

TURNER VALLEY OIL & GAS INC
Form 10QSB
May 15, 2008

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 March 31, 2008

Commission File Number: 0-30891

Turner Valley Oil & Gas, Inc.

(Exact name of Registrant as specified in its charter)

Nevada	91-1980526
(Jurisdiction of Incorporation)	(I.R.S. Employer Identification No.)

604-700 West Pender Street, Vancouver, BC	V6C 1G8
(Address of principal executive offices)	(Zip Code)

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

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

61,335,984 shares of common stock were outstanding as of March 31, 2008.

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

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 March 31, 2008, 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.

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TURNER VALLEY OIL & GAS, INC.
CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

Consolidated Balance Sheets

Consolidated Statements of Operations

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Notes to the Consolidated Financial Statements

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

ASSETS

	March 31, 2008	December 31, 2007
CURRENT ASSETS		
Cash	\$ 9,112	\$ 75,688
Accounts receivable	12,244	8,088
Total Current Assets	21,356	83,776

OIL AND GAS PROPERTIES USING FULL COST ACCOUNTING

Properties subject to amortization	15,675	18,175
Unproved properties	-	-
Net Oil and Gas Properties	15,675	18,175

OTHER ASSETS

Investments - Marketable Securities available for sale	-	-
Total Other Assets	-	-

TOTAL ASSETS	\$ 37,031	\$ 101,951
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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 20,997	\$ 4,211
Notes payable, related party	23,658	23,658
Total Current Liabilities	44,655	27,869
Total Liabilities	44,655	27,869
Other Commitments or Contingencies	-	-

STOCKHOLDERS' EQUITY

Common stock, 100,000,000 shares authorized of \$0.001 par value, 61,335,984 shares issued and outstanding, respectively	61,337	61,337
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Capital in excess of par value	4,741,873	4,741,873
Accumulated other comprehensive income	(3,357)	(3,356)
Deficit accumulated during the development stage	(4,807,477)	(4,725,772)
Total Stockholders' Equity	(7,624)	74,082
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,031	\$ 101,951

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

TURNER VALLEY OIL & GAS, INC.
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Income/(Loss)

	For the 3 months Ended March 31,		From Inception on April 21, 1999 Through March 31,
	2008	2007	2008
REVENUE			
Royalties received	\$ 1,456	\$ 401	\$ 26,495
EXPENSES			
Cost of production	-	-	51,753
Depletion	2,500	2,500	33,267
Abandonment of natural gas and oil property	-	-	525,544
General and administrative	83,056	34,581	5,026,367
Total Expenses	85,556	37,081	5,636,931
NET OPERATING LOSS	(84,100)	(36,680)	(5,610,436)
OTHER INCOME (EXPENSE)			
Gain on sale of investments	-	41,839	798,510
Rent Received	2,393	-	7,741
Interest expense	-	-	(3,292)
Total Other Income (Expense)	2,393	41,839	802,959
NET PROFIT/(LOSS) BEFORE INCOME TAX	\$ (81,707)	\$ 5,159	\$ (4,807,477)
Income tax	\$ -	\$ -	\$ -
NET PROFIT/(LOSS)	\$ (81,707)	\$ 5,159	\$ (4,807,477)
BASIC LOSS PER COMMON SHARE	\$ (0.00)	\$ 0.00	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	61,335,984	58,535,984	
COMPREHENSIVE INCOME (LOSS)			
NET LOSS	\$ (81,707)	\$ 5,159	\$ (4,807,477)

OTHER COMPREHENSIVE INCOME (LOSS)

Unrealized Gain on Marketable Securities	-	158,684	(725)
Foreign Currency Translation	-	725	(3,357)

COMPREHENSIVE INCOME (LOSS)	\$	(81,707)	\$	164,568	\$	(4,811,559)
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The accompanying notes are an integral part of these consolidated financial statements.

Turner Valley Oil & Gas Corporation
(A Development Stage Company)
Statement of Stockholders' Equity and Comprehensive Income
For the period from inception to March 31, 2008

	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

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Shares issued for services at \$.02 per share	1,500,000	1,500	298,500			
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			

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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)	(3,351,325)	(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)	(3,824,242)	0
Shares issued pursuant to S-8 registration at \$.13 per share	2,000,000	2,000	258,000			
	1,600,000	1,600	126400			

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Shares issued pursuant to S-8 registration at \$.08 per share						
Shares issued pursuant to S-8 registration at \$.08 per share	1,450,000	1,450	114,550			
Shares issued under Rule 144 at \$0.13 per share	100,000	100	12,900			
Net Income for the year ended December 31, 2006				500,093	(287,236)	
Balance as at December 31, 2006	58,535,984	58,537	4,697,173	495,283	(4,111,478)	0
Realization of unrealized gains on investments				(500,093)		
Foreign currency translation				1,453		
Issuance of S-8 stock for services at \$0.01	1,500,000	1,500	13,500			
Issuance of S-8 stock for services at \$0.025	1,300,000	1,300	31,200			
Net Income/(loss) for the year ended December 31, 2007					(614,292)	
Balance as at December 31, 2007	61,335,984	61,337	4,741,873	(3,357)	(4,725,770)	
Net Income/(loss) for the quarter ended March 31, 2008					-81,707	
Balance as at March 31, 2008	61,335,984	61,337	4,741,873	(3,357)	(4,807,477)	0

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

	For the 3 months Ended March 31,		From Inception on April 21, 1999 Through March 31, 2008
	2008	2007	2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (81,707)	\$ 5,159	\$ (4,807,477)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depletion	2,500	2,500	33,267
Loss on abandonment of property	-	-	551,025
Gain on sale of Investment	-	(41,839)	(834,085)
Common stock issued for services rendered	-	87	4,289,460
Non-cash Effect from Foreign Currency Translation	-	-	1,274
Changes in operating assets and liabilities:			(4,085)
Increase (Decrease) in bank Overdraft	-	(3,397)	-
Increase (Decrease) in accounts receivable	(4,155)	4,704	(4,874)
Increase (Decrease) in accounts payable - related Party		-	23,659
Increase in accounts payable and accrued expenses	16,786	-	312,374
Net Cash Used in Operating Activities	(66,576)	(32,786)	(439,462)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	-	53,313	1,073,082
Investing in new Oil & Gas working interests	-	-	(825,544)
Expenditures for oil and gas property development		-	(312,714)
Net Cash Used in Investing Activities	-	53,313	(65,176)
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	(66,576)	20,527	9,112

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CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	75,688	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 9,112	\$ 20,527	\$ 9,112
SUPPLEMENTAL CASH FLOW INFORMATION			
CASH PAID FOR:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -
NON-CASH FINANCING ACTIVITIES			
Common stock issued for services rendered	\$ -	\$ -	\$ 3,756,960
Common stock issued for retirement of payables	\$ -	\$ -	\$ 532,500

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

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Notes to the Consolidated Financial Statements
March 31, 2008

NOTE 1 - BASIS OF PRESENTATION

The financial information included herein is un-audited and has been prepared consistent with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. Accordingly, these financial statements do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's annual report on Form 10-KSB for the year ended December 31, 2007. In the opinion of management, these financial statements contain all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period presented.

The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year.

NOTE 2 - LOSS PER SHARE

Following is a reconciliation of the loss per share for the three months and three months ended March 31, 2008 and 2007:

	For the Three Months Ended March 31,	
	2008	2007
Net Profit/(loss) available to common shareholders	\$ (81,707)	5,159
Weighted average shares	61,335,984	58,535,984
Basic income per share (based on weighted averageshares)	\$ 0.00	\$ 0.00

Notes to the Consolidated Financial Statements
March 31, 2008

NOTE 3 - OIL AND GAS PROPERTIES

The full cost method is used in accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs, are capitalized. In addition, depreciation on property and equipment used in oil and gas exploration and interest costs incurred with respect to financing oil and gas acquisition, exploration and development activities are capitalized in accordance with full cost accounting. All capitalized costs of proved oil and gas properties subject to amortization are being amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects not subject to amortization are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized. As of March 31, 2008 and December 31, 2007, proved oil and gas reserves had been identified on certain of the Company's oil and gas properties. During the three months ended March 31, 2008 and 2007, the Company recorded depletion of \$2,500 on its producing properties.

NOTE 4 - INVESTMENT IN WIN ENERGY

During the three months ending March 31, 2007, the Company sold 85,500 shares of its investment in WIN Energy on the open market, realizing a gain of \$41,839.

Notes to the Consolidated Financial Statements
March 31, 2008

NOTE 5 –

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.

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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 quarter ended March 31, 2008, we had royalty revenues of \$1,456 from our working interest in the Strachan property (March 31, 2007: \$401). The increase in royalties was caused by an increase in natural gas prices obtained by the operator. All our properties are geographically and physically independent of one another. They are located in the Western Canada Geologic Basin centered in Alberta, Canada.

The Strachan Property. On August 20, 2003, we 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 Strachan Prospect is located 80 miles NW of Calgary, Alberta. 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 approximately 2.66 MMCF/Day, representing a 40% increase over initial production rates.

In addition to the preceding acquisition, we 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 depletion for the year ended March 31, 2008 was \$2,500. (March 31, 2007: \$2,500)

The Strachan Property – Leduc Formation

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. The amount was paid in WIN stock at a value of \$2 when the market value of the stock was \$1.90.

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. The Company expects testing of this prospect in the near future, which will enable the Company to determine whether to continue or abandon this project. Testing of the first well showed no economic hydrocarbons and the well was abandoned.

General and Administrative costs

General and Administrative costs for the quarter ended March 31, 2008 increased to \$85,556, when compared to \$34,581, for the corresponding period in the prior year. The increase was caused by a general increase in overhead for the period.

The Company's total expenses were \$85,556 for the quarter ended March 31, 2008 compared to \$37,081 for the prior year. The increase in total expenses was caused by an increase in general expenses.

The Net Loss for the year just ended was \$(81,707) as compared to a Net Profit of \$5,159 for the corresponding period for the prior year. The increase in loss for the year was caused by a reduction in Other income.

(1) Liquidity. Our net working capital for the quarter ended March 31, 2008 decreased to \$(23,299), compared to a deficit of \$55,907 for the year ended December 31, 2007. The decrease in working capital was caused the increase in general expenses for the period.

To date we have not invested in derivative securities or any other financial instruments which involve a high level of complexity or risk. We expect that in the future, an excess cash will continue to be invested in credit quality, interest-bearing securities.

We believe cash from operating activities, and our existing cash sources may not be sufficient to meet our working capital requirements for the next 12 months. We will likely require additional funds to support our business plan. Management intends to raise additional working capital through debt and equity financing.

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-Q Report for the Second Quarter ended March 31, 2008, 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: May 14, 2007

by

/s/Kulwant Sandher
Kulwant Sandher
President / CFO

/s/Donald Jackson Wells
Donald Jackson Wells
director

/s/Joseph Kane
Joseph Kane
director

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