



NEWS RELEASE

May 15, 2019

PIPESTONE ENERGY CORP. REPORTS FIRST QUARTER 2019 RESULTS AND GIVES AN OPERATIONS UPDATE

Calgary, Alberta, May 15, 2019 (PIPE – TSX-V) Pipestone Energy Corp. ("Pipestone Energy" or the "Company") is pleased to report its Q1 2019 financial and operational results and provide a progress report on its 2019 development program. The Company has filed its unaudited financial statements and related management's discussion and analysis ("MD&A") for the quarter ended March 31, 2019 on SEDAR. A conference call has been scheduled for Wednesday, May 15th at 9:00 a.m. Mountain Daylight Time (11:00 a.m. Eastern Daylight Time) for interested investors, analysts, brokers and media representatives.

"Pipestone Energy's 2019 fully-funded capital program is on-budget and on-track to achieve our exit guidance of 14,000 – 16,000 boe/d from production in the condensate-rich Montney corridor. We are commencing completion operations for the seven wells on our 3-1 pad, bringing the total number of completed wells north of the Wapiti River to 23. Pipestone Energy will tie-in 20 wells into our gathering system which will be available for production by the end of Q3 2019. Our north-south Pipestone Energy operated infield gathering system is substantially completed and pad equipment construction is proceeding on schedule. Our two third party midstream providers are completing their gathering, compression and processing facilities for our anticipated Q4 2019 production start-up. I am very proud of our Company for the level of performance on execution that has been achieved to date as we move from pre-production to full start-up later in 2019," stated Paul Wanklyn, Pipestone Energy President and Chief Executive Officer. *"This is an important the first phase in our long-term growth plan for the asset base."*

FIRST QUARTER 2019 CORPORATE HIGHLIGHTS

- On January 4, 2019, Pipestone Oil Corp. completed the previously announced reverse takeover of, and amalgamation with, Blackbird Energy Inc. to form Pipestone Energy (the "Corporate Acquisition");
- Pipestone Energy secured a \$198.5 million first lien credit facility (the "Credit Facility") with a syndicate of lenders, comprised of a \$10.0 million revolving operating line, a \$20.0 million letter of credit facility and a \$168.5 million delayed draw term loan;
- Continuing its Q4 2018 drilling program, the Company spent \$9.1 million and drilled four gross (four net) wells at the 3-1 pad in the quarter;
- Pipestone Energy invested \$18.8 million in the continued construction of its major 17.5 km infield gathering system, oriented north / south along the primary development corridor through its western acreage;
- At Pipestone Energy's 15-14 padsite, 3-1 padsite, and other production facilities, the Company spent a total of \$17.0 million to complete civil work, finish final fabrication, deliver all major equipment, and commence construction of on-site production facilities; and



- Pipestone Energy initiated its commodity price risk management program, which is primarily designed to reduce cash flow volatility, enhance certainty on funding availability for the Company's capital expenditure program, and to service debt obligations.

Pipestone Energy Corp. – Financial and Operating Highlights

(\$ thousands, except per unit and per share)	Three months ended March 31,	
	2019	2018 ⁽⁶⁾
Financial		
Sales of liquids and natural gas	\$ 460	\$ 971
Cash from (used in) operating activities	(12,785)	163
Funds flow from (used in) operations ⁽¹⁾	(8,663)	480
Per share, basic and diluted ⁽²⁾	(0.05)	0.01
Loss	(4,302)	(631)
Per share, basic and diluted ⁽²⁾	(0.02)	(0.01)
Capital expenditures	49,468	30,558
Acquisitions	234,722	-
Working capital (end of period)	2,411	10,264
Bank debt (end of period)	80,735	30,181
Shareholders' equity (end of period)	378,896	87,549
Available funding (end of period) ⁽³⁾	\$ 98,427	\$ 38,123
Shares outstanding (end of period) ⁽²⁾	189,609	52,782
Weighted-average basic shares outstanding	184,540	52,782
Weighted-average diluted shares	184,540	52,782
Operations		
Production		
Crude oil and condensate (bbls/d)	82	186
Natural gas liquids (NGL) (bbls/d)	17	-
Natural gas (Mcf/d)	318	-
Total (boe/d) ⁽⁴⁾	152	186
Condensate-gas ratio (CGR) (bbls/MMcf)	55	-
Benchmark prices		
Crude oil – WTI (C\$/bbl)	\$ 73.25	\$ 79.52
Condensate – Edmonton condensate	68.73	80.30
Natural gas – AECO 5A (C\$/Mcf)	2.60	2.07
Average realized prices ⁽⁵⁾		
Crude oil and condensate (per bbl)	42.71	58.00
NGL (per bbl)	25.04	-
Natural gas (per Mcf)	3.69	-
Revenue (per boe)	33.53	58.00
Royalties (per boe)	(1.65)	(4.83)
Operating expenses (per boe)	(28.62)	(6.63)
Transportation (per boe)	(48.35)	-
Operating netback (per boe) ⁽³⁾	(45.09)	46.54
Funds flow netback (per boe) ⁽³⁾	\$ (631.58)	\$ 28.69

⁽¹⁾ See "Additional subtotal – Funds flow from operations" under "Critical Accounting Judgments, Estimates and Policies" in Pipestone Energy's Q1 2019 MD&A.

⁽²⁾ The number of common shares have been adjusted retrospectively to reflect the 10:1 share consolidation, as well as the 0.5996 exchange ratio, as part of the corporate acquisition.

⁽³⁾ See "Non-GAAP measures" in Pipestone Energy's Q1 2019 MD&A.

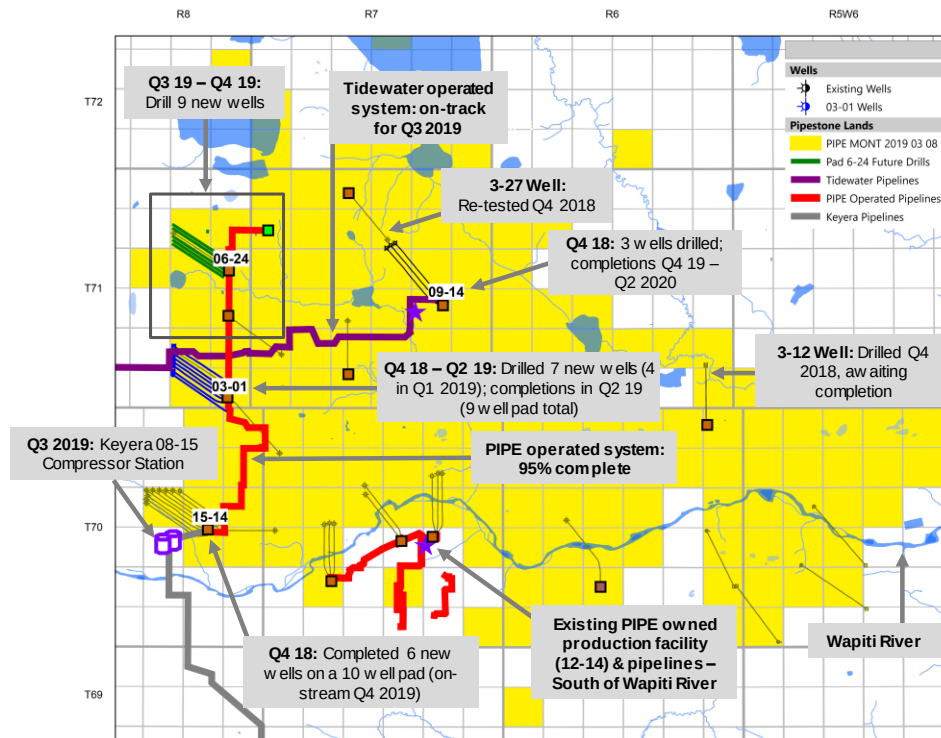
⁽⁴⁾ For a description of the boe conversion ratio, see "Basis of Barrel of Oil Equivalent" in Pipestone Energy's Q1 2019 MD&A.

⁽⁵⁾ Before hedging.

⁽⁶⁾ IFRS 16, Leases, was adopted January 1, 2019 using the modified retrospective approach; therefore, comparative information has not been restated. See "Critical Accounting Judgments, Estimates and Policies" in Pipestone Energy's Q1 2019 MD&A. Comparative figures are to the Pipestone Oil Corp. December 31, 2018 financial statements.

2019 CAPITAL PROGRAM AND OPERATIONS UPDATE

Revised Pipestone Energy 5 Quarter Capital Program Overview (Q4 2018 – Q4 2019)



Pipestone Energy Montney Operated Horizontal Well Status Summary

	Current (May 2019)	Sept 30, 2019 (Estimate)	Dec 31, 2019 (Estimate)
North of Wapiti River ⁽¹⁾ (Keyera Wapiti & Tidewater Pipestone Processing Facilities)			
Drilled	27	31	36
Drilled + Completed	16	23	23
Tied-In / Available for Production	—	20	20
South of Wapiti River ⁽¹⁾ (CNRL Gold Creek Processing Facility)			
Drilled + Completed	9	9	9
Tied-In / On-Production	8	8	8

(1) Tied-In / Available for Production is a subset of the Drilled + Completed category which is a subset of the Drilled category.



Drilling & Completions

Pipestone Energy expects to commence drilling six wells on its 6-24 pad beginning in early Q3 2019, followed by an additional three wells (of six) on a new pad in the northwest portion of its acreage prior to year end. With respect to completions, the Company expects to begin completing seven wells on its 3-1 pad in late May 2019.

Infrastructure & 3rd Party Processing

Pipestone Energy's major infield gathering infrastructure build-out has advanced significantly since Q4 2018. The system is ~95% complete and is expected to be ready for commissioning by early Q3 2019. Construction on padsite facilities at our 15-14 and 3-1 pads is advancing on schedule with a target availability for production start-up of September 2019.

Phase 1 of the Keyera Wapiti Gas Plant is complete and processing third party volumes. Pipestone Energy has 60 MMcf/d of raw Priority One firm service at the Keyera plant with an option to expand to 90 MMcf/d with the completion of Phase 2. Construction of Phase 2 at the Keyera facility has begun and is expected to be completed in mid-2020 taking the plant's gas processing capacity to 300 MMcf/d with 25,000 barrels per day of condensate handling capacity. The Keyera compressor station (at 08-15-70-08W6 and Pipestone Energy operated) and gathering system connecting to the Wapiti gas plant is on-track for Q4 2019 production ramp-up.

The Tidewater Pipestone Sour Gas Plant (at 12-34-70-09W6) and associated gathering system is currently tracking to a Q3 2019 commissioning. Our production guidance continues to be predicated on an expected October and November 2019 start-up for the Tidewater and Keyera gas plants, respectively.

Gold Creek Production – Legacy Production South of the Wapiti River

Effective April 3, 2019, Pipestone Energy resumed production into the 3rd party Gold Creek gas processing facility for the first time since November 2018. During the calendar month of April 2019, the Company's production averaged approximately 3.1 MMcf per day of raw natural gas and approximately 495 bbl per day of field condensate, which equates to approximately 990 boe per day of sales volumes. Volumes in the first half of May 2019 have averaged approximately 5.3 MMcf per day of raw natural gas and approximately 555 bbl per day of field condensate, which equates to approximately 1,400 boe per day of sales volumes. These volumes are in line with Pipestone Energy's previous disclosure and planning.

Natural Gas Transportation

During early Q2 2019, Pipestone Energy acquired an additional 25 MMcf per day of firm natural gas transportation on the TC Energy system from a 3rd party producer. This additional firm transportation is effective starting September 1, 2019, and expires on April 30, 2021, with no premium to the posted transportation toll to AECO. This additional transportation will facilitate production volumes, should either of the Tidewater or Keyera facilities be available earlier than our budgeted start-up timing, as the next tranche of firm transportation does not commence until November 1, 2019. Under this contract, any or all of the contract transportation volumes can be extended further with a noticed period of one year. For the foreseeable future, this transportation will remain at a meter station upstream of both the Tidewater and Keyera meter stations. Pipestone Energy has the flexibility to move this transportation downstream on an "out-and-back" basis, subject to TC Energy hydraulics review and approval.



Commodity Price Hedging

Beginning in March 2019, Pipestone Energy initiated a systematic hedging program to mitigate commodity price risk and to reduce cash flow volatility in Q4 2019 and 2020. The Company expects the majority of its future revenue to be generated from liquids, particularly condensate. As a result, the derivative contracts that Pipestone Energy has entered into are primarily CAD denominated WTI swaps / collars, as well as Edmonton Condensate (CC5) differential to WTI hedges and fixed price Edmonton Condensate swaps. Details of these derivative contracts can be found in Pipestone Energy's Q1 2019 MD&A.

OUTLOOK

Since closing the successful merger with Blackbird on January 4th, 2019, the Company has met its critical development and capital expenditure milestones to achieve its 2019 exit production guidance of 14,000 to 16,000 boe per day for December 2019.

The Company's 2019 capital investment program continues to be on-track, on-time, and on-budget in the range of \$145 to \$165 million. The 2019 capital program is focused on drilling, completing, and tying-in condensate-rich Montney wells, and on the build-out of the required infrastructure that will enable Pipestone Energy to grow efficiently in future years.

Pipestone Energy is in the initial stage of executing a multi-year development strategy that meets its full-cycle investment return requirements and cashflow generation hurdles based on a flat future price deck of US\$55 per bbl WTI crude oil prices and \$1.40 per GJ AECO natural gas prices. Given the recent improvements in commodity prices, and the actions taken to capture these prices through its hedging program, Pipestone Energy is confident it can meet its future development objectives.

Conference Call

Pipestone Energy will host a conference call to discuss the operational update and updated reserves and resources evaluation. The details of the conference call are below. An updated corporate presentation is also available on Pipestone Energy's website at www.pipestonecorp.com.

Conference Call May 15, 2019 9:00 a.m. MT (11:00 a.m. ET)

Pipestone Energy will host a conference call on May 15, 2019, starting at 9:00 a.m. MT (11:00 a.m. ET). To participate please dial toll free in North America (866) 953-0776 or International (630) 652-5852 and enter 2466358 when prompted.

An archived recording of the conference call will be available shortly after the event and will be available until May 22, 2019. To access the replay please dial toll free in North America (855) 859-2056 or International (404) 537-3406 and enter 2466358 when prompted. The conference call will also be archived on Pipestone Energy's website at www.pipestonecorp.com.



Advisory Regarding Forward-Looking Statements

In the interest of providing shareholders of Pipestone Energy and potential investors information regarding Pipestone Energy, this news release contains certain information and statements ("forward-looking statements") that constitute forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking statements relate to future results or events, are based upon internal plans, intentions, expectations and beliefs, and are subject to risks and uncertainties that may cause actual results or events to differ materially from those indicated or suggested therein. All statements other than statements of current or historical fact constitute forward-looking statements. Forward-looking statements are typically, but not always, identified by words such as "anticipate", "estimate", "expect", "intend", "forecast", "continue", "propose", "may", "will", "should", "believe", "plan", "target", "objective", "project", "potential" and similar or other expressions indicating or suggesting future results or events.

Forward-looking statements are not promises of future outcomes. There is no assurance that the results or events indicated or suggested by the forward-looking statements, or the plans, intentions, expectations or beliefs contained therein or upon which they are based, are correct or will in fact occur or be realized (or if they do, what benefits Pipestone Energy may derive therefrom).

In particular, but without limiting the foregoing, this news release contains forward-looking statements pertaining to: timing for the construction and completion of necessary facilities and their timing to become production-ready; completion of Pipestone Energy's 3-1 pad; anticipated 2019 exit production; 2019 production generally; attribution of future revenue to certain products; 2019 capital expenditure and investment plans; 2019 drilling plans, including proposed drilling locations, and anticipated costs per well; 2019 well completion plans; Pipestone Energy's ability to accelerate completion of its wells; processing plans and locations involving third parties; transportation availability, timing and volumes involving third parties; and marketing optionality for Pipestone Energy afforded by physical connection to third party facilities.

With respect to the forward-looking statements contained in this news release, Pipestone Energy has assessed material factors and made assumptions regarding, among other things: future commodity prices and currency exchange rates, including consistency of future oil, natural gas liquids (NGLs) and natural gas prices with current commodity price forecasts; the ability to integrate Blackbird's and Pipestone Oil's historical businesses and operations and realize financial, operational and other synergies from the combination transaction completed on January 4, 2019; Pipestone Energy's continued ability to obtain qualified staff and equipment in a timely and cost-efficient manner; the predictability of future results based on past and current experience; the predictability and consistency of the legislative and regulatory regime governing royalties, taxes, environmental matters and oil and gas operations, both provincially and federally; Pipestone Energy's ability to successfully market its production of oil, NGLs and natural gas; the timing and success of drilling and completion activities (and the extent to which the results thereof meet expectations); Pipestone Energy's future production levels and amount of future capital investment, and their consistency with Pipestone Energy's current development plans and budget; future capital expenditure requirements and the sufficiency thereof to achieve Pipestone Energy's objectives; the recoverability of Pipestone Energy's reserves and other resources; Pipestone Energy's ability to economically produce oil and gas from its properties and the timing and cost to do so; the performance of both new and existing wells; future cash flows from production; future sources of funding for Pipestone Energy's capital program, and its ability to obtain external financing when required and on acceptable terms; future debt levels; geological and engineering estimates in respect of Pipestone Energy's reserves and other resources; the accuracy of geological and geophysical data and the interpretation thereof; the geography of the areas in which Pipestone Energy conducts exploration and development activities; the timely receipt of required



regulatory approvals; the access, economic, regulatory and physical limitations to which Pipestone Energy may be subject from time to time; and the impact of industry competition.

Information and statements regarding Pipestone Energy's reserves and resources are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources exist in the quantities predicted or estimated and can be profitably produced in the future. In addition, with respect to the type curves and test rates, there is no certainty that future wells will generate results to match type curves or test rates presented herein.

The forward-looking statements contained herein reflect management's current views, but the assessments and assumptions upon which they are based may prove to be incorrect. Although Pipestone Energy believes that its underlying assessments and assumptions are reasonable based on currently available information, undue reliance should not be placed on forward-looking statements, which are inherently uncertain, depend upon the accuracy of such assessments and assumptions, and are subject to known and unknown risks, uncertainties and other factors, both general and specific, many of which are beyond Pipestone Energy's control, that may cause actual results or events to differ materially from those indicated or suggested in the forward-looking statements. Such risks and uncertainties include, but are not limited to, volatility in market prices and demand for oil, NGLs and natural gas and hedging activities related thereto; the ability to successfully integrate Blackbird's and Pipestone Oil's historical businesses and operations; general economic, business and industry conditions; variance of Pipestone Energy's actual capital costs, operating costs and economic returns from those anticipated; the ability to find, develop or acquire additional reserves and the availability of the capital or financing necessary to do so on satisfactory terms; and risks related to the exploration, development and production of oil and natural gas reserves and resources. Additional risks, uncertainties and other factors are discussed in Blackbird's management information circular dated November 21, 2018, a copy of which is available electronically on Pipestone Energy's SEDAR at www.sedar.com.

The forward-looking statements contained in this news release are made as of the date hereof and Pipestone Energy assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws. All forward-looking statements herein are expressly qualified by this advisory.

Oil and Gas Measures

Barrels of Oil Equivalent – This news release discloses certain production information on a barrels of oil equivalent ("boe") basis with natural gas converted to barrels of oil equivalent using a conversion factor of six thousand cubic feet of gas (Mcf) to one barrel (bbl) of oil (6 Mcf:1 bbl). Condensate and other NGLs are converted to boe at a ratio of 1 bbl:1 bbl. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 bbl is based roughly on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at Blackbird's and Pipestone Oil's sales point. Although the 6:1 conversion ratio is an industry-accepted norm, it is not reflective of price or market value differentials between product types. Based on current commodity prices, the value ratio between crude oil, NGLs and natural gas is significantly different from the 6:1 energy equivalency ratio. Accordingly, using a conversion ratio of 6 Mcf:1 bbl may be misleading as an indication of value.

**Pipestone Energy Corp.**

Pipestone Energy Corp. is an oil and gas exploration and production company with its head office located in Calgary, Alberta. The company is focused on developing its pure-play condensate-rich Montney asset in the Pipestone area near Grande Prairie. Pipestone Energy is committed to building long term value for our shareholders and values the partnerships that it is developing within its operating community. Pipestone Energy shares trade under the symbol PIPE on the TSX Venture Exchange. For more information, visit www.pipestonecorp.com.

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