

Touchstone Exploration Inc

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Touchstone Exploration has "considerable running room" - Shore Capital

There's "considerable remaining running room" for Touchstone Exploration Inc (LON:TXP) shares following on from the new discovery in the Ortoire exploration project, that's according to stockbroker Shore Capital.

Driven by exploration successes within the Ortoire area Touchstone shares are up around 180% since early December 2019.

Earlier this month the Cascadura-1ST1 well confirmed a significant liquids-rich natural gas discovery.

The result exceeded the company's pre-drill expectations, it was still only a test of the lowermost section of the well. It encountered a total of 777 feet of pay in the Herrera formation, and, first stage testing covered the lower-most 162 feet.

Flow rates were measured at 5,180 barrels oil equivalent per day (boepd) over a fourteen-hour test period - comprising 26.9mln cubic feet and 694 barrels of natural gas liquids per day. The rate saw a peak of 5,736 boe.

Touchstone itself described the result as representing a "dramatic change" for the company.

Shore Cap analyst Craig Howie, in a note, said: "an average flow rate of 27mmcf/d of gas was achieved during the final extended test period, with almost 700bopd of associate liquids reported and the well exceeding expectations (ahead of testing of an upper zone covering 450ft of identified pay).

READ: Touchstone says Cascadura is a "significant" new discovery

"With these flow rates translating into a very substantial 5,180boepd in oil equivalent terms, and the upper zone at Cascadura providing additional potential beyond this."

Results to date give house broker Shore Cap enough confidence for it to significantly upgrade forecasts production forecasts for 2021, which in turn lift the broker's estimate of US\$7.7mln profit next year.

"Our latest forecasts (and recently upgraded 48p/share Risked NAV estimate) are intended to provide a conservative baseline ahead of a further update on Cascadura testing next month," Howie said.

"We therefore see an upside bias to further revisions, as more information emerges in the coming weeks, along with considerable remaining running room for Touchstone shares."

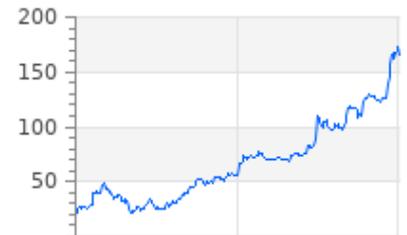
A "step change" for production

Howie added: "we already expect this liquids-rich gas discovery to provide a step-change for Touchstone's production

Price: 166

Market Cap: £346.44 m

1 Year Share Price Graph



January 2020 July 2020 January 2021

Share Information

Code: TXP

Listing: AIM

52 week	High	Low
	175.5	20.5

Sector: Oil & Gas

Website: www.touchstoneexploration.com

Company Synopsis:

Touchstone Exploration Inc. is a Canadian-based, international upstream oil and gas company currently active in the Republic of Trinidad and Tobago. It is one of the largest independent onshore oil producers in Trinidad, with an experienced management and executive team that have a track record of delivering value to shareholders.

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profile, beyond the success previously achieved with Coho-1.

"We are now forecasting average net daily production of 7,000boepd in FY2021, compared to the 1,825bopd that we estimate for FY2019. We also expect Ortoire gas to offer more favourable fiscal terms (compared to Touchstone's established oil portfolio, which is subject to Supplementary Petroleum Tax)."

"We assume that Cascadura is brought online at the end of this year, driving an upgrade to our forecasts which now indicate revenues of US\$84m, a US\$7.7m net profit and US\$14.7m of free cash flow in FY2021.

"With the upper zone at Cascadura providing excellent scope for a further upgrade to our FY2021 production forecasts, we eagerly look forward to a further update next month, when we expect a final analysis of the lowermost zone and a progress report on testing of the second horizon. This upper zone covers 450ft, almost three times the thickness of the horizon already tested."

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