

TURNER VALLEY OIL & GAS INC
Form 10QSB
November 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the First Quarter ended September 30, 2007

Commission File Number: 0-30891

Turner Valley Oil & Gas, Inc.

(Exact name of Registrant as specified in its charter)

Nevada
(Jurisdiction of Incorporation)

91-1980526
(I.R.S. Employer Identification No.)

604-700 West Pender Street, Vancouver, BC
(Address of principal executive offices)

V6C 1G8
(Zip Code)

Registrant's telephone number, including area code: (604) 602-1650

Securities registered pursuant to Section 12(g) of the Act: Common Stock

60,035,584 shares of common stock were outstanding as of September 30, 2007.

Transitional Small Business Disclosure Format (check one): yes ☐ no ☒ T

INTRODUCTION

This Registrant (Reporting Company) has elected to refer to itself, whenever possible, by normal English pronouns, such as "We", "Us" and "Our". This Form 8-K may contain forward-looking statements. Such statements include statements concerning plans, objectives, goals, strategies, future events, results or performances, and underlying assumptions that are not statements of historical fact. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views, with respect to future events or results and future financial performance. Certain words indicate forward-looking statements, words like "believe", "expect", "anticipate", "intends", "estimates", "forecast", "projects", and similar expressions.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements, for the three months ended September 30, 2007, included herein have been prepared by the us, without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnotes disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information not misleading.

The Remainder of this Page is Intentionally left Blank

Page -2

TURNER VALLEY OIL & GAS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

Page -3

TURNER VALLEY OIL & GAS, INC.
(A Development Stage Company)
Consolidated Balance Sheets

	<u>ASSETS</u>	September 30, 2006 Unaudited	December 31, 2005
CURRENT ASSETS			
Cash	\$	2,052	\$ 78,848
Accounts receivable		1,252	2,546
Total Current Assets		3,304	81,394
OIL AND GAS PROPERTIES USING FULL COST ACCOUNTING			
Properties subject to amortization		674,486	212,996
Accumulated amortization		(18,267)	(10,767)
Net Oil and Gas Properties		656,219	202,229
OTHER ASSETS			
Investments		1,013,053	155,651
Total Other Assets		1,013,053	155,651
TOTAL ASSETS	\$	1,672,576	\$ 439,274
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
CURRENT LIABILITIES			
Accounts payable	\$	114,449	\$ 5,958
Notes payable, related party		23,658	23,658
Total Current Liabilities		138,107	29,616
Total Liabilities		138,107	29,616
STOCKHOLDERS' EQUITY			
Common stock, 100,000,000 shares authorized of \$0.001par value, 56,985,984 and 53,385,984 shares issued and outstanding, respectively		56,987	53,387
Capital in excess of par value		4,569,723	4,185,323
Subscription receivable		-	-
Accumulated other comprehensive income		(4,085)	(4,810)

Edgar Filing: TURNER VALLEY OIL & GAS INC - Form 10QSB

Deficit accumulated during the development stage	(3,088,156)	(3,824,242)
Total Stockholders' Equity	1,534,469	409,658
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,672,576	\$ 439,274

The accompanying notes are an integral part of these consolidated financial statements.

Page -4

TURNER VALLEY OIL & GAS, INC.

(A Development Stage Company)

Consolidated Statements of Operations

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,		From Inception on April 21, 1999 Through September 30,
	2006	2005	2006	2005	2006
REVENUE					
Royalties received	\$ 784	\$ -	\$ 9,612	\$ 1,640	\$ 19,889
EXPENSES					
Cost of production	-	-	-	2,565	51,753
Depletion	2,500	2,500	7,500	7,500	15,767
General and administrative	230,335	1,012	565,739	543,989	4,317,240
Total Expenses	232,835	3,512	573,239	554,054	4,384,760
NET OPERATING LOSS	(232,051)	(3,512)	(563,627)	(552,414)	(4,364,871)
OTHER INCOME (EXPENSE)					
Other income	336,702	237,825	396,863	237,825	272,505
Unrealised Gain on WIN Investment	902,851	-	902,851	-	902,851
Interest expense	-	-	-	-	(3,292)
Total Other Income (Expense)	1,239,553	237,825	1,299,714	237,825	1,172,064
NET PROFIT/(LOSS) BEFORE INCOME TAX	\$ 1,007,502	\$ 234,313	\$ 736,088	\$ (314,589)	\$ (3,192,807)
Income tax	\$ -	\$ -	\$ -	\$ -	\$ -
NET PROFIT/(LOSS)	\$ 1,007,502	\$ 234,313	\$ 736,088	\$ (314,589)	\$ (3,192,807)
BASIC LOSS PER COMMON SHARE	\$ 0.02	\$ 0.00	\$ 0.01	\$ (0.01)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
	55,078,292	49,694,775	55,078,292	49,882,687	
COMPREHENSIVE INCOME (LOSS)					
NET LOSS	\$ 1,007,502	\$ 234,313	\$ 736,088	\$ (314,589)	\$ (3,192,807)
OTHER COMPREHENSIVE INCOME (LOSS)					

Edgar Filing: TURNER VALLEY OIL & GAS INC - Form 10QSB

Foreign Currency Translation	-	-	(725)	2,367	(4,085)
COMPREHENSIVE INCOME (LOSS)	\$ 1,007,502	\$ 234,313	\$ 735,363	\$ (312,222)	\$ (3,196,892)

The accompanying notes are an integral part of these consolidated financial statements.

Page -5

Turner Valley Oil & Gas Corporation
(A Development Stage Company)
Statement of Stockholders' Equity and Comprehensive Income
September 30, 2006

	Shares	Amount	Additional Paid-in-Capital	Comprehensive Income/(Loss)	Retained Earnings	Subscription Receivable
Balance at inception April 21, 1999	0	0	0			
Shares issued for services during 1999	41,080	41	5,094			
Shares issued for cash during 1999	16,000	16	99,984			
Net Loss for the period ended December 31, 1999					(96,935)	
Balance at December 31, 1999	57,080	57	105,078	0	(96,935)	0
Net Loss for the period ended December 31, 2000					(27,242)	
Balance at December 31, 2000	57,080	57	105,078	0	(124,177)	0
Net Loss for the period ended December 31, 2001					(65,380)	
Balance at December 31, 2001	57,080	57	105,078	0	(189,557)	0
Shares issued for debt reduction during 2002	8,000	8	99,992			
Shares issued for services during 2002	2,190,150	2,190	1,092,885			
Net Loss for the period ended December 31, 2002					(1,240,008)	
Balance at December 31, 2002	2,255,230	2,255	1,297,955	0	(1,429,565)	0
	1,500,000	1,500	298,500			

Edgar Filing: TURNER VALLEY OIL & GAS INC - Form 10QSB

Shares issued for services at \$.02 per share						
Rounding of shares from reverse split	2,000	2	(2)			
Shares issued for accounts payable at \$.05 Per share	8,000,000	8,000	392,000			
Shares issued for services at \$.015 per share	31,729,200	31,729	444,209			
Shares issued for services at \$.015 per share	9,487,504	9,488	132,825			
Shares issued pursuant to S-8 registration at \$.05 per share	2,000,000	2,000	98,000			
Shares issued pursuant to S-8 registration at \$.05 per share	650,000	650	31,850			
Cancellation of Common Stock	(16,691,520)	(16,692)	(220,459)			
Shares issued for cash at \$.05 per share	3,000,000	3,000	147,000			
Shares issued for cash at \$.30 per share	100,000	100	29,900			
Shares issued for cash at \$.35 per share	528,570	529	184,471			
Foreign Currency Translation			(1,718)			
Net Loss for the period ended December 31, 2003	0	0	0	(1,137,760)		
Balance at December 31, 2003	42,560,984	42,561	2,836,249	(1,718)	(2,567,325)	0
Shares issued pursuant to S-8 registration at \$.20 per share	932,500	933	185,567			
Shares issued pursuant to S-8 registration at \$.08 per share	1,597,500	1,598	126,202			

Shares issued pursuant to S-8 registration at \$.08 per share	1,000,000	1,000	79,000			
Shares issued pursuant to S-8 registration at \$.11 per share	85,000	85	9,265			
9/30/2004						
Shares issued pursuant to S-8 registration at \$.20 per share	1,385,000	1,385	275,615			
Shares issued for Cash at \$.05 per share	975,000	975	47,775			
Subscription Recievable						(48,750)
Foreign Currency Translation				(2,367)		
Net Loss for the period ended December 31, 2004	0	0	0	0	(784,001)	
Balance at December 31, 2004	48,535,984	48,537	3,559,673	(4,085)	(3,351,326)	(48,750)
Shares issued pursuant to S-8 registration at \$.13 per share	2,850,000	2,850	367,650			
Shares issued pursuant to S-8 registration at \$.13 per share	2,000,000	2,000	258,000			
Foreign Currency Translation				(725)		
Subscription Recievable						48,750
Net Loss for the period ended December 31, 2005					(472,917)	
Balance at December 31, 2005	53,385,984	53,387	4,185,323	(4,810)	(3,824,244)	0
Shares issued pursuant to S-8 registration at \$.13 per share	2,000,000	2,000	258,000			

Edgar Filing: TURNER VALLEY OIL & GAS INC - Form 10QSB

Shares issued pursuant to
S-8 registration at \$.08 per
share

1,600,000 1,600 126400

Net Income for the period
ended September 30, 2006

725 736,088

**Balance as at September
30, 2006**

56,985,984 56,987 4,569,723 (4,085) (3,088,156) 0

The accompanying notes are an integral part of these consolidated financial statements.

Page -6

TURNER VALLEY OIL & GAS, INC.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Unaudited)

	For the 9 months Ended September 30, 2007		From Inception on April 21, 1999Through September 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income/(Loss)	\$ (65,210)	\$ (166,764)	\$ (4,176,690)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depletion	7,500	7,500	28,267
Loss on abandonment of property	-	-	25,481
Gain on sale of Investment	(97,799)	(336,701)	(801,314)
Common stock issued for services rendered	15,000	388,000	4,256,960
Non-cash Effect from Foreign Currency Translation	-	725	(4,080)
Non-cash effect of revaluing Marketable Securities			
Changes in operating assets and liabilities:			
Increase (Decrease) in bank Overdraft		-	-
Increase (Decrease) in accounts receivable	1,394	1,294	722
Increase (Decrease) in accounts payable - related Party		-	23,659
Increase in accounts payable and accrued expenses	11,977	108,489	313,166
Net Cash Used in Operating Activities	(127,138)	2,543	(333,829)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	141,640	382,151	972,839
Investing in new Oil & Gas working interests	-	(461,490)	(425,544)
Expenditures for oil and gas property development		-	(712,714)
Net Cash Used in Investing Activities	141,640	(79,339)	(165,419)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock		-	465,000
Receipt of subscription receivable	-	-	48,750
Net Cash Provided by Financing Activities	-	-	513,750
NET INCREASE (DECREASE) IN CASH	14,502	(76,796)	14,502
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	-	78,848	-

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$	14,502	\$	2,052	\$	14,502
--	----	--------	----	-------	----	--------

SUPPLEMENTAL CASH FLOW INFORMATION

CASH PAID FOR:

Interest	\$	-	\$	-	\$	-
Income taxes	\$	-	\$	-	\$	-

NON-CASH FINANCING ACTIVITIES

Common stock issued for services rendered	\$	15,000	\$	260,000	\$	3,724,460
Common stock issued for retirement of payables	\$	-	\$	-	\$	532,500
Transfer of working Interest for payment of Debt	\$	400,000			\$	400,000

The accompanying notes are an integral part of these consolidated financial statements.

Item 2. Discussion and Analysis or Plan of Operation.

(A) PLAN OF OPERATION.

The Company's sole focus is on the exploration for, development drilling for, and transmission facilities for the production and sale of oil and gas. The Company has incorporated a wholly owned Canadian subsidiary named T.V Oil & Gas Canada Limited. This Company is a Federal Canadian Registered Company and complies with all applicable laws within Canada.

Our financial statements contain the following additional material notes:

(Note 6-Going Concern) The Company's financial statements have been prepared assuming that the Company will continue as a going concern. The Company is dependent upon raising capital to execute its business plan. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to raise capital in order to execute their business plan, thus creating necessary operating revenues.

(Note 3-Development Stage Company) The Company is a development stage company as defined in Financial Accounting Standards Board Statement 7. It is concentrating substantially all of its efforts in raising capital and developing its business operations in order to generate operating revenues.

(B) DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

During the three months ended September 30, 2007 the Company had \$1,121 of royalty revenues from its working interest in the Strachan property as compared to \$784 for the corresponding period ending September 30, 2006. For the nine months ended September 30, 2007 the Company had \$1,522 of royalty revenues from its working interest as compared to \$9,612 for the corresponding period ending September 30, 2006. The reduction in royalty revenue was due to the special assessment during the nine months ended September 30, 2006 which resulted in additional revenue for the period.

The Company's Operator has indicated that completion and testing of the Strachan Leduc well has commenced and the Company is awaiting the outcome of the completion and testing of this well. The Company has paid all authorizations for expenditure that was presented by the Operator on this project. All the Company's properties are geologically and physically independent of one another. They are all located in the Western Canadian Geologic Basin centred in Alberta, Canada.

The Strachan Property

On August 20, 2003, the Company entered into a purchase agreement to acquire 1% interest in a producing gas well, located at 2-2-38-9W5 Red Deer, Alberta, Canada. The gas production rate at the time of the acquisition fluctuated between 1.5 and 2 MMCF/Day (million cubic feet of gas per day). The Company's senior management has set out a rework program for this well. The rework program calls for an acid wash and acid stimulation of the producing formation. The Company has agreed to participate in the program. The program was completed on October 15, 2003 and as of October 20, 2003, the new production rates have stabilized at 2.66 MMCF/Day, representing a 40% increase over initial production rates.

In addition to the preceding acquisition, the Company entered into a purchase agreement to acquire 0.5% interest in 10 Sections (6,400 acres) of drilling rights offsetting Sect. 22-38-9W-5. These offsetting sections have identified seismic anomalies in multiple cretaceous pay zones. The purchase price of the property was \$45,114

The Strachan Property – Leduc region

On September 23, 2005 Turner Valley Oil and Gas Inc. through its wholly owned subsidiary TV Oil and Gas Canada Limited, has entered into a farm-out agreement with Odin Capital Inc. of Calgary, Alberta.

The terms of the Farm-Out agreement are as follows:

In exchange for our paying 3.00% of all costs associated with drilling, testing and completing the test well (expected drilling cost – approx. \$6.3 million Canadian to the 100% interest) on the property that is referred to as the Leduc Formation test well, we will have earned;

- 1) In the spacing unit for the Earning Well, a 1.500% interest in the petroleum and natural gas below the base of the Mannville excluding natural gas in the Leduc formation, and a 3.00% interest in the natural gas in the Leduc formation before payout subject to payment of an Overriding Royalty which is convertible upon payout at the Royalty Owners option to 50% of our interest.
- 2) A 1.200% interest in the rights below the base line of the Shunda formation in Section 10, Township 38, Range 9W5M
- 3) A 0.966% interest in the rights below the base of the Shunda formation in sections 15 & 16, Township 38, Range 9W5M, down to the base of the deepest formation penetrated.

On July 6th, 2006, the Company purchased an additional 2% from its Chairman & CEO for a total cost of \$190,882. This transaction was completed on a dollar paid for dollar spent.

Additionally, the Company incurred \$44,405 of further costs associated with the exploration of the well during the quarter.

The total costs are to date are \$525,544 for our interest, under the terms of our agreement.

The Strachan Prospect is located 80 miles NW of Calgary, Alberta.

Mississippi Prospect

On August 23rd, 2006, the Company entered into a joint venture agreement with Griffin & Griffin Exploration, LLC. to acquire an interest in a drilling program comprising 50 natural gas and/or oil wells. The area in which the proposed wells are to be drilled is comprised of approximately 300,000 gross acres of land located between Southwest Mississippi and North East Louisiana. The proposed wells will be targeting the Frio and Wilcox Geological formations. The first 20 proposed wells are located within tie-in range of existing pipeline infrastructures. Turner Valley has agreed to pay 10% of all prospect fees, mineral leases, surface leases and drilling and completion costs to earn a net 8% share of all production zones to the base of the Frio formation and 7.5% of all production to the base of the Wilcox formation. Total Costs to date are \$400,000.

After evaluating the Company's future interest in this project, the Company has decided to assign all of its working interest to third parties for \$400,000. From the outset, the Company's intention was to fully participate in this project; however, the diminution in value of the Company's investment in Win Energy determined that the Company could not continue in the Mississippi project.

General & Administrative Costs

General and administrative costs for the three months ended September 30, 2007 decreased to \$57,212, when compared to \$230,335 for the corresponding period last year. The decrease was caused by costs relating to common stock issued for services of \$15,000 for the period ended September 30, 2007, while the charge for stock issued in the corresponding period ended September 30, 2006 was \$128,000. The total costs including depletion for the three months ended September 30, 2007 was \$59,712 (September 30, 2006: \$232,835).

Net Loss for the three months ended September 30, 2007 was \$(15,168) as compared to a Net Income of \$104,651 for the corresponding period ending September 30, 2006. The increase in Net Loss was caused by the decrease in the Company's investment in Win Energy Corp. ('WIN').

General and Administrative expenses for the 9 months ended September 30, 2007 was \$157,031 (September 30, 2006: \$565,739). The decrease in General and Administrative expenses was related to a reduction in charge for common stock issued for services in the corresponding quarter ended September 30, 2006.

Net Loss for the nine months ended September 30, 2007 was \$(65,210) as compared to a Net Loss of \$(166,764) for the corresponding period ended September 30, 2006. The reduction in Net Loss was caused by reduction in charge for common stock issued for services which was partially offset by an increase in revenue resulted from a special assessment by the Operator.

Liquidity

The Company's net working capital deficit for the quarter ended September 30, 2007 decreased to \$(14,025), from a deficit for the year ended December 31, 2006 of \$(418,555). The decrease in working capital deficit was caused by reductions in general overhead and the assignment of the Mississippi prospect which reduced current liabilities by \$400,000.

To date, we have not invested in derivative securities or any other financial instruments that involve a high level of complexity or risk. We expect that in the future, any excess cash will continue to be invested in high credit quality, interest-bearing securities. We believe cash from operating activities, and our existing cash resources may not be sufficient to meet our working capital requirements for the next 12 months. We will likely require additional funds to support the Company's business plan. Management intends to raise additional working capital through debt and equity financing. There can be no assurance that additional financing will be available on acceptable terms, if at all. If

adequate funds are not available, we may be unable to take advantage of future opportunities, respond to competitive pressures, and may have to curtail operations.

There are no legal or practical restrictions on the ability to transfer funds between parent and subsidiary companies. There are no known trends or uncertainties excepting those herein disclosed, that will have a material impact on revenues.

Page -10

PART II: OTHER INFORMATION

Item 1. Legal Proceedings. None.

Item 2. Changes in Securities. None.

Item 3. Defaults on Senior Securities. None

Item 4. Submission of Matters to Vote of Security Holders. None.

Item 5. Other Information. None.

Item 6. Exhibits and Reports on Form 8-K.

Exhibit 31. Section 302 Certification

Exhibit 32. Certification Pursuant TO 18 USC Section 1350

The Remainder of this Page is Intentionally left Blank

Page -11

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-Q Report for the Second Quarter ended June 30, 2007, has been signed below by the following persons on behalf of the Registrant and in the capacity and on the date indicated.

Turner Valley Oil and Gas, Inc.

Dated: November 13, 2007

by

/s/Kulwant Sandher
Kulwant Sandher President / CFO

/s/Donald Jackson Wells
Donald Jackson Wells director

/s/Joseph Kane
Joseph Kane director

Page - 12
