

Terrex Energy Inc. reports second quarter 2011 results

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CALGARY, Aug. 22, 2011 /CNW/ -- CALGARY, Aug. 22, 2011 /CNW/ - Terrex Energy Inc. ('Terrex' or the 'Company') (TSX-V: TER) announces its financial and operating results for the three and six months ended June 30, 2011.

The Company has filed its unaudited interim financial statements and related management's discussion and analysis ('MD&A') for the three and six month periods ended June 30, 2011 on SEDAR at www.sedar.com and the Company's website at www.terrexenergy.ca. Certain selected financial and operational information for the period is set out below and should be read in conjunction with the Company's interim financial statements and related MD&A for the period ended June 30, 2011.

'We are pleased at the progress made during the second quarter of 2011', stated Ms. Kim Davies, President and CEO. 'The potential from enhanced oil recovery, or EOR, is considerable, the reserves are known and often significant, there is no exploration risk, and the technology we use is well established. We continue to execute our business plan and our initial projects at Strathmore and Two Creek are moving us forward in achieving our objective of building a unique company focused on EOR', concluded Ms. Davies.

Q2 FOCUS ACTIVITIES

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- Strathmore EOR is project proceeding on schedule, field rehabilitation activities are ongoing, and construction of the EOR facility is nearing completion with delivery expected in October.
- EOR planning commenced at Two Creek and an application for an EOR program for the Jurassic A pool has been made to the Energy Resources Conservation Board.
- Strengthened technical team with the addition of Dr. N. Mungan, a recognized EOR expert.
- Identification and evaluation of additional EOR opportunities.

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FIELD OPERATIONS

Field activities during the second quarter continued to focus on the development of the chemical alkaline-surfactant-polymer ('ASP') flood for the Strathmore property. The project is proceeding on schedule and the overall EOR plan is being finalized. The Strathmore EOR facilities are being built in Wyoming and are over 90% complete, with certain metering equipment still to be delivered. Following final testing, the facilities will be shipped to the Strathmore site with set-up expected to commence in October 2011. Additionally, activities at Strathmore continued to concentrate on reactivating well bores and pipelines, injector well conversions, and facility modifications and repairs in preparation for the EOR program. Restart of the water flood and chemical injection is anticipated to begin near year end 2011.

At Two Creek, an application for an EOR program for the Jurassic A pool has been submitted to the Energy

Resources Conversation Board. Specialized technical EOR analysis work is underway and cores have been delivered for laboratory testing. This is the initial step in developing an optimum EOR plan. Specifics relating to the EOR design are expected to be completed by 2011 year end. In the interim, the Company is proceeding with an optimization program at Two Creek, which includes drilling one and possibly two horizontal wells prior to implementing an EOR program.

OPERATIONAL AND FINANCIAL SUMMARY

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Three Month Periods ended June 30			
	2011	2010	

Average production, boe/d	343	78	
Capital expenditures, including acquisitions	\$ 1,975,055	\$ 142,923	
Revenue, net of royalties	\$ 1,689,495	\$ 366,169	
Funds flow from operations(1)	\$ 8,836	\$ (392,537)	
Per share, basic and diluted	\$ 0.000	\$ (0.013)	
Operating (loss)(1)	\$ (286,170)	\$ (612,625)	
Per share, basic and diluted	\$ (0.003)	\$ (0.020)	
Net (loss)	\$ (344,546)	\$ (1,159,785)	
Per share, basic and diluted	\$ (0.004)	\$ (0.039)	

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

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Six and Five Month Periods ended June 30			
	2011	2010	

Average production, boe/d	348	75	
Capital expenditures, including acquisitions	\$ 17,019,347	\$ 997,733	
Revenue, net of royalties	\$ 3,340,109	\$ 573,488	
Funds flow from operations(1)	\$ (411,576)	\$ (501,845)	
Per share, basic and diluted	\$ (0.005)	\$ (0.017)	
Operating (loss)(1)	\$ (1,010,864)	\$ (928,800)	
Per share, basic and diluted	\$ (0.012)	\$ (0.032)	
Net (loss)	\$ (1,045,455)	\$ (1,492,048)	
Per share, basic and diluted	\$ (0.013)	\$ (0.052)	

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

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Comparative figures for 2010 are for the three and five month periods ended June 30, 2010 and have been restated to reflect International Financial Reporting Standards ('IFRS') adopted in 2011.

Production and revenue for the three and six month periods ended June 30, 2011 increased significantly over the comparable periods in 2010, primarily as a result of the acquisition of the Two Creek property, which was effective as of January 1, 2011. Production averaged 343 boe/d during the second quarter of 2011, an increase of 265 boe/d over the second quarter of 2010. Production for the six month period ended June 30, 2011 averaged 348 boe/d, an increase of 273 boe/d over 2010. The year over year increase in revenue also reflects an increase in realized 2011 commodity prices over 2010 realized prices. Realized 2011 commodity prices, on a boe basis, increased approximately 25% over 2010.

As expected, the Company has continued to incur losses in advance of the implementation of optimization

and EOR projects. The net loss for the second quarter of 2011 was \$344,546 as compared to \$700,910 for the first quarter of 2011 and \$1,159,785 for the second quarter of 2010. The continuing reduction in reported losses reflects increased production, stronger commodity prices, and improving operating efficiencies. These factors also had a direct impact on funds flow from operations and, for the first time, the Company realized positive funds flow from operating activities during the second quarter of 2011.

As the Company's EOR and optimization projects progress this trend is expected to continue, and production and revenue are anticipated to increase significantly.

ABOUT TERREX

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. The Company's 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

Barrels of Oil Equivalent

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-IFRS 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 under International Financial reporting Standards ('IFRS') 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-IFRS measures should not be considered an alternative to, or more meaningful than cash provided by operating activities and net loss determined in accordance with IFRS.

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:

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- business strategies
- exploration and development plans
- implementation, anticipated benefits and timing of enhanced oil
 recovery ('EOR') programs
- other expectations, beliefs, plans, goals, objectives, assumptions or
 statements about future events or performance
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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.

Kim Davies, President & CEO, or Norm Knecht, VP Finance and CFO, at (403) 264-4430, or visit the Company's website at [www.terrexenergy.ca](http://www.terrexenergy.ca)

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