

Terrace Provides Third Quarter Operations Update, Reporting Major Progress on All of Its South Texas Projects

12.09.2013 | [Marketwired](#)

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Sep 12, 2013) - [Terrace Energy Corp.](#) (TSX VENTURE:TZR)(OTCQX:TCRRF)(FRANKFURT:2TR) (the "Company") is pleased to announce excellent progress on each of its 2013 Development Programs. The Company and its partners have executed several drilling and workover projects and have established or increased oil and gas production on each of its South Texas Projects. A summary of progress by project is given below:

Maverick County

The Company has made a number of significant strides to establish the commerciality of its extremely large leasehold position in Maverick County. The Company and its partner control a 147,000 acre leasehold with multiple targets in regionally prolific hydrocarbon producing formations.

As previously announced, the Company and its partner have successfully reentered the Chittim F-1H horizontal Eagle Ford Shale well and established an initial test rate in excess of 300 BOPD. The Company plans to install a hydraulic pump system on the well later this month. A drilling rig has been contracted to drill an offset well at a location approximately 1 mile from the Chittim F-1H. The well is designed to drill a vertical evaluation hole (the Chittim 2-H) through the Eagle Ford Shale and Buda Limestone formations before turning horizontal in the Eagle Ford. Well plans call for a 4,450' horizontal lateral in the Eagle Ford to be "gas frac'd" with a 15 stage hybrid stimulation treatment. The Company expects to initiate drilling in early October.

Evaluation work continues on the Chittim 1-H horizontal Pearsall Shale well drilled earlier this year. Preliminary results from the initial six-stage hydraulic fracture stimulation treatment indicate the strong presence of hydrocarbons. While very encouraging, these results are currently under evaluation to optimize further completion activities. Recommendations for improving further stimulation procedures are pending the results of this analysis. These test results will also be used in finalizing the locations of three additional Pearsall Shale tests scheduled for the 2014 drilling program.

The Company is also carefully studying a number of highly encouraging hydrocarbon indicators encountered in several shallower formations, particularly in the Eagle Ford Shale and the Buda Limestone formations in the Chittim 1-H wellbore. Results of the coring activity planned for the Chittim 2-H referenced above will be incorporated into this study to select an optimum initial test location for evaluating the Buda Limestone. The Company expects to drill an initial Buda Limestone test in late Q4 2013.

STS Olmos Project

The Company and its partner have completed the 2013 drilling program, successfully drilling five additional horizontal wells in the project. These wells were strategically positioned to maximize reservoir definition over the project's 19,000 acre leasehold position. All five of the wells encountered the cretaceous "Olmos" tight sandstone as programmed, extending the geologic definition of the project by an additional 3 miles to the southeast, and validating the Company's estimates of 60 - 80 additional drilling locations on the project. Two of the wells were drilled vertically through the entire prospective section. Petrophysical and rotary core data taken in these "pilot holes" further confirms and validates the Company's geologic and engineering analysis of the project. All of the wells were successfully drilled with horizontal lateral lengths between 3,200' and 4,800' based on geologic considerations.

The Company and its partner are pursuing an aggressive completion and infrastructure program to place

these new wells on production. To date two wells have been completed and are testing currently. The initial well (the SP5 #1-2H) was completed using an experimental "Gas Frac" technology while the remaining wells will be completed using conventional water frac techniques. Completion operations are currently underway on two additional wells. The final well of the 2013 program is scheduled for completion operations in the next few weeks. Early indications from the frac work and initial flowback testing indicates that these new wells should have similar excellent results as the 2012 drilling program wells. Therefore, the Company expects initial production rates in the 800 - 1,200 BOEPD range. A nine mile gathering system is currently under construction to tie all of these wells into the TexStar "Teak" gas processing facilities. The Company will announce individual well "IP" rates in due course.

Cutlass

The Company and its partners have also made excellent progress on its 2013 evaluation program on its 3,395 acre Eagle Ford Shale Development Project in Dimmit and LaSalle Counties, Texas. The Company has completed its initial discovery well, The Cutlass West A-1 which was drilled during the 2012 drilling season. The 4,400 foot lateral horizontal section was completed using multi-stage hydraulic fracturing and placed on production in late April. The operator is using a controlled flowback technique designed to minimize reservoir energy depletion and maximize long term recoveries. The well has averaged over 200 BOEPD with flowing pressures of approximately 2,000 psig for two months with no significant decline. To date, the well has produced over 8,200 barrels of oil. During this initial testing, the operator has completed the remaining major marketing infrastructure and initiated oil sales in early June with first gas sales in early July.

Drilling has been completed on the two remaining obligation wells required to secure the leasehold position. The Cutlass East B-2 well was drilled to a total measured depth of 15,000 feet including approximately 5,700 feet of horizontal lateral in the Lower Eagle Ford Shale. The Cutlass West B-2 well was also drilled to a total measured depth of 13,920 feet including approximately 4,900 feet of horizontal lateral in the Lower Eagle Ford Shale. Both wells were cased to total depth with 5 1/2" casing. Construction has been completed on two frac ponds in preparation for completing both wells via multi-stage fracture stimulation beginning in late Q3.

Dave Gibbs, the Company's President, stated, "The Company is extremely pleased with the excellent results that have been achieved on all of its projects during 2013. We have significantly expanded the early success on our very exciting STS Olmos Project with five new wells, established production from the Eagle Ford Shale on both our Maverick County and Cutlass Projects and validated significant hydrocarbon potential in the Pearsall Shale and Buda Limestone. The Company is well positioned to move into significant development on all of our projects in early 2014. We envision several hundred drilling locations will ultimately become viable in the currently identified formations as we continue to move these projects forward. Results to date also indicate the likelihood of additional formations to be developed as these project progress."

About Terrace Energy

Terrace Energy is an oil & gas development stage company that is focused on unconventional oil & gas extraction in onshore areas of the United States, particularly in South Texas.

ON BEHALF OF THE BOARD OF DIRECTORS

Eric Boehnke, Chief Executive Officer

*** BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.**

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Forward-Looking Information

This press release includes "forward-looking information" within the meaning of applicable Canadian securities laws, including information regarding the development of each project and the timing thereof. Users of forward-looking information are cautioned that actual results may vary from the forward-looking information disclosed in this press release. The material risk factors that could cause actual results to differ materially from the forward-looking information contained in this press release include changes to the Company's ability to access infrastructure in the vicinity of the Maverick County, STS and Cutlass Projects at a reasonable price, costs for and availability of required goods and services, regulatory changes and all of the other risks and uncertainties normally associated with the exploration for and development and production of oil and gas, including geologic uncertainties, unforeseen drilling hazards, accidents and adverse weather conditions. The forward-looking information contained in this press release represents management's best judgment of future events based on information currently available. The material assumptions used to develop the forward-looking information include: that production from the wells at the STS Project will continue as projected, that the Company will be able to access infrastructure in the vicinity of the Maverick County, STS and Cutlass Projects on reasonable terms, that the Company will be able to access the goods and services necessary in order to conduct further exploration, development and production at the Maverick County, STS and Cutlass Projects on reasonable terms, that regulatory requirements will not change in any material respect and that other aspects of the Company's operations will not be affected by unforeseen events. Statements regarding future drilling locations are based on geologic interpretations which are subject to revision as further data is developed. The Company does not assume the obligation to update any forward-looking information, except as required by applicable law.

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/156481--Terrace-Provides-Third-Quarter-Operations-Update-Reporting-Major-Progress-on-All-of-Its-South-Texas-Projects.h>

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