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Torchlight Energy Acquires Midland Basin Assets

PLANO, TX -- (Marketwired) -- 04/05/16 -- [Torchlight Energy Resources, Inc.](#) (NASDAQ: TRCH) ("**Torchlight**" or the "**Company**") today announced that it has signed a definitive agreement to purchase a 66.66% Working Interest and take over operations in ~12,000 acres (19 sections) in the Midland Basin from McCabe Petroleum Corporation (McCabe). The acreage was previously acquired by McCabe through a Farm-Out. Renowned geologist Rich Masterson has worked closely with McCabe to develop this prospect and the Company expects Mr. Masterson will reside as the project geologist throughout its development.

Terms of the agreement are as follows:

- ~12,000 gross acres (7,999 net acres), 100% of which will be operated
- 75% Net Revenue Interest
- 19 contiguous sections with a potential of as many as 300 horizontal drilling locations targeting the Wolfcamp A and B formations (pay zones currently being developed by operators in the Midland Basin)
- Prospective for the Leonard and Dean formations providing upside
- Continuous drilling clause on the lease starting in July of 2016; Torchlight is obligated to drill one well (vertical or horizontal) every six months to hold the entire ~12,000 acre block

McCabe will receive total consideration of 1,500,000 warrants to purchase Torchlight common stock with an exercise price of \$1.00 and a back-in after payout of 25% Working Interest. The President of McCabe Petroleum Corporation is currently Torchlight's largest shareholder.

The drilling plan set forth by Rich Masterson calls for initially drilling two vertical test or "science" wells. The vertical wells will be utilized to collect all of the data necessary to achieve optimum results. The Company intends to perform a full suite of logs, including imaging, sonic logs and sidewall cores before setting pipe and completing the wells. Torchlight's plan is to ultimately develop the field employing horizontal drilling, which is consistent with development by other Midland Basin operators also targeting the Wolfcamp A&B. The two initial vertical wells will be drilled with sufficient casing size to add lateral legs at a later date. Torchlight plans to drill its third well horizontally and quickly move to full scale development.

According to the work done by Mr. Masterson, the primary field objective will be the

Wolfcamp A&B zones. Secondary horizontal targets include the Leonard and the Dean formations. Overall thickness in the Wolfcamp ranges from 150 feet to 350 feet, which could require multiple horizontal legs per bench to fully drain, as seen in analogous Wolfcamp formation wells in the Midland Basin. Potential EUR's (Estimated Ultimate Recoverable barrels) are over 100,000 per 1000 ft. of lateral and horizontal well costs are estimated at between \$5.5 and \$6.5 million. All field services are available within close proximity to the acreage including oil and gas pipelines.

The Company will pursue a joint development partner, much like it did with the Orogrande Project, to provide for project capex funding. Torchlight plans to begin discussions with suitors immediately and will consider both operating and non-operating financial partners.

Torchlight Energy CEO John Brda commented, "Torchlight continues to create value for our shareholders by executing on initiatives that are cost conscious, reward weighted and return oriented. We continue to leverage our network of strategic partners, McCabe Petroleum Corporation being a primary example, to find opportunities that because of size and maturation profile likely would not have been presented otherwise. Torchlight remains focused on the development of our existing assets but will continue to be opportunistic when presented with accretive opportunities or those that value the company at forward looking prices."

Johnson Rice & Company L.L.C. advised on the transaction and has been engaged to assist Torchlight with a variety of strategic initiatives.

About Torchlight Energy

[Torchlight Energy Resources, Inc.](http://www.torchlightenergy.com) (NASDAQ: TRCH), based in Plano, Texas, is a high growth oil and gas Exploration and Production (E&P) company with a primary focus on acquisition and development of highly profitable domestic oil fields. The Company currently holds interests in Texas, Kansas and Oklahoma where their targets are established plays such as the Wolf Penn, Eagle Ford Shale, Mississippi Limestone and Hunton Limestone trends. For additional information on the Company, please visit www.torchlightenergy.com.

About Johnson Rice

Johnson Rice & Company L.L.C., based in New Orleans LA, is one of the longest standing independent energy brokerage and investment banks in the United States. The Johnson Rice investment banking team provides senior level experience, expertise and judgment to all types of investment banking services including public equity and private securities offerings and financial and strategic advisory engagements.

Forward Looking Statement

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Such forward-looking statements involve known and unknown risks and uncertainties, including risks associated with the

Company's ability to obtain additional capital in the future to fund planned expansion, the demand for oil and natural gas, general economic factors, competition in the industry and other factors that could cause actual results to be materially different from those described herein as anticipated, believed, estimated or expected. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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