

ALTEX INDUSTRIES INC
Form 10-Q
February 10, 2012

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

FORM 10-Q

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

For the quarterly period ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number 1-9030

ALTEX INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-0989164
(I.R.S. Employer
Identification No.)

PO Box 1057 Breckenridge CO 80424-1057
(Address of principal executive offices) (Zip
Code)

(303) 265-9312
(Registrant's telephone number, including area
code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer
Accelerated filer
Non-accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
No

Number of shares outstanding of issuer's Common Stock as of February 9, 2012: 13,619,606

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Balance Sheet

| | December 31 2011 (Unaudited) | September 30 2011 (Audited) |
|---|------------------------------------|-----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$2,943,000 | 2,584,000 |
| Accounts receivable | 13,000 | 14,000 |
| Other | 4,000 | 504,000 |
| Total current assets | 2,960,000 | 3,102,000 |
| Property and equipment, at cost | | |
| Proved oil and gas properties (successful efforts method) | 350,000 | 350,000 |
| Other | 17,000 | 17,000 |
| Total property and equipment, at cost | 367,000 | 367,000 |
| Less accumulated depreciation, depletion, and amortization | (128,000) | (122,000) |
| Net property and equipment | 239,000 | 245,000 |
| Other assets | 4,000 | 4,000 |
| Total assets | 3,203,000 | 3,351,000 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable | 18,000 | 26,000 |
| Other accrued expenses | 72,000 | 106,000 |
| Total current liabilities | 90,000 | 132,000 |
| Commitments and Contingencies | - | - |
| Stockholders' equity | | |
| Preferred stock, \$.01 par value. Authorized 5,000,000 shares, none issued | - | - |
| Common stock, \$.01 par value. Authorized 50,000,000 shares; issued and outstanding, 13,619,606 | 136,000 | 136,000 |
| Additional paid-in capital | 13,928,000 | 13,928,000 |
| Accumulated deficit | (10,951,000) | (10,845,000) |
| Total stockholders' equity | 3,113,000 | 3,219,000 |
| Total stockholders' equity and liabilities | \$3,203,000 | 3,351,000 |

See accompanying notes to consolidated, condensed financial statements.

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Statement of Operations
(Unaudited)

| | Three Months Ended December 31 | |
|---|-----------------------------------|------------|
| | 2011 | 2010 |
| Revenue | | |
| Oil and gas sales | \$ 23,000 | 29,000 |
| Interest income | 5,000 | 9,000 |
| Other | - | 1,000 |
| Total revenue | 28,000 | 39,000 |
| Costs and expenses | | |
| Lease operating | 1,000 | 2,000 |
| Production taxes | 2,000 | 3,000 |
| General and administrative | 125,000 | 111,000 |
| Depreciation, depletion, and amortization | 6,000 | 5,000 |
| Total costs and expenses | 134,000 | 121,000 |
| Net loss | \$ (106,000) | (82,000) |
| Loss per share | \$ (0.008) | (0.006) |
| Weighted average shares outstanding | 13,619,606 | 13,619,606 |

See accompanying notes to consolidated, condensed financial statements.

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Consolidated Statement of Cash Flow
(Unaudited)

| | 2011 | Three months ended December 31 | 2010 |
|--|---------------|-----------------------------------|-----------|
| Cash flows used in operating activities | | | |
| Net loss | \$ (106,000) | | (82,000) |
| Adjustments to reconcile net loss to net cash used in operating activities | | | |
| Depreciation, depletion, and amortization | 6,000 | | 5,000 |
| Decrease in accounts receivable | 1,000 | | - |
| Increase (decrease) in accounts payable | (8,000) | | 4,000 |
| Increase (decrease) in other accrued expenses | (34,000) | | 1,000 |
| Net cash used in operating activities | (141,000) | | (72,000) |
| Cash flows provided by investing activities | | | |
| Deposit on potential investment subsequently terminated | 500,000 | | - |
| Total cash flows provided by investing activities | 500,000 | | - |
| Net increase (decrease) in cash and cash equivalents | | | |
| | 359,000 | | (72,000) |
| Cash and cash equivalents at beginning of period | 2,584,000 | | 3,327,000 |
| Cash and cash equivalents at end of period | \$ 2,943,000 | | 3,255,000 |

See accompanying notes to consolidated, condensed financial statements.

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Consolidated, Condensed Financial Statements
(Unaudited)

Note 1 - Financial Statements. In the opinion of management, the accompanying unaudited, consolidated, condensed financial statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2011, and the cash flows and results of operations for the three months then ended. Such adjustments consisted only of normal recurring items. The results of operations for the three months ended December 31 are not necessarily indicative of the results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements contained in the Company's 2011 Annual Report on Form 10-K, and it is suggested that these consolidated, condensed financial statements be read in conjunction therewith.

“SAFE HARBOR” STATEMENT UNDER THE
UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements that are not historical facts contained in this Form 10-Q are forward-looking statements that involve risks and uncertainties that could cause actual results to differ from projected results. Factors that could cause actual results to differ materially include, among others: general economic conditions; movements in interest rates; the market price of oil and natural gas; the risks associated with exploration and production in the Rocky Mountain region; the Company's ability, or the ability of its operating subsidiary, Altex Oil Corporation ("AOC"), to find, acquire, market, develop, and produce new properties; operating hazards attendant to the oil and natural gas business; uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures; the strength and financial resources of the Company's competitors; the Company's ability and AOC's ability to find and retain skilled personnel; climatic conditions; availability and cost of material and equipment; delays in anticipated start-up dates; environmental risks; the results of financing efforts; and other uncertainties detailed elsewhere herein and in the Company's filings with the Securities and Exchange Commission.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Financial Condition

Cash balances increased \$359,000 in the three months ended December 31, 2011, primarily because of a refund to the Company of a \$500,000 cash deposit made in connection with a potential investment that was terminated. This was offset by \$141,000 in cash used in operating activities. The Company is likely to experience negative cash flow from operations unless and until the Company invests in interests in producing oil and gas wells or in another venture that produces cash flow from operations. With the exception of capital expenditures related to production acquisitions or drilling or recompletion activities or an investment in another venture that produces cash flow from operations, none of which are currently planned, the cash flows that could result from such acquisitions, activities, or investments, and the possibility of a change in the interest rates the Company realizes on cash balances, the Company knows of no other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

Except for cash generated by the operation of the Company's producing oil and gas properties, asset sales, and interest income, the Company has no internal or external sources of liquidity other than its working capital. At February 9, 2012, the Company had no material commitments for capital expenditures.

The Company regularly assesses its exposure to both environmental liability and reclamation, restoration, and dismantlement expense (“RR&D”). The Company does not believe that it currently has any material exposure to environmental liability or to RR&D, net of salvage value, although this cannot be assured.

Results of Operations

General and administrative expense increased from \$111,000 in the three months ended December 31, 2010, to \$125,000 in the three months ended December 31, 2011, principally because a \$24,000 decrease in salary expense was more than offset by a \$43,000 increase in acquisition expense. At the current level of cash balances and at current interest rates, the Company's revenue is unlikely to exceed its expenses. Unless and until the Company invests a substantial portion of its cash balances in interests in producing oil and gas wells or in one or more other ventures that produce revenue and net income, the Company is likely to experience net losses. With the exception of unanticipated RR&D, unanticipated environmental expense, and possible changes in interest rates, the Company is not aware of any other known trends or uncertainties that have had or that the Company reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

Liquidity and Capital Resources

Operating Activities. Net cash used in operating activities in the nine months ended December 31, 2011 and 2010, was \$141,000 and \$72,000, respectively.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer and Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures which, by their nature, can provide only reasonable assurance regarding management's control objectives.

As of the end of the period covered by the report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the foregoing, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's Exchange Act reports. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II - OTHER INFORMATION

Item 6. Exhibits

| | |
|----------|--|
| 31. | Rule 13a-14(a)/15d-14(a) Certifications |
| 32.* | Section 1350 Certifications |
| 101.xml* | XBRL Instance Document |
| 101.xsd* | XBRL Taxonomy Extension Schema Document |
| 101.cal* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.def* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.lab* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.pre* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Furnished. Not Filed. Not incorporated by reference. Not subject to liability.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALTEX INDUSTRIES, INC.

Date: February 9, 2012

By: /s/ STEVEN H. CARDIN
Steven H. Cardin
Chief Executive Officer and Principal
Financial Officer