

SNRG CORP  
Form 10QSB  
September 19, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-QSB**

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2006**

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 000-33193**

**SNRG CORPORATION**

**(FORMERLY TEXEN OIL & GAS, INC.)**

(Exact name of small business issuer as specified in its charter.)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**90-0082485**

(IRS Employer Identification No.)

**14300 N Northsight Blvd**

**Suite 227**

**Scottsdale, AZ 85260**

(Address of principal executive offices)

**(480) 991-2040**

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No



**PART I - FINANCIAL INFORMATION****SNRG CORPORATION****(FORMERLY TEXEN OIL & GAS, INC.)**

## CONSOLIDATED BALANCE SHEET

|  | June 30, 2006<br>(Unaudited) |
|--|------------------------------|
| <b>ASSETS</b>  |                              |
| <b>CURRENT ASSETS</b>  |                              |
| Cash   | \$ 20,925                    |
| Accounts receivable- oil and gas sales   | 257,653                      |
| Prepaid expense  | 290,652                      |
| Total Current Assets   | 569,230                      |
| <b>PROPERTY AND EQUIPMENT</b>  |                              |
| Oil and gas, on the basis of successful efforts accounting:                        |                              |
| Proved Property, developed and undeveloped wells, related equipment and facilities | 26,862,514                   |
| Less accumulated depreciation, depletion, and amortization and impairments         | (24,665,843)                 |
| Net Oil and Gas Properties   | 2,196,671                    |
| <b>OTHER PROPERTY AND EQUIPMENT</b>  |                              |
| Other property and equipment   | 13,346                       |
| Less accumulated depreciation  | (5,890)                      |
| Total Other Property and Equipment   | 7,456                        |
| <b>OTHER ASSETS</b>  |                              |
| Deposits   | 597,673                      |
| Rubber recycling equipment   | 2,000,000                    |
| Total Other Assets   | 2, 597,673                   |
| <b>TOTAL ASSETS</b>  | <b>\$ 5,371,030</b>          |
| See condensed notes to interim financial statements.                               |                              |

**SNRG CORPORATION****(FORMERLY TEXEN OIL & GAS, INC.)**

## CONSOLIDATED BALANCE SHEET (continued)

|   | June 30, 2006<br>(Unaudited) |                  |
|---|------------------------------|------------------|
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>   |                              |                  |
| <b>CURRENT LIABILITIES</b>  |                              |                  |
| Accounts payable  | \$                           | 296,684          |
| Advances from related party   |                              | 687,908          |
| Notes payable   |                              | 500,000          |
| Total Current Liabilities   |                              | 1,484,592        |
| <b>TOTAL LIABILITIES</b>  | <b>\$</b>                    | <b>1,484,592</b> |
| <br><b>SHAREHOLDERS' EQUITY (DEFICIT)</b>   |                              |                  |
| Preferred Shares, 300,000,000 shares authorized, none issued  |                              |                  |
| Common stock, 500,000,000 shares authorized, \$0.00001 par value, issued and outstanding:<br>184,220,866 Shares |                              |                  |
|   | \$                           | 1,842            |
| Additional paid-in capital  |                              | 34,889,785       |
| Stock options   |                              | 330,175          |
| Accumulated deficit   |                              | (31,335,364)     |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>   |                              | <b>3,886,438</b> |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>   | <b>\$</b>                    | <b>5,371,030</b> |

See condensed notes to interim financial statements.

**SNRG CORPORATION****(FORMERLY TEXEN OIL & GAS, INC.)**

## CONSOLIDATED STATEMENTS OF OPERATIONS

|  | Three Months Ended |             | Six Months Ended |             |
|--|--------------------|-------------|------------------|-------------|
|  | June 30            |             | June 30          |             |
|  | 2006               | 2005        | 2006             | 2005        |
|  | (Unaudited)        | (Unaudited) | (Unaudited)      | (Unaudited) |
| <b>REVENUES</b>  |                    |             |                  |             |
| Oil and gas sales  | \$ 99,827          | 144,704\$   | 137,634\$        | 290,586     |
| <b>TOTAL REVENUES</b>  | 99,827             | 144,704     | 137,634          | 290,586     |
| <b>GROSS PROFITS FROM PRODUCTION</b>   | \$ 99,827          | 144,704\$   | 137,634\$        | 290,586     |
| <b>EXPENSES</b>  |                    |             |                  |             |
| Lease operating  | 29,312             | 114,588     | 47,800           | 198,480     |
| Compensation   | 37,760             | 73,505      | 61,629           | 229,698     |
| General and administrative expense   | 52,481             | 77,435      | 75,003           | 124,734     |
| Legal and accounting   | 1,069              | 5,011       | 22,101           | 29,387      |
| Depreciation, depletion and amortization   | 10,360             | 24,859      | 17,541           | 77,318      |
| Production taxes included in lease operating   | 4,604              | 7,729       | 6,348            | 11,317      |
| <b>TOTAL EXPENSES</b>  | \$ 135,586         | 303,127\$   | 230,422\$        | 670,934     |
| <b>OPERATING LOSS</b>  | \$ (35,759)        | (158,423)\$ | (92,788)\$       | (380,348)   |
| <b>OTHER INCOME AND EXPENSES</b>   |                    |             |                  |             |
| Gain on disposal of assets   | -                  | -           | -                | 80,049      |
| Gain on settlement of debt   | -                  | 89,480      | 67,445           | 89,480      |
| Interest Income  | -                  | 978         | -                | 978         |
| Interest and finance expenses  | -                  | -           | -                | (978)       |
| <b>TOTAL OTHER INCOME AND EXPENSES</b>   | \$ -               | 90,458\$    | 67,445\$         | 169,529     |
| <b>LOSS BEFORE INCOME TAXES</b>  | \$ (35,759)        | (67,965)\$  | (25,344)\$       | (210,819)   |
| <b>INCOME TAXES</b>  | -                  | -           | -                | -           |
| <b>NET LOSS</b>  | \$ (35,759)        | (67,965)\$  | (25,344)\$       | (210,819)   |
| NET LOSS PER COMMON SHARE, BASIC AND DILUTED   | \$ nil             | nil\$       | nil\$            | nil         |
| <b>WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, BASIC AND DILUTED</b> | 184,220,866        | 99,115,866  | 184,220,866      | 98,928,366  |

See condensed notes to interim financial statements.



## SNRG CORPORATION

(FORMERLY TEXEN OIL &amp; GAS, INC.)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

|   | Six Months Ended |           |             |           |
|---|------------------|-----------|-------------|-----------|
|   | June 30          |           |             |           |
|   | 2006             |           | 2005        |           |
|   | (Unaudited)      |           | (Unaudited) |           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                 |                  |           |             |           |
| Net loss  | \$               | (25,344)  | \$          | (210,819) |
| Adjustments to reconcile net loss to net cash used by operating activities: |                  |           |             |           |
| Depreciation, depletion and amortization                                    |                  | 17,541    |             | 77,318    |
| Common stock issued for accrued consulting fees                             |                  | -         |             | 98,350    |
| Gain on property and equipment sales  |                  | -         |             | (80,049)  |
| Gain on settlement of debt  |                  | (67,445)  |             | (89,480)  |
| Expense paid by transfer of equipment                                       |                  | -         |             | 43,000    |
| Decrease (increase) in accounts receivable                                  |                  | (27,508)  |             | (124,607) |
| Decrease (increase) in accrued oil and gas sales                            |                  | -         |             | (3,014)   |
| Decrease (increase) in prepaid expense                                      |                  | (40,652)  |             | (35,000)  |
| Decrease (increase) in deposits   |                  | (447,673) |             | -         |
| Increase (decrease) in accounts payable                                     |                  | (385,962) |             | (273,467) |
| Increase (decrease) in accounts payable - related party                     |                  | 215,469   |             | (33,408)  |
| Net cash provided (used) by operating activities                            | \$               | (761,574) | \$          | (631,176) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                 |                  |           |             |           |
| Proceeds from sale of equipment   |                  | -         |             | 105,500   |
| Deposit on facility purchase  |                  | -         |             | (150,000) |
| Purchase of oil and gas interests   |                  | -         |             | (700,000) |
| Net cash provided by investing activities                                   |                  | -         |             | (744,500) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                 |                  |           |             |           |
| Payment of Notes Payable  |                  | -         |             | (10,000)  |
| Proceeds from Notes Payable   |                  | -         |             | 741,300   |
| Proceeds from common stock issued   |                  | -         |             | 584,000   |
| Net cash provided (used) by financing activities                            |                  | -         |             | 1,315,300 |
| Net increase (decrease) in cash   |                  | (761,574) |             | (60,376)  |
| Cash, beginning of period   |                  | 782,499   |             | 121,731   |
| Cash, end of period   | \$               | 20,925    | \$          | 61,355    |

|   | Six Months Ended June 30 |   |             |        |
|---|--------------------------|---|-------------|--------|
|   | 2006                     |   | 2005        |        |
|   | (Unaudited)              |   | (Unaudited) |        |
| <b>SUPPLEMENTAL DISCLOSURES:</b>                      |                          |   |             |        |
| Interest paid   | \$                       | - | \$          | -      |
| Income taxes paid                                     | \$                       | - | \$          | -      |
| <b>NON-CASH INVESTING AND FINANCING TRANSACTIONS:</b> |                          |   |             |        |
| Stock issued for accrued consulting fees              | \$                       | - | \$          | 98,350 |
| See condensed notes to interim financial statements.  |                          |   |             |        |





## **SNRG Corporation**

**(Formerly Texen Oil & Gas, Inc.)**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

#### **NOTE 1 ORGANIZATION AND DESCRIPTION OF BUSINESS**

SNRG Corporation (formerly Texen Oil & Gas, Inc, formerly Palal Mining Corporation) (hereinafter "SNRG" or "the Company") filed for incorporation on September 2, 1999 under the laws of the State of Nevada. On July 1, 2002, the Company developed a plan for acquisition, development, production, exploration for, and the sale of, oil, gas and natural gas liquids. During 2002 and 2003 the Company acquired oil and gas leasehold interests located in Victoria, Dewitt and Warren Counties, Texas, through the acquisition of wholly owned subsidiaries Texas Brookshire Partners, Inc., Texas Gohlke Partners, Inc., Yegua, Inc. and BWC Minerals, LLC. These acquisitions were accounted for using the purchase method. The Company sells its oil and gas products to domestic customers.

The Company's wholly owned subsidiaries consist of Texas Brookshire Partners, Inc. ("Brookshire"), Texas Gohlke Partners, Inc. ("Gohlke"), Brookshire Drilling Services, Inc. ("Drilling"), Yegua, Inc. ("Yegua") and BWC Minerals, LLC ("BWC").

The Company's fiscal year end is December 31. The Company changed its year end effective December 31, 2004 from June 30, an 8-K was filed on February 15, 2005 advising as to the year end change.

#### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

##### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

For purposes of its statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts for cash, accounts receivable, accrued oil and gas runs, accounts payable, accrued liabilities and loans and notes payable approximate their fair value.

Compensated Absences

The Company's policy is to recognize the cost of compensated absences when earned by employees. If the amount was able to be estimated, it would not be currently recognized as the amount would be deemed immaterial.

Basic and Diluted Loss Per Share

Net loss per share was computed by dividing the net loss by the weighted average number of shares outstanding during the period. The weighted average number of shares was calculated by taking the number of shares outstanding and weighting them by the amount of time that they were outstanding. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Outstanding options were not included in the computation of net loss per share because they would be antidilutive.

**SNRG Corporation**

(Formerly Texen Oil & Gas, Inc.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property and Equipment

Wells and related equipment and facilities, support equipment and facilities and other property and equipment are carried at cost. Oil and gas assets are subject to depreciation, depletion and amortization utilizing a unit of production method. Depreciation for drilling equipment and other assets are subject to the straight-line method over the estimated useful lives of the related assets, which range from five to ten years. The Company purchased rubber recycling equipment for usage in conjunction with the Port Assets facility. The Company will dispose of the equipment in 2006. No depreciation has been recorded as the equipment has not operated. The total other property and equipment as of June 30, 2006 was \$2,013,346, and the corresponding accumulated depreciation was \$5,890.

In connection with the Port Assets transaction, the Company acquired rubber recycling equipment for \$2,000,000. Due to the Company not pursuing the operation of the gasification facility, the equipment was not installed. The Company intends to sell the equipment and believes that the proceeds of such a disposal will exceed the carrying cost at June 30, 2006.

Successful Efforts Accounting

The company accounts for its oil and gas exploration and development activities utilizing the successful efforts method of accounting. Under this method, cost of productive exploratory wells, developmental dry hole and productive wells and undeveloped leases are capitalized. Oil and gas acquisition costs are also capitalized. Exploration costs, including personnel costs, certain geological and geophysical expenses and delay rentals for oil and gas leases, are charged to expense as incurred. Exploratory drilling costs are initially capitalized, but such costs are charged to expense if and when the well is determined not to have found reserves in commercial quantities.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproved properties are amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated dismantlement and abandonment costs and estimated salvage values, are depreciated and depleted by the units-of-production method. Support equipment and other property and equipment are depreciated over their estimated useful lives.

On the sale or retirement of a complete unit of a proved property, the cost and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost and related accumulated depreciation, depletion, and amortization of this partial unit are eliminated from the property account and the

resulting gain or loss is recognized in income.

On the sale of an entire interest in an unproved property, gain or loss on the sale is recorded, with recognition given to the amount of any recorded impairment if the property has been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Capitalized Interest

The Company capitalizes interest on expenditures for significant exploration and development projects while activities are in progress to bring the assets to their intended use. No amounts of interest were capitalized in the three months ended June 30, 2006.

**SNRG Corporation**

**(Formerly Texen Oil & Gas, Inc.)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to SFAS No. 109 Accounting for Income Taxes. Under this approach, deferred income taxes are recorded to reflect the tax consequences on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the more likely than not standard imposed by SFAS No.109 to allow recognition of such an asset.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has incurred an accumulated deficit in the amount of \$ 31,335,364 for the period of September 2, 1999 (inception) to June 30, 2006 and a net loss in the amount of \$35,759 during the three months ended June 30, 2006. The future of the Company is dependent upon its ability to obtain financing and upon future successful explorations for and profitable operations from the development of oil and gas properties.

Management has plans to seek additional capital through a private placement at market value and public offering of its common stock as well as obtaining additional financing in the form of loans. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Environmental Remediation and Compliance

Expenditures for ongoing compliance with environmental regulations that relate to current operations are expensed or capitalized as appropriate. Expenditures resulting from the remediation of existing conditions caused by past operations that do not contribute to future revenue generations are expensed. Liabilities are recognized when environmental assessments indicate that remediation efforts are probable and the costs can be reasonably estimated.

Estimates of such liabilities are based upon currently available facts, existing technology and presently enacted laws and regulations taking into consideration the likely effects of inflation and other societal and economic factors, and include estimates of associated legal costs. These

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amounts also reflect other companies' clean-up experience and data released by the Environmental Protection Agency (EPA) or other organizations. Such estimates are by their nature imprecise and can be expected to be revised over time because of changes in government regulations, operations, technology and inflation. As of June 30, 2006 the company is not aware of any outstanding compliance issues or obligations.

### Principles of Consolidation

The financial statements include those of SNRG Corporation., Texas Brookshire Partners, Inc., Texas Gohlke Partners, Inc., Brookshire Drilling Services, L.L.C., Yegua, Inc., and BWC Minerals, L.L.C. All significant inter-company accounts and transactions have been eliminated

**SNRG Corporation**

**(Formerly Texen Oil & Gas, Inc.)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, Accounting for Stock Based Compensation. This statement supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans. The Company already complies with SFAS 123 and believes that the changes in SFAS 123R will have no material additional effect on the Company. The Company implemented SFAS No. 123R effective January 1, 2006. There have been no grants of stock based compensation for the six months ended June 30, 2006.

Revenue Recognition

The Company utilizes the accrual method of accounting for crude oil revenues whereby revenues are recognized as the Company's entitlement share of the oil that is produced and delivered to a purchaser based upon its working interest in the properties. The Company records a receivable (payable) to the extent that it receives less (more) than its proportionate share of the gas revenues. There are no significant gas imbalances at June 30, 2006.

Accounts Receivable

The Company carries its accounts receivable at cost. On a periodic basis, the Company evaluates its accounts receivable and writes off receivables that are considered non-collectible. The Company's policy is to accrue interest on trade receivables 30 days after invoice date. A receivable is considered past due if payments have not been received by the Company within 90 days of invoicing. At that time, the Company will discontinue accruing interest and pursue collection. If a payment is made after pursuing collection, the Company will apply the payment to the outstanding principal first and resume accruing interest. Accounts are written off as non-collectible if no payments are received within 90 days after initiating collection efforts.

**NOTE 3 COMMON STOCK**

During the three months ended June 30, 2006, the Company did not issue any shares of its common or preferred stock. As of June 30, 2006, the company had 184,220,866 shares issued and outstanding.

**NOTE 4 RELATED PARTIES**

During the three months ended June 30, 2006, the Company received and repaid advances to a related party Texen Holdings LLC, an entity controlled by our President Elroy Fimrite, the net advances received were \$492,798 and the balance owing to the related party on June 30 2006 was \$687,907.



**SNRG Corporation**

(Formerly Texen Oil & Gas, Inc.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

**NOTE 5 COMMITMENTS AND CONTINGENCIES**

Regulatory Issues

The oil and gas exploration and development industry is inherently speculative and subject to complex environmental regulations. The Company is unaware of any pending litigation or of past or prospective environmental matters which could impair the value of its properties.

Farmout Agreements

No farmout agreements entered into during the quarter ending June 30, 2006.

Consulting Agreements

During the three months ending June 30, 2006, the Company entered into various per diem and month to month consulting agreements for administrative, advisory, operations management and accounting services. All contracts were with unrelated parties.

Leases

During the quarter the Company had a month to month lease on office space requiring payments of \$1,607 per month. The tenancy was terminated as of July 31 2006.

Legal Proceedings

The Company is currently involved in the following litigation:

Kuester Heirs litigation: On February 9, 2005 a group of mineral rights owners on the Charles Kuester Lease in Dewitt County, TX, (the Kuester Heirs ) filed suit against our wholly owned subsidiary Texas Gohlke Partners, Inc. ( Lessee ) alleging default by the lessee by reason of non-payment of royalties. The Kuester Heirs have obtained a declaration from the court that the lease has terminated, however the lease term had already expired January 31, 2005.

Vertical Financial Network, LLC litigation. On August 6, 2004 Vertical Financial Network, LLC filed suit against us alleging breach of an investment banking agreement dated June 30, 2004. Vertical is seeking 4,000,000 shares of registered common stock. We deny the allegations and are vigorously defending the complaint. The complaint was filed in the Supreme Court of New York, County of New York.

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We have several additional parties suing us for alleged breach of contract and a variety of alleged losses, all of which we consider frivolous lawsuits and without merit or significant liability.

The Company cannot assign any value to the above described legal proceedings at the present time.

**NOTE 6 NOTES PAYABLE**

At June 30, 2006, the Company's notes payable consisted of the following:

|   | June 30 2006 |
|---|--------------|
| RMS Rubber Machinery Systems AG dated October 4, 2005, unsecured, interest accruing at 6% commencing Jan 1 2006, original amount \$1,000,000, outstanding \$500,000, matured June 30, 2006. | \$ 500,000   |
| Total   | 500,000      |
| Less current portion of notes payable   | 500,000      |
| Total long term portion   | \$ -         |

**SNRG Corporation**

(Formerly Texen Oil & Gas, Inc.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

**NOTE 7 OIL AND GAS PROPERTIES**

The Company's oil and gas producing activities are subject to laws and regulations controlling not only their exploration and development, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays, may affect the economics of a project, and cause changes or delays in the Company's activities. The Company's oil and gas properties are valued at the lower of cost or net realizable value.

Brookshire Dome Field

The Company owns a 96.4% working interest ownership in approximately 24 gross leasehold acres and 16 net leasehold acres located in the Brookshire Dome Field of Waller County, Texas. This working interest ownership position consists of 14 wells drilled to date and one water injection well. As of June 30, 2006, 4 wells were producing or capable of producing oil.

Helen Gohlke Field

The Company owns a 100% working interest and a 70% net revenue interest in approximately 4,346.7 gross leasehold acres which are located under nine different oil, gas and mineral leases in Victoria and DeWitt Counties, Texas. Over 60 wells have been drilled in this field, with 18 wells currently producing or capable of production.

**NOTE 8 OIL AND GAS PRODUCING ACTIVITIES**

The Securities and Exchange Commission defines proved oil and gas reserves as those estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recovered in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Natural gas reserves and petroleum reserves are estimates. The estimates include reserves in which SNRG and its wholly owned subsidiaries hold an economic interest under lease and operating agreements.

Reserves attributable to certain oil and gas discoveries are not considered proved as of June 30, 2006 due to geological, technical or economic uncertainties. Proved reserves do not include amounts that may result from extensions of currently proved areas or from application of enhanced recovery processes not yet determined to be commercial in specific reservoirs. SNRG and its subsidiaries have no supply contracts to purchase petroleum or natural gas from foreign governments.

**NOTE 9 CONCENTRATION OF RISK**

The Company derives its sales and accounts receivable from primarily three customers and these receivables are not collateralized. At June 30, 2006, the Company's accounts receivable from these customers totals \$257,653 and revenue from the three customers totals \$137,634.

**NOTE 10 STOCK OPTIONS**

During the quarter ending June 30, 2006, no shares were granted under the 2003 Nonqualified Stock Option Plan of SNRG Corporation.

The Company had no outstanding exercisable stock options as of June 30, 2006.

**SNRG Corporation**

(Formerly Texen Oil & Gas, Inc.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2006

**NOTE 11 WARRANTS:**

During the quarter ending June 30, 2006, no warrants were issued or exercised.

**NOTE 12 IMPAIRMENT OF LONG-LIVED ASSETS**

In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Corporation recorded an impairment loss on its oil and gas proved and unproved properties and its leasehold costs of oil and gas producing properties. The engineering reports on the oil and gas properties indicated that the undiscounted future cash flows from these properties would be less than the carrying value of the long-lived assets. The engineer reports also indicated that net leasehold acreage did not support the value carried by the Company. Accordingly, on December 31, 2003, the Company recognized an asset impairment loss of \$20,407,559 (\$0.46 per share). This loss is the difference between the carrying value of the oil and gas properties and the fair value of these properties based on discounted estimated future cash flows.

The Company engaged an independent consultant to conduct a reserve analysis as of December 31, 2004. Based on the resulting analysis the company recorded a further impairment loss on its oil and gas proved and unproved properties and its leasehold costs of oil and gas producing properties in the amount of \$2,505,138 (\$.014 per share).

**NOTE 13 PREPAID EXPENSES AND DEPOSITS**

The Company has prepaid for a comprehensive, one year term, investor relations contract with WallSt.net in the amount of \$250,000. The company has supplied a cash deposit of \$50,000 to the Railroad Commission in Texas as a deposit on an operating bond. The company expects to replace the deposit with a bond in 2006. The company has paid a deposit of \$100,000 pursuant to oil and gas lease acquisitions in Texas and \$497,673 pursuant to oil and gas lease acquisitions in Saskatchewan.

**NOTE 14 SUBSEQUENT EVENTS**

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Subsequent to the end of the quarter we settled the termination of our option agreement with Arapahoe Energy Corp. and as part of the settlement received 100% of the issued and outstanding shares of Torrence Energy Ltd, a Alberta registered company with leasehold interests in producing properties in Zama and Drumheller Alberta.

**SNRG Corporation**

**(Formerly Texen Oil & Gas, Inc.)**

June 30, 2006

**Item 2. Management's Discussion and Analysis or Plan of Operation.**

This discussion includes a number of forward looking statements that reflect our current views with respect to future events and financial performance. Forward looking statements are often identified by words like: believe, expect, estimate, anticipate, intend, project and similar expressions, or words which, by their nature, refer to future events. You should not place undue certainty on these forward looking statements, which apply only as of the date of this discussion. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or our predictions.

**Overview**

We are an oil and gas exploration and development company and carry out our operations through our wholly owned subsidiaries. We are currently engaged in the exploration for and development of oil and gas in our properties located in Victoria, DeWitt and Waller Counties, Texas. Our revenue comes from the sale of oil and gas. Our subsidiaries lease approximately 4,211 acres of crude oil and natural gas production properties in Texas. On March 30, 2006 we entered into an agreement with Arapahoe Energy Corporation providing an option to acquire a 50% interest in approximately 30,000 acres in Saskatchewan in the Western Canadian Basin. The option agreement expired on June 30 and we did not elect to exercise the option, however the Company has reached a negotiated termination of the agreement and the concurrent acquisition of an Alberta Company, Torrence Energy Ltd. Torrence holds minority interests in leases of 1,280 gross acres in Drumheller and Zama Alberta.

Our Texas holdings are mature properties that are producing from the minimum number of locations to preserve our leasehold interests. Many of our wells require maintenance to increase their potential. We believe that we have additional development prospects within our leases and we hope to develop these prospects in the upcoming year. As a development stage company, we have opportunities to increase revenues from well development and rework projects, but will require additional capital to do so. There is no assurance that we will have the resources to pursue these projects in our properties.

We are actively seeking additional capital with which to invest in our current properties, as well as provide resources with which we may be able to pursue new opportunities in the future. Our plans include seeking financing from private investors, as well as entering into working relationships with external oil and gas funds that may be attracted to direct investment in our properties or other properties we may identify. We have announced our intention to structure special purpose income funds for access to funds for acquisition, and development of new prospects. We intend to participate in the fund entities as the managing member and will participate in the net revenue earned, but we disavow ownership of the funds.

We are also making strategic plans to improve our ability to attract and identify low risk oil and gas projects. These plans include joint ventures with companies that have analytical technologies with which oil and gas property owners can select drilling locations with an improved probability of economic viability. We hope to use this technology to identify high probability drilling sites in our properties as well as in other properties that may be presented to us.

**Results from Operations**

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During the quarter we continued to maintain control of our expenses while completing the financial and operational reorganization of the company. During the reorganization period we have focused on maintaining our leasehold interests while repositioning the company; a phase that is now complete. Our source of operating revenue is from the sale of produced oil, natural gas, and natural gas liquids. The level of our revenues and earnings are affected by prices at which natural gas, oil and natural gas liquids are sold. Therefore, our operating results for any prior period are not necessarily indicative of future operating results because of fluctuations in price and production levels.

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**Revenue**

We have experienced marginally lower revenue levels this quarter at \$99,827 as compared to \$144,704 in the quarter ended June 30, 2005. Our existing leases have little capacity to significantly increase revenue as potential increases from existing wells are of limited and short term impact on revenues. We do not anticipate significant revenue increases until the company acquires additional production properties.

**Capital Expenditure**

We did not make any capital expenditures during the current quarter.

**Depreciation, Depletion and Amortization**

Depreciation and depletion have decreased to \$10,360 from \$24,859 in the second quarter of 2005 as a result of the limited production during the quarter.

**Production Expenses**

Production expenses for the quarter were \$29,312 as compared to \$114,588 for the same quarter in 2005 and represent a significant reduction as a percentage of revenue. The company conducted only enough operating activity to maintain lease obligations.

**General and Administrative Expenses**

During the quarter our general and administrative expenses at \$52,481 were approximately one third lower than the \$77,435 incurred in the equivalent quarter of 2005 reflecting the limited activity of the company as we transition from reorganization to a growth and development phase. Legal and accounting expenses for the quarter were slightly lower than the equivalent period in 2005.

**Exploration Outlook**

The Company decided not to participate in the Saskatchewan lands during the quarter, consequently the company does not have significant exploration prospects at the present time.

**Financial Condition, Liquidity and Capital Resources**

We continue to rely on equity investments or debt increases to finance our operations. We expect to continue operations and believe that with increasing production and lower operating costs we will be able to attract capital as required. We need to raise substantial capital to complete the acquisition any prospective leasehold interest and capital to develop any property acquired. There is no guarantee that we will be successful in acquiring capital on acceptable terms and conditions if at all. If we do acquire the required capital to complete acquisitions and drill exploration

and development wells, there is a risk that there may not be hydrocarbons in commercially viable quantities.

**Recent Accounting Pronouncements**

In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, Accounting for Stock Based Compensations. This statement supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, Employers' Accounting for Employee Stock Ownership Plans. The Company has not yet determined the impact to its financial statements from the adoption of this statement.

**Item 3. Controls and Procedures.**

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, being June 30, 2006, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's President along with our company's Secretary. Based upon that evaluation, our company's President along with our company's Secretary concluded that our company's disclosure controls and procedures are effective as of the end of the period covered by this report. There have been no significant changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our President and Secretary as appropriate, to allow timely decisions regarding required disclosure.

**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings.**

We are involved in several litigations and have described these involvements more certainly in our December 31, 2005 10KSB. No new material legal claims have been filed against us or by us since the issuance of the December 31, 2005 10KSB.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

We have a total of 184,220,866 shares issued and outstanding as of June 30, 2006. We did not issue any securities during the quarter ended June 30, 2006.

**Item 3. Defaults Upon Senior Securities.**

The promissory note in the amount of \$500,000 was due on June 30. The holder has not demanded repayment.

**Item 4. Submission of Matters to a Vote of Security Holders.**

No matters were submitted to a vote of Security Holders during the quarter ending June 30, 2006.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| Exhibit Number | Description   |
|----------------|---|
| 21.1           | We have the following subsidiaries:<br>Texas Brookshire Partners, Inc.<br>Texas Gohlke Partners, Inc.<br>Brookshire Drilling Service, LLC<br>Yegua, Inc.<br>BWC Minerals, L.L.C.<br><br>SNRG Canada Corporation |



31.1\* Section 302 Certification under Sarbanes-Oxley Act of 2002 for D. Elroy Fimrite  
32.1\* Section 906 Certification under Sarbanes-Oxley Act of 2002 for D. Elroy Fimrite

\*Filed herewith.

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**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 19th day of September 2006.

**SNRG CORPORATION (Formerly Texen Oil & Gas, Inc.)**  
**(Registrant)**

BY: /s/ D Elroy Fimrite  
D Elroy Fimrite, President, Principal Executive Officer, Treasurer, Principal  
Financial Officer and a member of the Board of Directors.