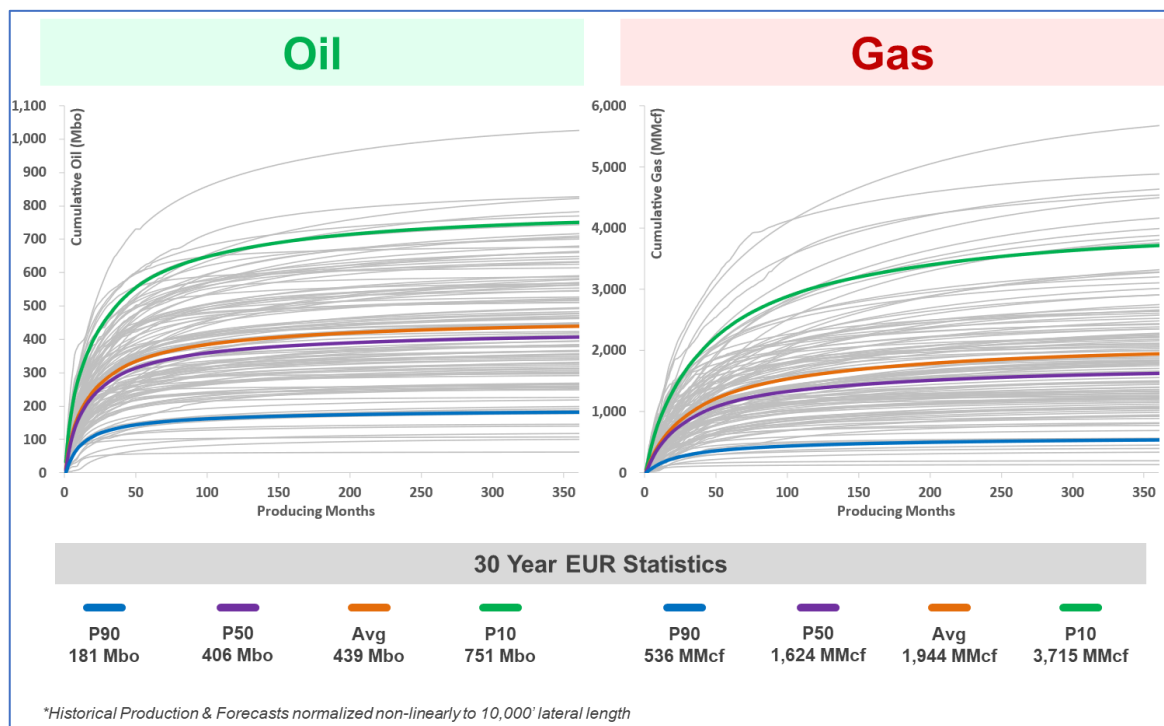


Figure 3: Eddy 3rd Bone Spring Cumulative Production Plots¹

Manzano Energy proposes to form a 3,538-acre working interest unit (WIU) in 19S-26E and 20S-26E. The unit would include 416 acres from BME. See Figure 2. Manzano has permitted an appraisal well (entitled MIA 64 FEE 2H) and plans to begin drilling during the month of June. The project is estimated to cost \$12.3 million USD (gross) to drill, fracture stimulate, complete and tie-in. The Company’s working interest is 11.7% or approximately \$1.44 million USD.

FORWARD OUTLOOK

BME is carefully considering the received drilling well proposal and will announce its findings and decision shortly. The drilling of the MIA 64 FEE 2H well is expected to commence in June 2023. The full project, which includes fracture stimulation and a tie-in to production sales, is expected to take approximately 3 to 4 months.

BME will continue to progress its technical workflows on the Half Moon Prospect. These workflows along with the appraisal drilling results will help define the full plan around developing the 3rd Bone Spring interval, as well as define the reserves and resources bookings.

Additionally, the Company expects to share in the coming weeks more information around the number of possible drilling locations, a field development plan (FDP) and if it sees upside within other intervals, such as the 2nd Bone Spring interval.

Executive Chairman Rhett Bennett commented *“When announced only 4 months ago, the acquisition of the Half Moon Prospect immediately diversified the Company’s portfolio with producing wells and acreage that had the potential for material upside. We are excited to consider the recently received drilling proposal, and if agreed to, the upcoming appraisal activity would launch the first step to realizing the growth potential on our acreage.”*

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ABOUT BLACK MOUNTAIN ENERGY

Black Mountain Energy Ltd (ASX: BME) is focused on sustainable development of oil and gas projects onshore Australia and the USA, led by a team of highly experienced upstream oil and gas professionals.

The Black Mountain Group is a major shareholder of BME, specializing in identifying and capturing high-growth opportunities in the global energy sector.

Note 1: Well performance data is sourced from state public resources. [FAQ: Oil & Gas \(nmt.edu\)](#)