

Touchstone Announces Third Quarter 2021 Results and Operational Update

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CALGARY, Nov. 11, 2021 - [Touchstone Exploration Inc.](#) ("Touchstone", "we", "our", "us" or the "Company") (TSX: TXP) (LSE: TXP) reports its operating and financial results for the three and nine months ended September 30, 2021. Selected information is outlined below and should be read in conjunction with Touchstone's September 30, 2021 unaudited interim condensed consolidated financial statements and related Management's discussion and analysis, both of which will be available under the Company's profile on SEDAR (www.sedar.com) and the Company's website (www.touchstoneexploration.com). Unless otherwise stated, all financial amounts herein are stated in United States dollars.

Third Quarter Operational and Financial Highlights

- Achieved quarterly average production volumes of 1,333 bbls/d, a 2 percent increase relative to the 1,310 bbls/d produced in the third quarter of 2020.
- Despite continuing COVID-19 challenges in Trinidad, executed an incident free \$7,542,000 exploration program, highlighted by the drilling of the Royston-1 exploration well and completion of the Royston area seismic program.
- Realized petroleum sales of \$7,650,000 from an average crude oil price of \$62.37 per barrel.
- Generated an operating netback of \$27.77 per barrel, our highest quarterly operating netback since the first quarter of 2019 and a 97 percent increase relative to the third quarter of 2020.
- Reported funds flow from operations of \$1,073,000 versus \$192,000 in the third quarter of 2020.
- Recognized a reduced net loss of \$51,000 compared to a net loss of \$703,000 in the same period of 2020.
- Exited the third quarter with a cash balance of \$5,004,000 and \$7,500,000 drawn on our term credit facility.
- Successfully aided in exporting a third-party drilling rig to Trinidad, with developmental drilling operations commencing on our WD-4 block on early October 2021.
- Exploration operations proceeded in the third quarter, with Coho natural gas facility and pipeline construction operations continuing towards targeted pipeline commissioning in the first quarter of 2022, as well as the completion of the design of the Cascadura natural gas facility.

Paul Baay, President and Chief Executive Officer, commented:

"Our third quarter results reflect the focused work the team has done on maintaining base production with minimal expense while executing a safe capital program at Ortoire. The higher reported operating netbacks have resulted in strong cash flow for the quarter which help fund our ongoing capital program while we move closer to first production from Coho, which is forecasted to effect a step change in our financial performance."

Financial and Operating Results Summary

			Three months ended % September 30, change		Nine months ended % September 30, change	
	2021	2020		2021	2020	
Operational						
Average daily oil production ⁽¹⁾ (bbls/d)	1,333	1,310	2	1,344	1,431	(6)

Net wells drilled	0.8	-	n/a	0.8	-	n/a
Brent benchmark price (\$/bbl)	73.51	42.91	71	67.89	41.15	65
Operating netback ⁽²⁾ (\$/bbl)						
Realized sales price	62.37	39.20	59	58.06	38.54	51
Royalties	(19.36)	(11.17)	73	(17.75)	(10.82)	64
Operating expenses	(15.24)	(13.94)	9	(14.90)	(13.06)	14
Operating netback	27.77	14.09	97	25.41	14.66	73
Financial						
(\$000's except per share amounts)						
Petroleum sales	7,650	4,725	62	21,356	15,178	41
Cash from operating activities	384	4,126	(91)	158	2,129	(93)
Funds flow from operations ⁽³⁾	1,073	192	459	2,816	999	182
Per share - basic and diluted ⁽²⁾⁽³⁾	0.01	0.00	n/a	0.01	0.01	-
Net loss	(51)	(703)	(93)	(795)	(12,685)	(94)
Per share - basic and diluted	(0.00)	(0.00)	-	(0.00)	(0.07)	(100)
Exploration capital expenditures	7,542	5,758	31	17,160	8,830	94
Development capital expenditures	2,315	211	997	2,567	523	391
Total capital expenditures	9,857	5,969	65	19,727	9,353	111
Working capital deficit (surplus) ⁽²⁾				4,657	(869)	n/a
Principal long-term balance of term				7,125	15,000	(53)
loan						
Net debt ⁽²⁾ - end of period				11,782	14,131	(17)
Share Information (000's)						
Weighted avg. shares outstanding:						
Basic and diluted	210,732	184,277	14	209,968	179,112	17
Outstanding shares - end of period				210,732	184,408	14

Notes:

- (1) References to crude oil in the above table and elsewhere in this news release is a mix of light and medium crude oil and heavy crude oil for which there is not a precise breakdown since the Company's oil sales volumes typically represent blends of more than one type of crude oil.
- (2) Non-GAAP financial measure that does not have a standardized meaning prescribed by International Financial Reporting Standards ("IFRS" or "GAAP") and therefore may not be comparable with the calculation of similar measures presented by other companies. See "Advisories: Non-GAAP Measures" for further information.

Operating results

- (3) Additional GAAP term included in the Company's consolidated statements of cash flows. Funds flow from operations represents our third quarter 2021 crude oil sales averaged 1,333 bbls/d, representing a 2 percent increase from the third quarter of 2020. The nominal increase in production was reflective of increased legacy well workover operations through 2021 that have mitigated annual natural declines. We incurred \$2,315,000 in development asset expenditures in the third quarter of 2021, primarily relating to third-party drilling rig mobilization fees and inventory for the Company's fourth quarter 2021 development drilling program.

Touchstone's focus in the third quarter of 2021 remained on Ortoire exploration operations, investing \$7,542,000 and progressing with the following exploration activities.

- Completed the Royston area 22-kilometre seismic program, which gave the Company further clarity regarding the Royston, Steelhead, Bass and Kraken exploration prospects.
- Drilled the Royston-1 exploration well, with wireline log data indicating an aggregate 393 gross feet of potential hydrocarbon pay.
- Continued Coho-1 natural gas facility construction operations, with pipeline installation operations commencing in late October 2021.
- Completed the design of the Cascadura natural gas facility, with facility separators currently being fabricated and facility equipment being sourced for procurement.

Financial results

We generated funds flow from operations of \$1,073,000 in the third quarter of 2021 compared to \$192,000 in the same period of 2020. In comparison to the third quarter of 2020, the increase primarily reflected a 59 percent increase in crude oil realized pricing, which contributed to a \$1,707,000 increase in third quarter 2021 operating netbacks. Relative to the third quarter of 2020, further savings in third quarter 2021 term loan interest costs were offset by increased general and administration costs and income tax expenses accrued from increased taxable income.

Touchstone recorded a net loss of \$51,000 (\$0.00 per share) in the third quarter of 2021 compared to a net loss of \$703,000 (\$0.00 per share) in the prior year equivalent quarter. The decreased 2021 net loss compared to the equivalent prior year period was primarily attributed to the aforementioned increase in operating netbacks, which were driven by stable production and increased realized pricing.

Based on increased capital spending, we exited the third quarter with a cash balance of \$5,004,000, a working capital deficit of \$4,657,000 and \$7,500,000 drawn on its term credit facility resulting in a net debt position of \$11,782,000. On October 1, 2021, we withdrew an additional \$7,500,000 on our term credit facility, resulting in a principal balance of \$15,000,000 currently outstanding. Our near-term liquidity is augmented by \$5,000,000 of current undrawn credit capacity, which may be accessed any time prior to the end of the 2021.

Our primary objective remains to bring the Coho and Cascadura area natural gas exploration discoveries at Ortoire onto production as soon as practicable. As the current economic and health-related challenges persist, we will continue to adapt business operations and capital programs to ensure health and safety and enhance long-term shareholder value.

Operational Update

Development drilling

Drilling with the newly imported Star Valley Rig 205 commenced on our WD-4 block on October 6, 2021 with the PS-610 well, reaching a depth of 7,589 feet on October 19, 2021. While drilling in the lowermost section of the well, a high-pressure natural gas zone was encountered which required an increased mud weight that resulted in a stuck pipe event. After multiple recovery attempts, we abandoned the wellbore and sidetracked uphole. PS-610ST commenced drilling on October 31, 2021 and reached a total depth of 6,975 feet on November 9, 2021. Wireline logs indicate that the well encountered a total of 807 feet of sand and 370 feet of net oil pay at depths between 3,900 and 6,900 feet as follows:

Upper Forest Formation 108 feet

Lower Forest Formation 236 feet

Upper Cruse Formation 26 feet

Total 370 feet

The well also encountered 353 feet of gross sand in the shallow Morne L'Enfer Formation of which 349 feet is prospective oil pay. The Morne L'Enfer Formation is productive in many parts of Trinidad; however, economic production has not been established in the Grand Ravine WD-4 area. While PS-610ST will not be testing these sands, these results represent a future opportunity which will be further investigated by our subsurface team.

The PS-610ST well is currently being cased for oil production, and the drilling rig will be mobilizing to our WD-8 block where it is expected to drill two development wells off a single pad. Once the rig is off the PS-610ST location we will proceed with its planned initial completion in the Upper Cruse Formation. Based on offset well and wireline log data, we expect initial production rates to be in line with internal forecasts.

Coho

The final construction stages of the Coho facility are progressing, and the 3-kilometre pipeline field construction to the Central Block Baraka natural gas facility has commenced with pipeline commissioning expected in the first quarter of 2022.

Cascadura

We have completed the design of the surface facilities required to meet the initial and long-term production capabilities of the Cascadura-1ST1 and Cascadura Deep-1 exploration wells that have been successfully tested. Currently the facility separators are being fabricated, with other facility equipment being sourced for procurement.

We continue to work in conjunction with a third-party contractor on the Cascadura area Environmental Impact Assessment ("EIA") to submit to the Trinidad and Tobago Environmental Management Authority ("EMA"). The first phase of stakeholder engagement was completed in September 2021, with the final phase expected to be completed by the end of November 2021. The expected date of completion of the EIA and submission to the EMA is anticipated to occur by the end of 2021. The EMA has 80 business days to review the submitted EIA upon receipt.

Chinook

Subsequent to the fourth and final production test performed on the Chinook-1 well, the well was shut in on July 15, 2021 for a 30-day pressure buildup, and downhole pressure recorders were retrieved on August 16, 2021. Analysis of the pressure buildup data at this location suggests the Cruse reservoir is undamaged, small in size, and uneconomic to produce. Touchstone has submitted a notification of commercial potential

for the Chinook area to the Trinidad and Tobago Ministry of Energy and Energy Industries and is currently working on declaration of commerciality and comprehensive field development submissions.

Royston

As previously reported, the Royston-1 well was spud on August 12, 2021 and was the final exploration commitment well under our Ortoire licence. Drilling samples and open hole wireline logs indicated that the well encountered a significant Herrera turbidite package with a total observed thickness of more than 1,000 feet. The overall Herrera section drilled in Royston-1 contained approximately 609 feet of clean sand, of which 393 gross feet in two unique thrust sheets appeared to be hydrocarbon pay based on mud gas logging and open hole logs.

Initial completion and production testing operations commenced on October 20, 2021. The first of three scheduled production tests was completed between 10,434 and 10,526 feet and, as previously announced, proved the Intermediate Herrera section to be a 34.5-degree API crude oil reservoir which flowed at rates up to 360 bbls/d during testing. Based on wireline logging and drilling data, we are configuring the next two uphole primary production test intervals to evaluate probable liquids rich natural gas prospects, with flowback and full buildup analysis planned for each zone. The second test is expected to be completed within the next three weeks, and we anticipate the third test to be completed by the end of December 2021.

[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

Non-GAAP Measures

This new release contains terms commonly used in the oil and natural gas industry, including funds flow from operations, funds flow from operations per share, operating netback, working capital and net debt. These terms do not have a standardized meaning prescribed under GAAP or IFRS and may not be comparable to similar measures presented by other companies. Shareholders and investors are cautioned that these measures should not be construed as alternatives to cash flow from operating activities, net earnings, net earnings per share, total assets, total liabilities, or other measures of financial performance as determined in accordance with GAAP. Management uses these non-GAAP measures for its own performance measurement and to provide stakeholders with measures to compare the Company's operations over time.

Funds flow from operations is an additional GAAP measure included in the Company's consolidated statements of cash flows. Funds flow from operations represents net earnings (loss) excluding non-cash items. Touchstone considers funds flow from operations to be an important measure of the Company's ability to generate the funds necessary to finance capital expenditures and repay debt. The Company calculates funds flow from operations per share by dividing funds flow from operations by the weighted average number of common shares outstanding during the applicable period.

The Company uses operating netback as a key performance indicator of field results. Operating netback is presented on a total and per barrel basis and is calculated by deducting royalties and operating expenses from petroleum sales. The Company considers operating netback to be a key measure as it demonstrates Touchstone's profitability relative to current commodity prices. This measurement assists Management and investors with evaluating operating results on a historical basis.

The Company closely monitors its capital structure with a goal of maintaining a strong financial position in order to fund current operations and the future growth of the Company. The Company monitors working capital and net debt as part of its capital structure to assess its true debt and liquidity position and to manage

capital and liquidity risk. Working capital is calculated as current assets minus current liabilities as they appear on the consolidated statements of financial position. Net debt is calculated by summing the Company's working capital and the principal (undiscounted) long-term amount of senior secured debt.

Please refer to the Company's September 30, 2021 Management's discussion and analysis for reconciliations of non-GAAP measures contained herein to applicable GAAP measures.

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.

Forward-looking statements in this news release may include, but are not limited to, statements relating to the Company's development and exploration plans and strategies, including anticipated development and exploration well drilling operations and locations, well test results and the Company's interpretation thereof, anticipated production testing operations, the timing thereof and results therefrom, facility construction and pipeline tie-in operations and the timing thereof, the quality and quantity of prospective hydrocarbon accumulations based on internal interpretations of wireline logs, anticipated completion, submission and receipt of regulatory approvals, and ultimate production from development and exploration wells, the Company's current financial position and its expectations of future funds flow and the sufficiency of resources and available financing to fund future capital expenditures and maintain financial liquidity. 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 is filed under the Company's profile on SEDAR (www.sedar.com) and is available on the Company's website (www.touchstoneexploration.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.

Oil and Gas Matters

References in this news release to production test rates and initial flow rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which the well will commence production and decline thereafter and are not indicative of long-term performance or of ultimate recovery. Additionally, such rates may also include recovered "load oil" fluids used in well completion stimulation. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for the Company. A final pressure transient analysis and/or well-test interpretation has yet to be carried out in respect of the well. Accordingly, the Company cautions that the production test results contained herein should be considered preliminary.

Abbreviations

bbls/d barrels per day

API American Petroleum Institute gravity

psi pounds per square inch

SOURCE [Touchstone Exploration Inc.](http://www.touchstoneexploration.com)

Contact

Please visit our website at www.touchstoneexploration.com or contact: [Touchstone Exploration Inc.](#), Mr. Paul Baay, President and Chief Executive Officer; Mr. Scott Budau, Chief Financial Officer; Mr. James Shipka, Chief Operating Officer; Telephone: 403.750.4487

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