

Terrex Energy Inc. reports Q2 2012 operational, and financial results

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[Terrex Energy Inc.](#) ("Terrex" or the "Company") (TSX-V: TER) reports its operational and financial results for the three and six months ended June 30, 2012.

The Company has filed its unaudited condensed interim financial statements and related management's discussion and analysis ("MD&A") for the three and six months ended June 30, 2012 on SEDAR at www.sedar.com and on the Company's website at www.terrexenergy.ca. Certain selected financial information for the period, as set out below, should be read in conjunction with the Company's unaudited condensed financial statements and related MD&A for the period ended June 30, 2012.

PRESIDENT'S MESSAGE

From inception, Terrex has focused on growing reserves and production through applying proven technologies for improved reservoir performance and enhanced oil recovery ("EOR") to under-exploited, mature, oil reservoirs with significant remaining original oil-in-place. From the outset, execution of the Company's business plan has been dependent on access to capital. Consistent with its business plan, the mature Strathmore and Two Creek properties were acquired. To date, a significant amount of the technical analyses, evaluation, planning and preparatory work relating to optimization and EOR projects, including reservoir and production simulations under various parameters has been completed. The programs are now largely ready for implementation but require significant additional capital to proceed.

Second quarter 2012 operations, as expected, continued to result in a loss. As outlined above, our properties were acquired with the objective of enhancing production, cash flow and revenue through the development of the properties subsequent to their acquisition. Various actions have been taken to control and change our cost structure; however, further losses are expected until our production profile is enhanced through implementation of a capital program.

Current economic conditions have eroded investor confidence creating serious liquidity concerns for many companies and creating an extremely challenging environment for capital raising activities. Traditional equity capital, particularly for small companies like Terrex has been severely curtailed. In such times, companies must evaluate their options and also their long-term goals. We have undertaken a re-evaluation of our properties and are fortunate that both Two Creek and Strathmore, in addition to their EOR potential, provide us with conventional in-fill drilling and water flood realignment opportunities. These activities, in advance of more extensive EOR programs and at a much more modest level of capital spending, would have a positive and immediate impact on production and cash flow. Terrex, however, currently has limited cash reserves and requires an infusion of new development and working capital to proceed with such a program. Additionally, pursuant to the Hydrocarbon Purchase Agreement with Sandstorm Metals & Energy Ltd., the Company is required to incur certain capital expenditures during the third quarter of 2012. Currently, Terrex does not have the financial resources to meet these requirements and may default under the agreement.

Management and the Board of Directors continue to work with our financial advisors, Nova Bancorp, to seek all reasonable means of financing in order to improve production, develop new reserves and realize on our potential. We have canvassed traditional and non-traditional sources of capital, evaluated dispositions, and discussed with various parties, a mutual interest in our properties, projects and opportunities. These efforts continue as we work with all our stakeholders to build a future for Terrex.

OPERATIONS AND OUTLOOK

Field activities during the first half of 2012 were limited due to the Company's current financial position. At Strathmore, an overall EOR field plan has been finalized and the design and development of a chemical alkaline-surfactant-polymer ("ASP") flood, including final fluid and core flood analyses and reservoir simulations are complete. This plan is currently in abatement as the project is not economic on a risk adjusted basis, in the current commodity price environment. Alternatively, management has identified an investment program of phased infill drilling, and water flood modifications. This plan is more fiscally prudent and achievable at a lower risk and with a more modest capital exposure. At Two Creek the Company has

identified locations for a possible three in-fill well drill program in the Jurassic A Pool and is proceeding with the design of a water flood optimization program. Based on the success of this activity, additional development opportunities are available. Additionally, at Two Creek, analyses have commenced and cores have been delivered for laboratory testing as the Company continues to evaluate an optimum EOR plan for the Jurassic A Pool. At the Two Creek B Pool, a low pressure water flood plan has been developed and an application is being prepared for submission to the Energy Resources Conservation Board.

The implementation of these optimization programs and EOR plans, both at Strathmore and Two Creek, will not be implemented until sufficient funding is assured. The Company is actively exploring various financing options to fund these capital programs. To this end, a special committee (the "Special Committee") of the Board of Directors has been formed and has engaged Nova Bancorp Securities Ltd., on a non-exclusive basis, to assist the Special Committee and management with the identification and evaluation of various financing strategies for the Company.

The Company has elected not to provide market guidance at this time for 2012.

OPERATIONAL AND FINANCIAL SUMMARY

	Periods ending June 30,			
	Three Months		Six Months	
(\$000's except as noted)	2012	2011	2012	2011
Average production, Boe/d	274	343	305	348
Capital expenditures, including acquisitions, \$	387	\$ 1,975	\$ 971	\$ 17,019
Revenue, net of royalties, \$	1,304	\$ 1,689	\$ 2,869	\$ 3,340
Funds flow from operations (1) \$	(384)	\$ 9	\$ (732)	\$ (412)
Per share, basic and diluted	\$ (0.005)	\$ 0.000	\$ (0.009)	\$ (0.005)
Operating (loss) (1) \$	(674)	\$ (286)	\$ (1,307)	\$ (1,011)
Per share, basic and diluted	\$ (0.008)	\$ (0.003)	\$ (0.016)	\$ (0.012)
Net (loss) \$	(730)	\$ (345)	\$ (1,401)	\$ (1,045)
Per share, basic and diluted	\$ (0.009)	\$ (0.004)	\$ (0.017)	\$ (0.013)

(1) Funds flow from operations and operating loss are non-IFRS measures.

Production for the three months ended June 30, 2012 decreased from the comparable period in 2011 primarily as the result of down hole mechanical problems at significant oil and gas producing wells in both the Two Creek and Strathmore fields, and a turn around at a third party gas processing facility at Two Creek. Repairs to several of the oil wells were completed during the quarter and repairs to the gas wells are being deferred until natural gas prices strengthen. Total revenues for the quarter also decreased as a result of reduced oil and gas production and lower realized natural gas and crude oil prices.

As expected, the Company has continued to incur losses in advance of the implementation of optimization and EOR projects. As the Company's EOR and optimization projects progress, production and revenue are anticipated to increase significantly.

STOCK OPTIONS

The grant of 4,170,000 stock options referred to in the Company's News Release of May 24, 2012, has been ruled invalid by the TSX Venture Exchange, due to the Company's low share price, and has since been rescinded.

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

Forward-looking Information - Certain information as set out herein constitutes forward-looking information within the meaning of applicable Canadian securities laws. All information other than historical fact is forward-looking information. Forward-looking information relates to future events or future performance and is based on Terrex's current internal expectations, estimates, projections, assumptions and beliefs. Forward-looking information is often, but not always, identified by the use of words such as "expect", "project", "proposed", "intend", "seek", "anticipate", "budget", "plan", "continue", "estimate", "forecast", "may", "will", "predict", "potential", "targeting", "could", "might", "should", "believe" and similar expressions.

Although management considers the assumptions and estimates, reflected in forward-looking information, to be reasonable, based on information currently available, there can be no assurance that such information will prove to be correct. As a consequence, actual results may differ materially from those anticipated.

Undue reliance should not be placed on forward-looking information which is inherently uncertain, and 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 information will not occur. These risks include, but are not limited to risks associated with oil and natural gas exploration, development and production, financial risks, the history of losses, substantial capital requirements, political and government risks, government regulations, environmental, prices, dependence on key personnel, availability and access to equipment, 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 interim report 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.

Boe Presentation - Production volumes and reserves 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 to one barrel of oil based on an energy equivalency at the burner tip and does not represent a value equivalency at the wellhead. Used in isolation, barrels of oil equivalent may be misleading.

Non-IFRS Measures - Management's Discussion and Analysis makes reference to terms commonly used in the oil and gas industry including funds flow, funds flow from operations and operating earnings (loss). Such terms do not have a standard meaning as prescribed by International Financial Reporting Standards ("IFRS") and therefore may not be comparable with the determination of similar measures for other entities. These measures are identified as non-IFRS measures and are used by management to analyze operating performance and leverage. These measures should not be construed as an alternative to, or more meaningful than measures determined in accordance with IFRS.

SOURCE Terrex Energy Inc

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