

Two energy trusts cut distributions

STAFF, CANADIAN PRESS
SEPTEMBER 17, 2007 AT 2:58 PM EDT

Two Calgary-based energy trusts have run into more heavy weather – and heavy punishment on the stock market as well.

Enterra Energy Tru [ENT-N]st, which slashed its monthly cash distributions to unitholders by 50 per cent at the beginning of this year, said Monday that it is now suspending them entirely until further notice to help pay down debt.

Meanwhile, Wellco Energy Services Trust [WLL.UN-T]said it has cut its distributions in half, citing “prolonged weakness in western Canadian oil field service activity, a consequence of continuing high natural gas inventories.”

Investors handed a beating to both trusts.

Wellco Energy Services



Enterra Energy Trust



At about 2.45 p.m. EDT, Enterra's units had plunged \$2.03, more than 48 per cent, to \$1.89 on the Toronto Stock Exchange, while Wellco's were down 63 cents or 15.6 per cent to \$3.42.

Enterra also disclosed that Kim Booth, the chief operating officer of its U.S. unit, Altex Energy Corp., has resigned to “pursue other opportunities” and that Jim Tyndal, senior vice-president and COO of the parent company will assume her responsibilities.

The announcements came five days after Enterra revealed plans to sell non-core properties to help pay off its debt, and a week after it said chief financial officer Victor Roskey has resigned.

Enterra said in a news release Monday that it is suspending the distribution for a minimum of six months, adding it believes the action is in the best interests of all its stakeholders, because it will “preserve the net asset value of the trust and will improve financial flexibility.”

It also said it is in compliance with all the financial covenants under its credit facilities.

“However, the allowable borrowing base under the trust's senior credit facilities is currently being reviewed by the lenders, with the result of that review expected in the next couple of days,” it said. “Should the borrowing base be reduced below current aggregate borrowings, any excess will be required to be repaid within 60 days. As a result, both management and the board of directors are of the view that conserving cash now, in advance of those requirements, is the prudent course of action.”

Enterra operates petroleum and natural gas assets in Western Canada and Oklahoma.

Meanwhile, Wellco said Monday that it will pay 3.5 cents per unit for September, while management reviews all its business lines.

Its units fell as much as 22 per cent to a new low of \$3.15, down from \$11.50 a year ago, trading later in the TSX session at \$3.49, down 56 cents or 14 per cent.

It is Wellco's second distribution cut since it converted into an income trust in May, 2002, with an initial monthly payout of 8 cents per unit, subsequently raised to 9 cents but then reduced in April to 7 cents. The trust disclosed in May it was negotiating a possible sale of the enterprise, but nothing has developed from those talks.

Wellco said the reduced payout will enable it to “bring its distribution ratio within the desired target range and execute its long-term strategic plans.

“The company's utilization rates in many of its product lines are tracking current drilling activity. Nonetheless, Wellco does anticipate that its accommodation and catering business will have a good winter as a record portion of the fleet is committed to customers operating in the Alberta oil sands.”

Wellco, which in addition to providing camps, trailers and catering has businesses in wastewater treatment, equipment rentals, production testing and service rigs, said it will provide timely information on its review of product lines “with the objective of improving shareholder value through the enhancement of opportunities in its core businesses.”

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