

Touchstone Announces Execution of Ten-year Lease Operatorship Agreements

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CALGARY, June 22, 2021 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX: TXP) (LSE: TXP) announces that we have executed ten-year Lease Operatorship Agreements ("LOAs") with Heritage Petroleum Company Limited ("Heritage") for our CO-1, CO-2, WD-4 and WD-8 Blocks (collectively, the "Blocks") effective January 1, 2021. The LOAs governing our core legacy oil producing properties expire December 31, 2030 and were renewed under substantially similar terms to the previous arrangements. In conjunction with the execution of the LOAs, the Company's Board of Directors has approved the drilling of one well on each Block in the second half of 2021.

Paul Baay, President and Chief Executive Officer, commented:

"Our suite of mature crude oil assets continues to provide consistent and predictable base petroleum revenue as we expand our operations in Trinidad on the Ortoire exploration property. With the recovery of world oil prices, we are focusing on optimizing these mature assets through well recompletion and workover operations.

The new arrangements present an opportunity for us to drill additional wells in the second half of 2021, with the expectation that any increase in production will decrease overall royalties under the revised fiscal structure. We have budgeted to drill four wells on the Blocks prior to the end of the year at an average cost of \$1 million per well and expect to utilize the new drilling equipment that we have contracted onto the island to perform the drilling operations.

The long-term agreements will also allow us to evaluate deeper exploration opportunities which we have identified on our CO-1 and CO-2 Blocks. With legacy wells and new 3D seismic data from Heritage, we plan to delineate a Coora Herrera turbidite trend for future exploitation. In addition, the agreements will permit us to target zero effluent discharge by the end of 2021, which is a major Company-wide environmental initiative in our continued efforts to significantly reduce the environmental footprint of our operations.

We would also like to thank Heritage for engaging in collaborative renewal negotiations, and we look forward to continuing to work together as partners in the years to come."

LOA Key Terms

Minimum production and work obligations

Under the new arrangements, the Company is subject to annual minimum production levels and minimum work obligations from 2021 through 2030 specified under each LOA. Failing to reach either the annual minimum production levels or complete the annual minimum work obligations will not constitute a breach provided the minimal production levels have been attained or the minimum work obligations have been completed, as the case may be.

The LOAs contain an aggregate minimum of 20 new infill wells and 40 well recompletions to be completed over the licence periods. Similar to the previous arrangements, we will be required to provide aggregate guarantees to Heritage of approximately \$0.5 million to support the future minimum work obligations.

Royalties

The new LOAs include favourably adjusted royalty rates to incentivize increased production from all field

activities.

In addition to the crown royalty rate of 12.5 percent, the LOAs apply a sliding scale overriding royalty ("ORR") structure, which is indexed to the average price of oil realized in a production month. Base ORR rates are applicable to pre-defined monthly base production levels which decline by 2 percent per annum. For any monthly volumes sold in excess of base production levels, the Company incurs reduced enhanced ORR rates. The former arrangements allowed for new drill ORR incentives, which were reduced ORR rates applicable to production from new wells drilled in the initial two years. This concept has been replaced with the super enhanced ORR, which contemplates a further reduction in royalty rates based on increased property production from all field activities. The super enhanced ORR applies a 50 percent reduction from enhanced ORR rates for any production in excess of combined base and enhanced production levels.

In the current realized oil price band (US\$50.01 to US\$70.01), base ORR and enhanced ORR rates have decreased from the rates specified under the previous licences by 15 percent and 11 percent, respectively.

LOA Operations

Crude oil volumes from the properties governed by the LOAs currently comprise approximately 87 percent of our 2021 crude oil sales through May 31, 2021. With the execution of the new ten-year arrangements, the Company will move forward with a number of planned projects on the Blocks. The Blocks have significant oil in place across multiple stacked sand reservoirs and offer tremendous potential for recovery factor improvements through both primary and secondary recovery development. In aggregate, we have identified 80 drilling opportunities on the Blocks and will prioritize the projects based on economic parameters and liquidity. Initially the Company expects to drill four development wells prior to the end of 2021 and will review the timing of future drilling on a regular basis.

At Forest Reserve WD-8, we have identified three high-grade drilling locations on the north-west section of the property which are targeting the Lower Cruse Formation. The Lower Cruse Formation has yielded exceptional production in previous drilling campaigns, particularly following our successful 2018 drilling program. These locations are focused on targets offsetting the FR-1801 well, which to date has produced over 88,000 barrels of oil since its completion in January 2019 and is currently producing approximately 37 barrels per day ("bbls/d"). Along with this planned drilling program, the Company has applied for a pilot waterflood program using the FR-1715 well which is anticipated to further enhance production potential from the WD-8 Block.

At Grande Ravine WD-4, Touchstone has identified five initial high-grade drilling locations, two of which target the Lower Cruse Formation at depths of approximately 8,000 feet. Located on the south side of the Los Bajos Fault, minimal development has been completed in the Lower Cruse Formation in WD-4 compared to other properties including our WD-8 Block located to the north. The remaining three prospects target the shallower Upper and Middle Cruse Formations which achieved exceptional results in our 2017 and 2018 drilling campaigns. Further development and a potential exploration program on the WD-4 Block will be evaluated as new information, including available 3D seismic data, is reviewed and interpreted.

On our Coora Blocks (CO-1 and CO-2), we have identified three development drilling locations to further evaluate the fault blocks offsetting our 1CO-369 well which has produced in excess of 249,000 barrels of oil in four years of production and is currently producing approximately 173 bbls/d. The Company is using historical well data and anticipates available 3D seismic data will help us evaluate the potential for an exploration well targeting oil in the Herrera Formation. This is the same formation that we have been pursuing on the Ortoire Block on the eastern side of the island and is on trend with the Penal-Barrackpore field which is one of the most productive onshore blocks in Trinidad. The Company is also applying to commence a waterflood program at our 1QU-26 well where initial injectivity testing has shown excellent recovery potential.

[Touchstone Exploration Inc.](#)

[Touchstone Exploration Inc.](#) is a Calgary, Alberta based company engaged in the business of acquiring interests in petroleum and natural gas rights and the exploration, development, production and sale of petroleum and natural gas. Touchstone is currently active in onshore properties located in the Republic of Trinidad and Tobago. The Company's common shares are traded on the Toronto Stock Exchange and the

AIM market of the London Stock Exchange under the symbol "TXP".

Advisories

Forward-Looking Statements

Certain information provided in this news release may constitute forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable securities laws. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to assumptions, risks and uncertainties, many of which are beyond the control of the Company. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or are events or conditions that "will", "would", "may", "could" or "should" occur or be achieved. www.touchstoneexploration.com or contact: Mr. Paul Baay, President and Chief Executive Officer; Mr. Scott Budau, Chief Financial Officer; or Mr. James Shipka, Chief Operating Officer, Telephone: 403.750.4487

Forward-looking statements in this news release may include, but are not limited to, statements relating to the Company's development plans and strategies, including anticipated well recompletions, workovers, waterflood programs and new drilling, drilling locations, timing thereof and ultimate production therefrom; the Company's estimate of oil-in-place and the potential for increased recovery factors; estimated cumulative and current field production levels; the Company's expectation of reduced royalty rates based on expectations of increased production; and the Company's expected achievement of zero influence factor in its operations and the expected timing thereof. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct.
Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Certain of these risks are set out in more detail in the Company's 2020 Annual Information Form dated March 25, 2021 which has been filed on SEDAR and can be accessed at www.sedar.com. The forward-looking statements contained in this news release are made as of the date hereof, and except as may be required by applicable securities laws, the Company assumes no obligation to update publicly or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.

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