

Terrex Energy Inc. - Third Quarter 2010 Report

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CALGARY, Nov. 25 /[CNW](#)/ - [Terrex Energy Inc.](#) ("Terrex" or the "Company") (TSX-V - TER) reports its financial and operating results for the third quarter of 2010.

"We are encouraged by the progress made to date in building a unique oil company in Western Canada focused on extending the life of mature oil fields through technical advances," said Kim Davies, president and CEO of Terrex. "Significant progress has been achieved during the quarter on the development of our first Enhanced Oil Recovery (EOR) project at Strathmore and discussions for access, through acquisition or joint venture, of a number of additional properties with EOR potential were initiated and are progressing."

HIGHLIGHTS

Achievements during the Company's first eight months of operations include:

- Securing a total of \$15 million of equity financing
- Listing on the TSX Venture Exchange
- Developing, refining and implementing a comprehensive EOR selection program
- Acquiring and commencing development of the Company's first EOR project
- Establishing a strong Board of Directors
- Building an experienced management team and technical group.

OPERATIONS

Terrex accelerated field operations at Strathmore during the third quarter. Activities focused on the design of a chemical alkaline-surfactant polymer (ASP) flood for the Strathmore property. Much of the up-front technical work, including fluid analysis, core flood analysis and reservoir simulations, has been completed and the overall plan is being finalized. Additionally, Terrex has largely completed field rehabilitation activities, including the re-activation of well bores and pipelines, injector well conversions, and repairs and modifications to existing facilities necessary for the EOR project. An EOR development application has been submitted to the Energy Resources Conservation Board (ERCB) for approval and equipment procurement has commenced.

The 100% working interest Strathmore pool, located approximately 60 kilometers southeast of Calgary, was acquired on February 1, 2010, for \$659,791. To date the Strathmore pool has produced nearly 5 million barrels of oil; production has declined to 50 barrels per day (b/d), from a peak of 1,650 b/d in 1993. Terrex estimates that, with a chemical injection program, production can be increased significantly and recovery, based upon analogs, may be as much as an additional 15% of the total petroleum initially in place.

Also during the quarter, Terrex initiated discussions with several parties regarding acquisitions and joint venture arrangements relating to properties where significant EOR potential has been identified. Ideally, in addition to EOR potential, these projects would offer Improved Oil Recovery (IOR) opportunities, such as in-fill drilling, water flooding and other optimization processes. The Company intends to implement an aggressive business plan with a long-term objective to grow reserves to 50 million barrels over the next five years.

Operational and Financial Summary

Periods ending Sept. 30, 2010	Three Months	
Average production (boe/d)	72	74
Revenue, net of royalties	\$ 297,045	\$ 870,534
Capital expenditures, including acquisitions	\$ 541,320	\$
Funds flow from operations(1)	\$ (412,734)	\$ (950,898)
Per share: basic and diluted	\$ (0.006)	\$ (0.020)
Operating loss(1)	\$ 489,155	\$ 1,053,940
Per share: basic and diluted	\$ 0.006	\$ 0.022
Net loss	\$ 610,247	\$ 1,733,234
Per share: basic and diluted	\$ 0.008	\$ 0.037

(1) non-GAAP measures

As expected, the Company incurred losses during its initial start-up. Losses of \$610,247 and \$1,733,234 respectively, for the three and nine month periods ended September 30, 2010, include non-cash, stock based compensation costs of \$103,631 and \$644,374, respectively, relating to the Company's stock option plan instituted in June.

The company's only revenue producing property is the Strathmore field. High operating costs and low production rates typical of a very mature field have resulted in the field operating at losses of \$53,210 and \$158,954, respectively, for the three and eight months ended Sept. 30, 2010. Operating costs reflect relatively high repair and maintenance costs including labour costs associated with field reactivation, totaled \$49,033 and \$176,570, respectively, for the three and eight month periods ending September 30, 2010. Field operating loss is determined as revenue less operating and transportation costs.

Capital spending during the periods, excluding acquisition of the Strathmore property, related primarily to facility modification and improvements in the area. Completion and facility expenditures include \$300,989 and \$363,989 for the three and eight months respectively specifically associated with preparing the property for the EOR project.

OUTLOOK

Capital expenditures necessary to complete the initial phase of the Strathmore EOR project are budgeted to be \$6.5 million, of which \$2.0 million are expected to be incurred during the fourth quarter of 2010 and the remaining \$4.5 million during 2011. Currently the Company has sufficient cash reserves to fund the first phase of the project through to start-up. Initial EOR results are anticipated during the fourth quarter of 2011.

In Terrex's early stage of development, uncertainties relating to future performance are affected by timing issues, including regulatory approvals and equipment availability, all of which are compounded by the lack of historical corporate data. As a result, the Company is not in a position to provide meaningful guidance for 2011.

The full text of the Company's Management Discussion and Analysis and unaudited financial statements is available on the Company's website, www.terrexenergy.ca and on SEDAR at www.sedar.com.

Terrex Energy Inc. is a Calgary-based junior oil company that specializes in the application of proven Enhanced Oil Recovery (EOR) methods to improve oil production from mature pools. Terrex targets underexploited and undercapitalized light-to-medium oil reservoirs in Western Canada. Terrex shares are listed on the TSX Venture Exchange under the symbol 'TER' and on the Frankfurt Exchange under the symbol 'TRX/WKN: 763600.'

Neither the TSV Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward-Looking Statements

This news release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. In particular, this press release contains forward-looking statements pertaining to the amount of oil recoverable from the Strathmore property; Terrex receiving regulatory approval in respect to the implementation of the chemical flood at the Strathmore property; anticipated production in respect to the Strathmore property and the timing thereof; the

recovery rates in respect to chemical floods; and Terrex's plans to grow reserves to more than 50 million barrels over the next five year. Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur.

There can be no assurance that the plans, intentions or expectations upon which forward looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to Terrex and its shareholders. Forward-looking statements are based on Terrex's current beliefs as well as assumptions made by, and information currently available to, Terrex concerning business prospects, strategies, and market conditions. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. The forward-looking statements contained in this press release are made as of the date hereof and Terrex does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

For further information:

Kim Davies, President & CEO, or Norm Knecht, VP Finance & CFO, at (403) 264-4430, or visit Terrex's website at terrexenergy.ca for the latest news.

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