



# Touchstone Exploration - Hitting the ground running at Ortoire

The road to  
20,000 barrels a day

PAGE 4-7

Proprietary knowledge is  
opening up global opportunities

PAGE 14-15

**+** Exploring Royston: Touchstone's  
biggest target to date

PAGE 11-13

# TOUCHSTONE EXPLORATION - HITTING THE GROUND RUNNING AT ORTOIRE

## You can spend a lot of time analysing things...

But sometimes, you just get a feeling: a gut instinct that tells you you're on to something.

Indeed, in many ways, that's how Paul Baay, the President and CEO of **Touchstone Exploration** (TSX:TXP | LSE:TXP) felt about the development of the Ortoire Block in Trinidad.

Before drilling even began, Baay and the whole team at Touchstone sensed that Ortoire was an exceptional play.

Its years of research had established "*turbidite deposits*" across the mammoth block, the likes of which underpin some of the hottest hydrocarbon projects around the world.

This was overlooked by the firms that last drilled Ortoire in the 60s and 70s due to knowledge and technology limitations of the time.

So, it was with a certain degree of confidence that **Touchstone** approached Ortoire in August 2019 with a drilling rig and a plan to explore the play's massive potential in full for the first-ever time.

And sure enough, things have kicked off with a bang.

In fact, even Baay couldn't have predicted this kind of success.

You see, **Touchstone** has hit hydrocarbons with every single one of its Ortoire wells to date.

***It's an incredible strike rate and highlights Touchstone itself as an extremely exciting investment opportunity.***



Today, the firm expects these major discoveries to take its production past 20,000 barrels of oil equivalent a day (“boe/d”).

This milestone is significant enough...

But in reality, it is looking more and more likely that this will only be the first chapter in the story of what is quickly becoming one of London’s most exciting oil and gas plays.

With Royston, its largest exploration well on the way, more than twenty prospects on the horizon, and many development wells in the wings, the sky is very much the limit for **Touchstone** at Ortoire.

In this report, we’ll look at the groundwork **Touchstone** has already put in place and how it intends to exploit the huge number of exploration opportunities it has ahead.

As you’ll see, even despite an enormous rise in its valuation since the beginning of 2020, the truth is, things are really only just getting started where **Touchstone** is concerned.



# THE ROAD TO 20,000 BARRELS A DAY

Producing 20,000 barrels of oil equivalent a day is no mean feat.

So, the question is, how does Touchstone practically achieve this milestone?

Well, the first step on that road is Coho-1.

Coho-1 was the firm's maiden Ortoire discovery, and testing has already estimated gross future production of up to 1,600 boe/d from 105 feet of net pay.

The good news is, it's due to come online imminently in 2021.

It means, with Touchstone's oil and gas output most recently coming in at 1,392 boe/d in FY2020, the firm is on track to near-on-double its production in the very near future.

But hold on, because things only get more exciting from here.

After Coho-1, Touchstone plans to bring online two further Ortoire discoveries called Cascadura-1ST1 and Cascadura Deep-1. These wells struck oil and gas in different parts of the vast Cascadura formation, and will go live in unison to allow for the purchase of hydrocarbons from one wellhead.



***Touchstone is primed and ready to nearly double its production in a matter of weeks***

An aerial photograph showing an oil drilling operation in a dense tropical forest. The drilling rig is the central focus, surrounded by various support structures, containers, and equipment. The forest is lush green and extends to the horizon under a cloudy sky.

Cascadura-1ST1 was the first of the two, encountering quantities of oil and gas substantial enough to flow at an expected rate of between 6,213 and 7,787 boe/d.

Even the lower end of this range would roughly triple **Touchstone's** production profile.

Meanwhile, Cascadura Deep-1 is the business's most promising discovery to date.

This well reached a much greater total depth than Cascadura-1ST1. And through this, **Touchstone** believes that it has penetrated two distinct and separate sheets within the Herrera turbidite formation.

One of these sheets—think of turbidites as independent layers of hydrocarbons separated by cap rock or shale—is expected to be the same as the one hit by the first Cascadura well. However, the second is thought to be entirely new, offering very different pressures and a different condensate make-up.

In April 2021, flowback testing on the well in this new sheet achieved peak flowback rates of 4,262 boe/d, including 24.5 MMcf/d of natural gas.

However, when you consider that the test was conducted on just the top 199 feet of 449 feet in total identified as potential pay on the sheet...

And that plenty of net pay remains to be tested in the second, separate sheet penetrated by the well that is believed to be shared with Cascadura-1ST1...

Then the true scale of production from Cascadura Deep stands to be much higher.

As COO James Shipka highlights, this sort of scale could change the face of Touchstone:



***We expect to see a dramatic jump in production when the Cascadura wells come online. We're looking at our output going from roughly 3,000 boe/d to something closer to 20,000 boe/d with the snap of a finger.***



With plenty of near-term Ortoire prospects remaining—including the enormous Royston target covered later in this report—Touchstone's 20,000 boe/d production target begins to look very achievable.

And as work here continues, the firm has very much been looking to the future.

Not only did it raise US\$30 million in [a private placing in November](#), but it has also [secured a deal](#) to sell all the natural gas produced at Ortoire to the National Gas Company of Trinidad and Tobago.

In doing so, Touchstone has put in place all of the steps needed to get its Ortoire discoveries into production as quickly and effectively as possible.

As President and CEO Paul Baay explains, this is why the next 12 months in particular look so exciting for the business: *"We have ensured that we have the infrastructure, funds, and partnerships needed to operate at the scale we are targeting. We can now push forward and deliver maximum value to shareholders in the smoothest way possible throughout 2021."*

# TAKING THE RISK OUT OF A MAMMOTH OIL AND GAS PLAY

**As we pointed out earlier, the upside on offer across Touchstone's discoveries has not been lost on investors.**

Shares have been soaring ever since the first set of successful results from Coho were released back in September 2019.

**Touchstone's** shares have increased by some 250% in the last year in the UK alone, currently giving the firm a market cap of around £225 million.

After all, **Touchstone** is confident that it can develop and explore this play for the better part of a decade.

Core to the firm's confidence is diminishing risk across the block.

You see, when **Touchstone** first entered Ortoire, it was an exploration play.

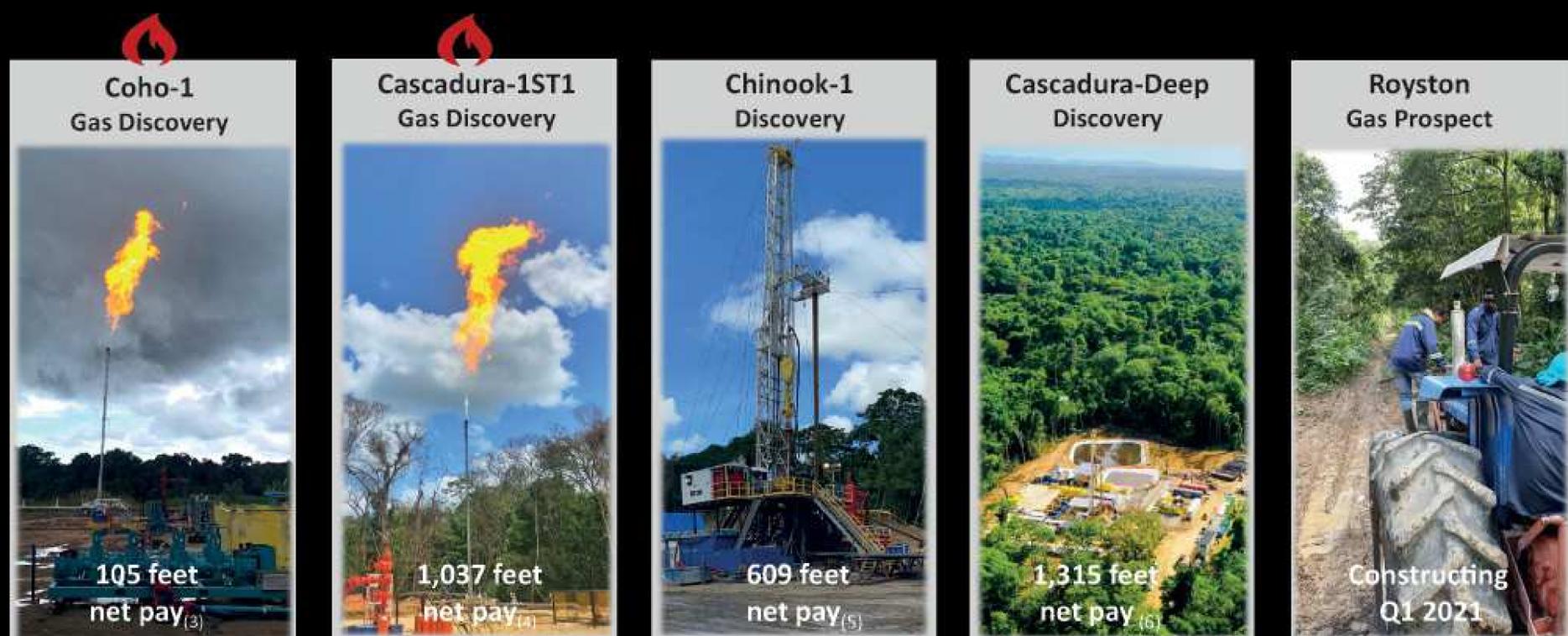
Yes, several operators – including BP – gave the block a shot some 50 years back. But **Touchstone** was the first to approach it with an entirely new angle informed by modern knowledge and technology.



***Touchstone's shares have increased by some 250% in the last year in the UK alone...***

The Company had already identified Ortoire structures and modelled turbidite prospects where it expected to find large quantities of hydrocarbons. But without drilling, the prospects were not backed up by physical evidence – they hadn't been de-risked.

Now that **Touchstone** has opened Ortoire up with discoveries, things are very different...



**First,**  
the Company has  
*proven* its turbidite  
model.

**Second,**  
it has confirmed  
the presence  
of economic oil  
and gas.

**And third,**  
it has learned  
a much about  
Ortoire from post-  
drill analysis.

The net effect is that Cascadura and Coho have now been greatly de-risked.

As we've already seen, this opens up a world of additional upside for **Touchstone**.

# HOW TOUCHSTONE IS ALREADY POSITIONED TO DEVELOP AND GROW

Now that **Touchstone** knows where hydrocarbons are and – just as importantly – where they are not at Ortoire...

The firm can save time and money by only drilling development wells that target specific opportunities, without the shadow of initial exploration risk.

***This is doubly significant because the scale of Ortoire is truly gigantic.***

In fact, in the Company's 2020 year-end reserves [report](#), **Touchstone** revealed that its total 1P net reserves now sit at 34,238 million barrels of oil equivalent

("Mboe"). That's greater than its 3P reserves the previous year!

Meanwhile, 3P net reserves had grown by 236% to 100,155 Mboe and 2P net reserves rose by 194% to 64,947 thanks to the Company's progress throughout the year.

The key point is that **Touchstone's** Ortoire plays are not ones that can be exploited fully with a single well.

Indeed, Baay already sees the potential for up to ten subsequent development wells at Cascadura based on drilling and findings to date.

Should these boast even a fraction of the production potential of Cascadura-1ST1 or Cascadura Deep-1, then the upside could be stunning.



Who knows how significant this same development well strategy could be at Royston, if upcoming exploration drilling discovers as much potential at the gigantic play as **Touchstone** expects?

And there's more good news...

Infrastructure for taking development wells into production and agreements for the sale of gas are *already* in place.

It means that, where before it has taken around 12 months to push an exploration well from discovery to production, the same process for a development well could take a quarter of the time.

Then there's the virtuous circle when it comes to funding: successful development wells increase production, greater production

increases revenues, and greater revenues fund more wells.

As Baay highlights, it's easy to imagine a scenario where **Touchstone's** production escalates by multiples in a very short space of time once its development well strategy launches:

***"I see Touchstone evolving into an exploration and development-driven Company. With development wells we can target significant low-hanging opportunities with great accuracy and speed. Production could escalate, and we are already having serious discussions on how to bring hundreds of millions of cubic feet a day online."***

Bottom line is, not only does **Touchstone** have the potential for growth, but much of the groundwork is already being laid.





**Touchstone** will capitalise on these promising early signs by returning to the location of the well and drilling to more than 11,000 feet – its deepest target yet.

The Company believes the structure on which Royston sits is larger than those at Coho and even Cascadura. Estimates for the amount of gas it contains range all the way from 200 billion cubic feet (“bcf”) to a trillion cubic feet.

If **Touchstone** can strike with success at Royston, then yet more game-changing upside will be added to the table.

Especially with drilling coming well within budget at an expected cost of just \$8 million, all-in.

As Shipka puts it, Ortoire offers offshore-type prospects at onshore prices:

“

***If you look at offshore players like BP, they target prospects with reserves in the region of 300-500 bcf, but drilling cost them hundreds of millions of dollars. Royston could be on the same scale, but the amount we are paying for a shot at developing it is minimal in comparison.***

”

Touchstone's future exploration at Ortoire is by no means limited to Royston alone, either.

First up is the recently-announced Krakken prospect to the east of Royston, which—according to Baay—has the potential to even make Royston look small in comparison. Then there's the development opportunities surrounding Touchstone's previous Chinook discovery to the West of Ortoire, which also offer large oil and gas potential.

But beyond these, the Company has identified another 21 prospects across the block that could each hold the key to large discoveries.

Especially when you also factor in the potential for subsequent development wells.

The Company is being mindful of these prospects, planning to approach them strategically.

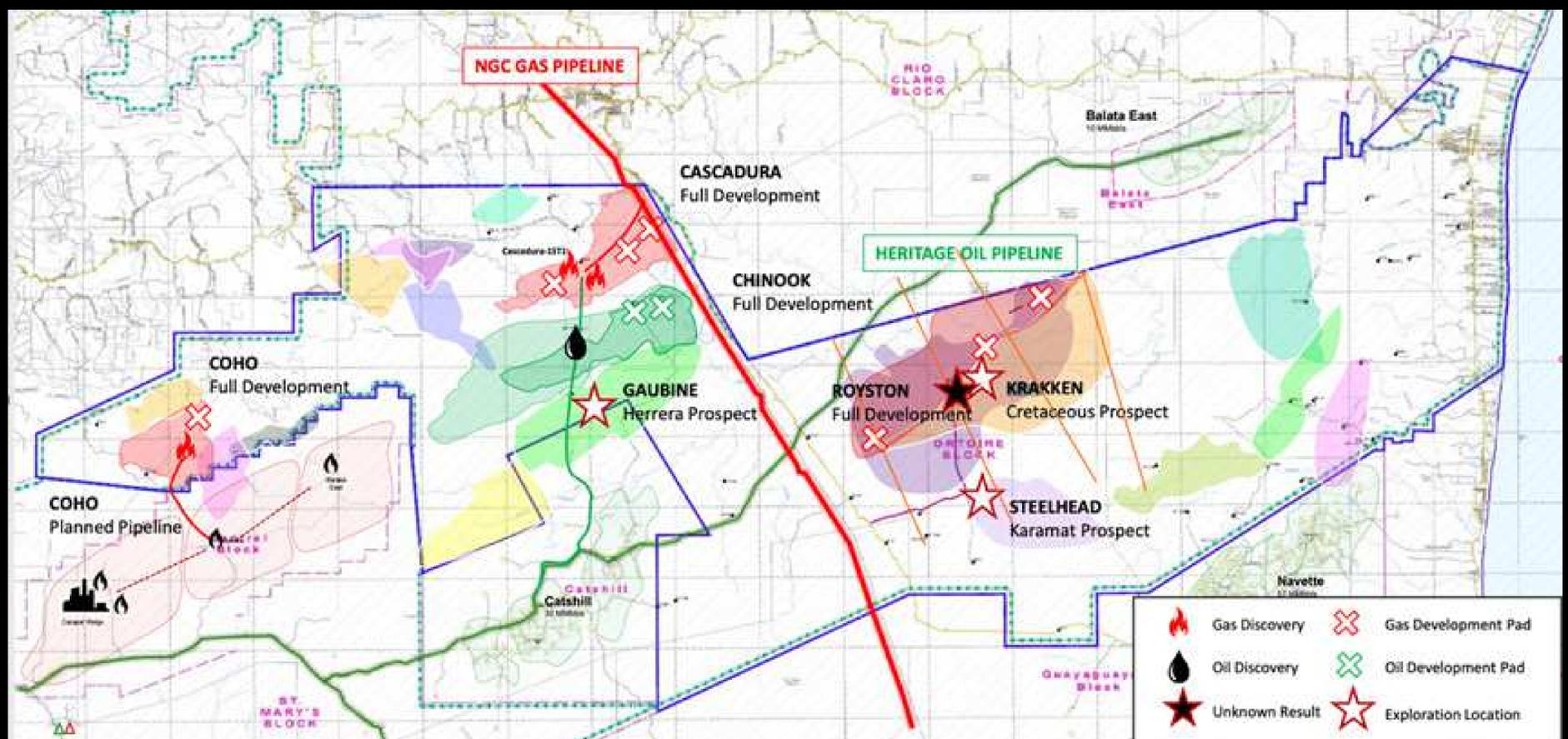
Many are a long distance from anything else it has been doing on the block, which would add significant infrastructure cost if any discovery was made today.

Instead, it plans to take a "stepping stone" approach over the coming years – drilling further and further out with every target.

Baay expects these wells to be drilled in a couple of years, once Touchstone has completed its first wave of exploration and development.

But in the meantime, they represent another level of enormous potential at Ortoire that could sustain Touchstone's present growth momentum well into the future.

## Ortoire's full exploration potential



# PROPRIETARY KNOWLEDGE IS OPENING UP GLOBAL OPPORTUNITIES

Developing a project of Ortoire's scale will keep **Touchstone** busy for years. The opportunity on the table here is huge.

But it is important to note another large and less immediately apparent opportunity emerging from the work the Company is doing.

You see, there are likely many more turbidites out there just like Ortoire.

These projects could all contain huge quantities of pay bypassed by historical operators just waiting to be unlocked.

Each could be extremely valuable. But they must be approached in the right way.

As Shipka points out, turbidites are not your garden-variety hydrocarbon plays – developing them requires unique expertise:

“

***From a technical perspective, turbidites do not present in the same way as conventional rock. Drilling must be approach in a certain way, because when the wrong tools and wrong methods are used, heavy damage can be done and vast quantities of hydrocarbons can be lost very quickly.***

”

Through its work at Ortoire, **Touchstone** has built up a package of proprietary knowledge for developing turbidites.

And with the firm learning more about the structures with every step it takes, this package is only becoming more powerful. What this offers the business is a leg-up on the competition.

In fact, it not only has an edge when it comes to identifying other turbidites around the world, but also when it comes to evaluating their potential and even developing them.

The world is very much **Touchstone's** oyster when it comes to these unique deposits.

And as you can see, it all adds to what is fast becoming one of the most exciting exploration and development stories around right now.

Indeed, combine this with what is already offered at Ortoire and there's a great deal of reason to believe the firm's colossal growth of late is only just the start of a multi-year trend.

***Bottom line is, it's not too late to get on board Touchstone - from the looks of it, things are only heading in one direction.***



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