

Terrace Announces Results of the Latest STS Well

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Sep 16, 2013) - [Terrace Energy Corp.](#) (the "Company") (TSX VENTURE:TZR)(OTCQX:TCRRF)(FRANKFURT:2TR) is pleased to announce early results from its latest horizontal well, the SP5 1-16H on its STS Olmos Project in South Texas, USA with its partner, BlackBrush Oil & Gas LP. The well was drilled to a measured depth of 13,650 feet, including a horizontal section of approximately 4,300 feet in the target interval and was successfully fracture stimulated in 13 stages.

After less than 14% load recovery, the well continues to strengthen and is currently flowing at a rate of approximately 524 BOPD (barrels of oil per day) and 1.2 MMCFD (million cubic feet per day) of liquid rich gas or 728 BOEPD* (barrels of oil equivalent per day). All of the wells in this project will be tied into the wet gas gathering system located on the STS Project and delivered into a high efficiency natural gas liquids extraction plant. Based on the current test rate, liquids recoverable through the extraction plant are expected to contribute an additional 220 BOEPD to this well's revenue stream. There can be no assurance that the flow rate will stabilize at current or higher levels over time.

This well is the fifth successful completion in the Company's STS project and is testing at rates consistent with the three highly successful completions drilled and completed in the 2012 drilling program. All of these wells were fracture stimulated using "slick water" techniques.

As previously reported, the first well in the 2013 drilling program, the SP5 1-2H encountered the objective pay sand as planned and consistent with all of the other wells in the project. The well was completed using an experimental "Gas Frac" technology. The fracture stimulation pumped as anticipated with similar pumping characteristics as the offset "slick water" treatments; however production results to date have been less than anticipated due to significant mechanical issues with the completion equipment. Notwithstanding these difficulties, the well has been averaging approximately 165 BOEPD for the past 90 days and is on target to be an economic success. Results from this well are under evaluation for long-term planning. In the interim, the remaining three wells drilled in the 2013 program are scheduled to be completed with the proven "slick water" technique.

The Company and its partner are currently finalizing fracing operations on the SP5 1-17H and the STS 1-3H which are being performed "back-to-back" from the same drilling pad. Flowback operations and testing will begin immediately thereafter. Drilling operations have successfully concluded on the final well of the 2013 program, the SP5 1-27H. Fracing and completion operations will begin shortly. The Company expects to announce results on each of these three wells in the near future.

Terrace holds a 33.33% working interest and a 25.00% net revenue interest in the SP5 1-16H and the SP5 1-2H.

As previously reported, Terrace purchased an average 26.88% working interest and a 20.16% net revenue interest in approximately 14,400 gross acres (3,875 net acres) in the STS Project. The project acreage has the potential to support approximately 60 offset drilling locations.

Dave Gibbs, the Company's President, commented: "These two wells continue to demonstrate the consistency and repeatability of the STS Project's productive capabilities. We continue to be pleased with the early results of these wells and once again, this latest well's initial flow rate significantly exceeds our pre-project models. The Company looks forward to a long term, sustainable development program for the field."

About Terrace Energy

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

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 program for the STS Olmos Project, including the expected contribution from liquids recoverable through the natural gas liquids extraction plant and the potential number of offset drilling locations on the STS Project acreage. 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 STS Project 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 STS Project 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 STS 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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