



## **NEWS RELEASE**

### **TOUCHSTONE PROVIDES OPERATIONAL AND CREDIT FACILITY COVENANT UPDATES**

Calgary, Alberta – February 15, 2016 – Touchstone Exploration Inc. (“Touchstone” or the “Company”) (TSX: TXP) announces an operations update and an update regarding its credit facility covenants.

#### **Operations Update**

Touchstone entered 2016 with a continued focus on reducing operating costs. The Company has been working with local service providers and suppliers to ensure that all facets of field operations are priced to reflect current commodity prices. During this process the Company continues to take a measured approach to production optimization and has elected to defer uneconomic production until commodity prices improve. Throughout 2015, the Company reduced field operating costs in Trinidad by approximately 20% on a US\$ per barrel basis.

The Company has commenced a two well fracture stimulation program aimed at improving reservoir connectivity and reducing formation sand inflow. The program targets well bore damage associated with drilling fluid contamination and swelling clays, as well as controlling sand and fines production. Touchstone has elected to evaluate the technical and productivity potential of fracture stimulations during the current low commodity price environment to enhance production and take advantage of competitively priced idle services. If successful, the Company may increase fracture stimulation activities in 2016.

Operations have commenced on the first well of the program. Sunty 2 was drilled in 2012 to an approximate total depth of 4,600 feet. The well has recovered approximately 13,800 barrels of 25° API oil to date and was recently producing an average of 8 barrels per day, down from an initial production rate of 76 barrels per day. The program will use 9.4 tons of proppant to be displaced into a 12 foot thick Herrera sand interval, with the final 4.5 tons using resin coated sand to limit formation sand migration following operations. FZ-304 is the second well in the program, which is located on the Company's Fyzabad property. The well was drilled in 2014 to a total depth of 1,805 feet in the Upper Cruse formation. The well has recovered approximately 15,800 barrels of 19° API oil to date and was most recently producing an average of 12 barrels per day. The program calls for 25 tons of proppant to be placed in the reservoir with a tailing of resin coated sand.

The Company has also focused on evaluating the potential benefits of a water disposal project to enhance production operations and potentially increase future oil recovery. In the fourth quarter of 2015, Touchstone was successful in conducting a water injectivity test on its Fyzabad property, confirming the ability to re-inject large volumes of produced water into depleted portions of the Upper Cruse reservoir. The results demonstrated that 1,500 barrels of produced water per day could be reinjected into the test well at less than 500 pounds per square inch. The Company intends to initially use the well to dispose of produced water from the Fyzabad sales facility and in the future will continue to evaluate the potential of a full property water flood program.

As previously disclosed, Touchstone has disposed of all of the Company's Canadian operations and is continuing to evaluate monetizing its remaining non-core Saskatchewan based undeveloped land. With the completion of the Kerrobert disposition, the Company has no future well or facility abandonment liabilities in Canada.

#### **Credit Facility Covenants**

The Company was in breach of the January 2016 monthly production volume covenant as Trinidad segment average oil production was 1,377 barrels per day versus the covenant of 1,600 barrels per day. Touchstone and its lender expect to execute a waiver regarding this breach in February 2016. As previously disclosed, the Company remains in discussions with its lender to revise the credit facility production covenants. Each

breach of the covenant does give rise to the lender's ability to demand repayment of the loan prior to the end of the original loan term or to negotiate revisions to covenants. The practice to date of curing these breaches through waivers indicates that the implications of this covenant compliance issue to the Company's liquidity risk is currently not material. However, no assurance can be given that future ongoing breaches of the production covenant will not result in a material adverse impact to the Company's liquidity position or cash flows. The Company will provide a further update as any material developments occur in respect of these ongoing discussions with the lender.

### **Advisory Regarding Forward-Looking Statements**

*Certain information provided in this news release may constitute forward-looking statements within the meaning of applicable securities laws. Specifically, this press release contains forward-looking statements relating to the performance characteristics of the Company's oil properties, production results, fracture stimulation success, plans related to and the timing of certain projects, future reductions in field operating costs, ongoing discussions with the Company's lender respecting review of production covenant adjustments and expected credit facility production covenant breach waivers. 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 Annual Information Form dated March 30, 2015 which has been filed on SEDAR and can be accessed at [www.sedar.com](http://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 publicly update or revise any forward-looking statements made herein or otherwise, whether as a result of new information, future events or otherwise.*

### **About Touchstone**

Touchstone Exploration Inc. is a Calgary 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 under the symbol "TXP".

For further information, please contact:

Mr. Paul Baay, President and Chief Executive Officer; or  
Mr. James Shipka, Chief Operating Officer; or  
Mr. Scott Budau, Chief Financial Officer  
Telephone: (403) 750-4400