

Terrex Energy Inc. - Terrex Reports 2010 Financial Results and Reserves

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CALGARY, April 27 /CNW/ - [Terrex Energy Inc.](#) ("Terrex" or the "Company") (TSXV: TER) reports financial and operating results for the year and fourth quarter ended December 31, 2010, together with the independent evaluation of the Company's reserves at December 31, 2010. The full text of Management's Discussion and Analysis and the Company's audited financial statements are available on the Company's website at www.terrexenergy.ca and on SEDAR at www.sedar.com. A Statement of Reserves, prepared in accordance with National Instrument 51-101 ("NI 51-101") is contained in the Company's 2010 Annual Information Form, which is also available on the Company's website and on SEDAR.

"Our goal in creating Terrex was that of building a unique oil company focused on Enhanced Oil Recovery (EOR) and to extend the life of existing mature oil fields through the application of proven technologies", stated Ms. Kim Davies, President and CEO of Terrex. "Although December 31, 2010 marks the first year of operations for Terrex, it is really just six months since our initial private placement and listing on the TSX Venture exchange in late June. During this period, we have made significant steps toward realizing our goal and we look forward to reporting continued progress throughout 2011".

2010 Highlights

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

2010 activities have positioned Terrex to pursue its business plan and strategy into 2011 as evidenced by the previously announced acquisition of its second EOR project at Two Creek in west central Alberta on March 31, 2011 and the closing of a creative \$14.7 million financing through the Hydrocarbon Purchase Agreement announced on March 21, 2011.

Operations

During 2010, Terrex focused on the design of a chemical alkaline-surfactant-polymer (ASP) flood for the Strathmore property and the Company's plans were approved by the Alberta Energy Resources Conservation Board (ERCB) on January 21, 2011. In the field, Terrex concentrated on field rehabilitation activities, including the re-activation of well bores and pipelines, injector well conversions and modifications and repairs of existing facilities in preparation for the EOR project scheduled to commence with the injection of chemicals during the second half of 2011.

Operational and Financial Summary

Periods ended December 31, 2010	Three Months	Eleven Months
Average production, boe/d	105	82
Capital expenditures	\$1,105,703	\$2,720,590
Revenue, net of royalties	\$554,834	\$1,425,367
Funds flow from operations (1)	\$(556,012)	\$(1,506,911)
Per share, basic and diluted	\$(0.007)	\$(0.029)
Operating loss (1)	\$599,968	\$1,653,908
Per share, basic and diluted	\$0.007	\$0.029
Net loss	\$669,862	\$2,403,096
Per share, basic and diluted	\$0.008	\$0.042

(1) Funds flow from operations and operating loss are non-GAAP measures and are addressed in the "Advisories" section.

As anticipated, the Company has incurred losses during its initial start-up year. Throughout the year, the Company's only revenue producing property was the Strathmore field which, prior to the implementation of the planned EOR program, does not produce sufficient revenue to offset expenses due to low production rates and high operating costs typical of a very mature field.

2010 Reserves

All of the Company's reserves were evaluated by GLJ Petroleum Consultants Ltd. ("GLJ") as at December 31, 2010 in accordance with NI 51-101 and the reserve evaluation has been approved by the Board of Directors of Terrex.

Strathmore

All of Terrex's reserves as at December 31, 2010, as summarized below, are located in the Strathmore area of southern Alberta. Proved and probable reserves relate to existing and ongoing operations at Strathmore and are referred to as "conventional reserves". Possible reserves totalling approximately 1.3 million barrels of oil equivalent have been assigned by GLJ to the planned ASP flood at Strathmore due to the early stage of its development. Possible reserves, under NI 51-101, are defined as those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Strathmore Reserve Summary

December 31, 2010 Oil, Mbbl Gas, MMcf Total, Mboe Net Present Value Before Tax, M\$

Proved Producing	Gross Net	Gross Net	Gross Net	5%	10%	15%
78 72 266	250 123 114	401 363 329				
Total Proved	78 72 266	250 123 114	401 363 329			
Probable	289 266 107	100 307 283	2,309 1,417 796			
Total, Proved & Probable	368 338 373	350 430 396	2,710 1,780 1,125			
Possible	1,158 958 1,120	1,028 1,344 1,130	16,573 8,152 3,174			
Total Proved, Probable & Possible	1,526 1,296 1,493	1,378 1,774 1,526	19,283 9,932 4,299			

Two Creek

On March 31, 2011, effective as at January 1, 2011, the Company acquired certain producing assets in the Two Creek area of west central Alberta. As at December 31, 2010, the Two Creek assets were evaluated by GLJ. The assets were evaluated effectively on a "blow down" basis without any assignment of reserves resulting from planned future optimization and EOR activities. The following table summarizes the Two Creek reserve evaluation:

Two Creek Reserve Summary

December 31, 2010 Oil & NGL's, Mbbl Gas, MMcf Total, Mboe Net Present Value Before Tax, M\$

Proved Producing	Gross Net	Gross Net	Gross Net	5%	10%	15%
402 315 371	334 464 370	9,002 7,915 7,065				
Total Proved	402 315 371	334 464 370	9,002 7,915 7,065			
Probable	112 87 91	82 125 102	2,242 1,648 1,256			
Total, Proved & Probable	513 402 462	416 589 472	11,244 9,563 8,321			

Combined Strathmore/Two Creek Reserves

The following table reflects the impact of the Two Creek acquisition on the Company's reserves on a pro

forma basis as though the Company acquired the Two Creek properties on December 31, 2010.

Combined Pro Forma Strathmore and Two Creek Reserve Summary

December 31, 2010 Oil & NGL's, Mbbl Gas, MMcf Total, Mboe Net Present Value Before Tax, M\$

Proved	Producing	Gross	Net	Gross	Net	Gross	Net	5%	10%	15%
481	387	637	584	587	484	9,403	8,278	7,394		
Total Proved										
481	387	637	584	587	484	9,403	8,278	7,394		
Probable										
401	353	198	182	432	385	4,551	3,065	2,052		
Total, Proved & Probable										
882	741	835	766	1,019	868	13,954	11,343	9,446		
Possible										
1,158	958	1,120	1,028	1,344	1,130	16,573	8,152	3,174		
Total Proved, Probable & Possible										
2,039	1,698	1,955	1,794	2,363	1,998	30,527	19,495	12,620		

Hydrocarbon Purchase Agreement : \$14.7 Million Financing

On March 24, 2011, the Company entered into a Hydrocarbon Purchase Agreement (the "Agreement") effective April 1, 2011, with Sandstorm Metals & Energy Ltd. ("Sandstorm"). Under the Agreement, the Company sold forward 15% of hydrocarbons produced from the Strathmore property, 25% of hydrocarbons produced from the Two Creek Jurassic A pool, and 25% of hydrocarbons produced from the Two Creek Jurassic B pool for a period of five years. As consideration, Terrex received an up-front deposit of \$14.7 million, which was used in part to purchase the Two Creek property. Additionally, the Company will receive ongoing per unit payments of \$15.00/bbl of crude oil, \$8.00/bbl of natural gas liquids and \$1.00/mcf of natural gas delivered to Sandstorm. Sandstorm is responsible for royalties and direct transportation costs associated with purchased production. Terrex has provided Sandstorm with a guarantee that Sandstorm will receive minimum before tax payments of \$0.5 million in 2011, \$1.1 million in 2012, \$1.8 million in 2013, \$2.2 million in 2014, \$2.6 million in 2015, \$2.4 million in 2016, \$2.2 million in 2017, and \$1.9 million in 2018. Under the Agreement, Terrex has the right to buy back half of the future production, for a period of 24 months upon payment to Sandstorm of \$9.55 million.

The Agreement does not affect GLJ's estimate of the combined Strathmore and Two Creek reserves. The Agreement does, however, affect the valuation of the combined Strathmore and Two Creek reserves as disclosed above. Based upon an evaluation conducted by GLJ with an effective date as of December 31, 2010, the Agreement has the impact of reducing the net present value of future net revenue before income taxes from the combined Strathmore and Two Creek properties, discounted at 10% per year, by \$6.6 million to \$12.9 million.

Board of Directors

On April 21, 2011, Mr. James Hutton resigned from the Board of Directors of Terrex. Mr. Hutton, as Chairman of Terra Ventures Inc. ("Terra") was instrumental in the formation of Terrex through establishing the Company as a subsidiary of Terra. With the successful spin-out of Terrex from Terra, Mr. Hutton has chosen to devote his attention and efforts to other ventures. Management and the Board wish to thank Mr. Hutton for his contribution, advice and guidance in the formation of the Company and look forward to his ongoing support. The Board of Directors has determined not to replace Mr. Hutton with a new director and the Company will continue with five directors: being Harry L. Knutson (Chairman), Tony Angelidis, R. James Brown, Kim N. Davies, and Jonathan Lexier.

Terrex Energy Inc. is a Calgary based junior oil company that focuses on the application of proven Enhanced Oil Recovery (EOR) methods to improve oil production from existing mature fields. Terrex targets underexploited and undercapitalized light to medium oil reservoirs in Western Canada. Terrex shares are listed on the TSX Venture Exchange under the trading symbol "TER".

Neither the TSX 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.

Advisories

Reserve Information and Barrels of Oil Equivalent

Information relating to reserves of petroleum and natural gas contained herein represent estimates, which

were prepared by the vendor's independent reserve evaluators in accordance with National Instrument 51-101. Estimating quantities of proved petroleum and natural gas reserves is a subjective, complex process that is dependent on a number of assumptions and variable factors. Estimates of proved plus probable reserves are made assuming the development of the property, without consideration as to the availability of funding necessary for that development.

Production volumes and reserve information are commonly expressed on a barrel of oil equivalent ("Boe") basis whereby natural gas volumes are converted at the ratio of six thousand cubic feet of natural gas to one barrel of oil based on an energy equivalency at the burner tip and does not represent a value equivalency at the well head. Used in isolation, barrels of oil equivalent may be misleading.

Non-GAAP Information

Included in this news release are references to terms commonly used in the oil and gas industry including funds flow from operations and operating loss. Such terms do not have standard meaning as prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable with the determination of similar measures for other entities. As used in this news release funds flow from operations is calculated as cash flow from operating activities less changes in non-cash working capital and, operating loss is calculated as net loss before stock based compensation and accretion of asset retirement obligations. Funds flow from operations is used by management in assessing the Company's ability to fund capital programs and operations and operating loss provides a comparison of operating results between periods, excluding non-cash items subject to significant volatility. The foregoing Non-GAAP measures should not be considered an alternative to, or more meaningful than cash provided by operating activities and net loss determined in accordance with GAAP.

Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to future events or future performance and are based on Terrex's current internal expectations, estimates, projections, assumptions and beliefs, including, among other things, assumptions with respect to production, future capital expenditures and cash flow. Readers are cautioned that the assumptions used in the preparation of such information may prove incorrect. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Terrex believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this news release should not be unduly relied upon. These forward-looking statements speak only as of the date of this news release.

In particular, this news release contains forward-looking statements pertaining to the following:

- business strategies*
- exploration and development plans*
- the characteristics of the Strathmore Property and the Two Creek Property*
- implementation, benefits and timing of enhanced oil recovery ("EOR") programs*
- the quantity and value of oil and natural gas reserves*
- net present values of future net revenues from reserves*
- other expectations, beliefs, plans, goals, objectives, assumptions or statements about future events or performance*

Statements relating to "reserves" are forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described exist in the quantities predicted or estimated and can profitably be produced in the future.

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, regulatory developments, the ability to obtain equipment in a timely manner to carry out development activities, the ability to obtain financing on acceptable terms, the benefits of IOR and EOR programs and the terms of the

Hydrocarbon Purchase Agreement. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

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. These factors include, but are not limited to risks associated with oil and natural gas exploration, financial risks, the history of losses, substantial capital requirements, political and government risks, government regulation, environmental, prices, dependence on key personnel, availability of drilling equipment and access, risks may not be insurable, licenses, resource estimates, variations in exchange rates. Further information regarding these factors may be found under the heading "Risk Factors" in the company's Annual Information Form. Readers are cautioned the foregoing list of factors that may affect future results is not exhaustive.

The forward-looking statements contained in this news 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:

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