

TURNER VALLEY OIL & GAS INC
Form 10QSB
August 15, 2005

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

FORM 10-QSB-A

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Second Quarter ended June 30, 2005

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.)

6160 Genoa Bay Road, Duncan B.C. Canada V9L 5Y5
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (250) 746-1551

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

51,385,984 shares of common stock were outstanding as of June 30, 2005.

Transitional Small Business Disclosure Format (check one): yes [] no [X]

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

The financial statements, for the three months and six months ended June 30, 2005, 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
June 30, 2005

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TURNER VALLEY OIL & GAS, INC.
Consolidated Balance Sheets

ASSETS

	June 30, 2005 (Unaudited)	December 31, 2004
CURRENT ASSETS		
Cash	\$ 28,603	\$ 22,191
Accounts receivable (Net of allowance of \$0)	6,346	4,809
Total Current Assets	34,949	27,000
OIL AND GAS PROPERTIES USING FULL COST ACCOUNTING		
Properties subject to amortization	48,942	48,942
Accumulated amortization	(15,767)	(10,767)
Net Oil and Gas Properties	33,175	38,175
OTHER ASSETS		
Investments	181,585	181,585
Total Other Assets	181,585	181,585
TOTAL ASSETS	\$ 249,709	\$ 246,760
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 35,287	\$ 19,053
Notes payable, related party	23,659	23,659
Total Current Liabilities	58,946	42,712
Total Liabilities	58,946	42,712
STOCKHOLDERS' EQUITY		
Common stock, 100,000,000 shares authorized of \$0.001		

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par value, 51,385,984 and 48,535,984 shares issued		
and outstanding, respectively	51,386	48,536
Capital in excess of par value	4,041,324	3,559,673
Subscription receivable	-	(48,750)
Other comprehensive income	(1,718)	(4,085)
Deficit accumulated during the development stage	(3,900,229)	(3,351,326)
Total Stockholders' Equity	190,763	204,048
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 249,709	\$ 246,760

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

TURNER VALLEY OIL & GAS, INC.
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		From Inception on April 21, 1999 Through June 30, 2005
	2005	2004	2005	2004	
REVENUE					
Royalties received	\$ -	\$ -	\$ 1,640	\$ -	\$ 11,061
Total Revenue	-	-	1,640	-	11,061
EXPENSES					
Cost of production	-	-	2,565	-	11,915
Depletion	2,500	-	5,000	-	15,767
General and administrative	515,772	209,302	542,977	227,557	3,814,460
Total Expenses	518,272	209,302	550,542	227,557	3,842,142
NET OPERATING LOSS	(518,272)	(209,302)	(548,902)	(227,557)	(3,831,081)
OTHER INCOME (EXPENSE)					
Other income	-	212	-	5,218	5,218
Abandonment of oil and gas property	-	-	-	(71,072)	(71,072)
Interest expense	-	(374)	-	(374)	(3,294)
Total Other Income (Expense)	-	(162)	-	(66,228)	(69,148)
NET LOSS	\$ (518,272)	\$ (209,464)	\$ (548,902)	\$ (293,785)	\$ (3,900,229)
BASIC LOSS PER COMMON SHARE	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING					
	49,694,775	43,227,055	49,118,581	42,894,020	
COMPREHENSIVE INCOME (LOSS)					
NET LOSS	\$ (518,272)	\$ (209,464)	\$ (548,902)	\$ (293,785)	\$ (3,900,229)

OTHER COMPREHENSIVE
INCOME (LOSS)

Foreign Currency Translation	-	(546)	2,367	(2,479)	(1,718)
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COMPREHENSIVE INCOME

(LOSS)	\$ (518,272)	\$ (210,010)	\$ (546,535)	\$ (296,264)	\$ (3,901,947)
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The accompanying notes are an integral part of these financial statements.

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

	For the Six Months Ended June 30,		From Inception on April 21, 1999 Through June 30, 2005
	2005	2004	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income (Loss)	\$ (548,902)	\$ (293,785)	\$ (3,896,153)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depletion	5,000	-	15,767
Loss on abandonment of property	-	71,072	71,072
Common stock issued for services rendered	484,500	186,500	3,252,360
Loss on sale of investments	-	-	25,481
Changes in operating assets and liabilities:			
Increase in accounts receivable	(751)	-	(5,560)
Increase in accounts payable and accrued expenses	15,448	13,329	313,688
Net Cash Used in Operating Activities	(44,705)	(22,884)	(223,345)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of investments	-	-	56,706
Expenditures for oil and gas property development	-	(8,214)	(312,714)
Net Cash Used in Investing Activities	-	(8,214)	(256,008)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	-	-	465,000
Receipt of subscription receivable	48,750	-	48,750
Proceeds from related party notes payable	-	25,000	-
Net Cash Provided by Financing Activities	48,750	25,000	513,750
EFFECT OF CURRENCY EXCHANGE RATE CHANGES			

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ON CASH AND CASH EQUIVALENTS	2,367	(761)	(1,718)
NET INCREASE (DECREASE) IN CASH	6,412	(6,859)	32,679
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,191	9,394	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 28,603	\$ 2,535	\$ 32,679

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

TURNER VALLEY OIL & GAS, INC.
 Consolidated Statements of Cash Flows (Continued)
 (Unaudited)

	For the Six Months Ended June 30,		From Inception on April 21, 1999 Through June 30, 2005
	2005	2004	
SUPPLEMENTAL CASH FLOW INFORMATION			
CASH PAID FOR:			
Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -
NON-CASH FINANCING ACTIVITIES			
Common stock issued for services rendered	\$ 484,500	\$ 186,500	\$ 3,252,360
Common stock issued for retirement of payables	\$ -	\$ -	\$ 326,599

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

TURNER VALLEY OIL & GAS, INC.
Notes to the Consolidated Financial Statements
June 30, 2005

NOTE 1 - BASIS OF PRESENTATION

The financial information included herein is unaudited 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, 2004. 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 six months ended June 30, 2005 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 six months ended June 30, 2005 and 2004:

	For the Three Months Ended June 30,	
	2004	2005
Net (loss) available to common shareholders	\$ (518,272)	\$ (209,464)
Weighted average shares	49,694,775	43,227,055
Basic loss per share (based on weighted average shares)	\$ (0.01)	\$ (0.01)

	For the Six Months Ended June 30,	
	2004	2005
Net (loss) available to common shareholders	\$ (548,902)	\$ (293,785)
Weighted average shares	49,118,581	42,894,020
Basic loss per share (based on weighted average shares)	\$ (0.01)	\$ (0.01)

TURNER VALLEY OIL & GAS, INC.
Notes to the Consolidated Financial Statements
June 30, 2005

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 June 30, 2005 and December 31, 2004, proved oil and gas reserves had been identified on certain of the Company's oil and gas properties. During the six months ended June 30, 2005 and 2004, the Company recorded depletion of \$5,000 and \$0 on its producing properties.

NOTE 4 - SIGNIFICANT TRANSACTIONS

During the three months ended June 30, 2005, the Company issued a total of 2,850,000 shares of common stock, pursuant to an S-8 registration, for consulting and other professional services rendered valued at \$484,500. The shares were recorded at \$0.17 per share, the market value of the shares on the date of issuance.

Pursuant to the S-8 registration filed with the Securities & Exchange Commission in May 2005, the Company registered a total of 5,000,000 common shares. After the issuance of 2,850,000 shares as described in the preceding paragraph, a total of 2,150,000 of the registered shares remain unissued at June 30, 2005.

Item 2. Discussion and Analysis or Plan of Operation.

(A) PLAN OF OPERATION.

The Company changed its plan of operations to a sole focus on; exploration for, development drilling for, and transmission facilities for the production and sale of oil and gas. To reflect this change, the Company changed its name to Turner Valley Oil & Gas Corporation, and 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 (Form 10-KSB) contain the following additional material notes:

(Note 2-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 June 30, 2005 the Company had royalty revenues of \$Nil, from its working interest in the Strachan property due to repairs and maintenance that stopped production. The Company has not added any further working interests in oil and gas producing properties during the quarter ended June 30, 2005. All the Company's properties are geologically and physically independent of one another. They are all located in the Western Canadian Geologic Basin centered 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

During the quarter ended June 30, 2005, the Company received no oil and gas fees from this property due to repairs and maintenance during the quarter. The Company is examining its position regarding the future viability of this property.

Triangle Lands

On November 28, 2003, the Company entered into a purchase agreement to acquire 25% interest in leases containing 9287 gross acres (5350 net acres) within 17 sections of land extending along a regional structural trend in the southwest Alberta Foothills Belt for approximately 30 miles. Based on geologic and seismic surveys, the leases are located on Triangle shaped structures that have prospective gas reserves. Acquisition of this property amounted to \$192,700.

The Company is currently engaged in a significant independent evaluation being conducted by a very prominent Oil and Gas Evaluation Firm in Calgary, Alberta, Canada. It is expected that this confidential report will be available to the company in early April 2004 and the Company will be making its drilling intentions public soon thereafter. Our internal evaluations indicate significant potential for Turner Valley Oil and Gas and it is Management's position that it intends to focus the Company's attention on this area. There will be a substantial requirement for the Company to capitalize a drilling program in the second Quarter of 2004, should the Company proceed with the proposed exploration plans. The Company expects to announce its intentions regarding this financing plan, next following the completion of Management's internal reviews of all data currently being assessed.

General and administrative costs for the quarter ended June 30, 2005 increased by 146% to \$515,772, when compared to \$209,302, for the same period last year. The increase in costs by the issuance of S-8 shares for services provided by the company's consultants which were recorded at fair market value.

The loss for the quarter ended June 30, 2005 was \$(518,272) as compared to \$(209,464) for the corresponding quarter ending June 30, 2004. The increase in losses was caused by an increase in the Company's general and administration costs.

Liquidity

The Company's net working capital for the quarter ended June 30, 2005 was a negative \$23,997, compared to a negative \$15,712 for the year ended December 31, 2004. The decrease in working capital was due to costs relating to the operations of the Company.

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.

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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 June 30, 2005, 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: August 15, 2005

by

/s/Christopher Paton-Gay
Christopher Paton-Gay
president director

/s/Donald Jackson Wells
Donald Jackson Wells
director

/s/Joseph Kane
Joseph Kane
director

Exhibit 31

Section 302 Certification

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CERTIFICATIONS PURSUANT TO SECTION 302

I, Christopher Paton-Gay, president/director, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of June 30, 2005;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: August 15, 2005

/s/ Christopher Paton-Gay

Christopher Paton-Gay

president director

Exhibit 32

CERTIFICATION PURSUANT TO 18 USC SECTION 1350

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**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of *Turner Valley Oil & Gas, Inc.*, a Nevada corporation (the "Company"), on Form 10-QSB for the quarter ended June 30, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Christopher Paton-Gay, president/director of the Company, certify, pursuant to 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 15, 2005
/s/ Christopher Paton-Gay
Christopher Paton-Gay
president director

