

MEXCO ENERGY CORP
Form 10-Q
November 09, 2018

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 September 30, 2018

OR

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

For the transition period from to

Commission File No. 1-31785

MEXCO ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

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Colorado 84-0627918
(State or other jurisdiction of (IRS Employer
incorporation or organization) Identification Number)

415 West Wall Street, Suite 475
Midland, Texas 79701
(Address of principal executive offices) (Zip code)

(432) 682-1119

(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 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 (§ 229.405 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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act.

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

The number of shares outstanding of the registrant's common stock, par value \$.50 per share, as of November 8, 2018 was 2,040,166.

MEXCO ENERGY CORPORATION AND SUBSIDIARIES

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Mexco Energy Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	March 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 348,860	\$ 492,610
Accounts receivable:		
Oil and gas sales	401,894	395,991
Trade	88,837	436,249
Note receivable	29,002	-
Prepaid costs and expenses	37,185	47,583
Total current assets	905,778	1,372,433
Property and equipment, at cost		
Oil and gas properties, using the full cost method	35,753,323	35,224,784
Other	107,484	107,484
Accumulated depreciation, depletion and amortization	(26,874,684)	(26,453,025)
Property and equipment, net	8,986,123	8,879,243
Other noncurrent assets		
	4,135	149,278
Total assets	\$ 9,896,036	\$ 10,400,954
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 126,049	\$ 446,815
Total current liabilities	126,049	446,815
Long-term debt		
Asset retirement obligations	450,000	700,000
Total liabilities	857,261	852,553
	1,433,310	1,999,368
Commitments and contingencies		
Stockholders' equity		
Preferred stock - \$1.00 par value; 10,000,000 shares authorized; none outstanding	-	-
Common stock - \$0.50 par value; 40,000,000 shares authorized; 2,107,166 and 2,104,266 shares issued; 2,040,166 and 2,037,266 shares outstanding as of September 30, 2018 and March 31, 2018, respectively	1,053,583	1,052,133
Additional paid-in capital	7,288,840	7,265,601
Retained earnings	466,304	429,853
Treasury stock, at cost (67,000 shares)	(346,001)	(346,001)

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Total stockholders' equity	8,462,726	8,401,586
Total liabilities and stockholders' equity	\$9,896,036	\$10,400,954

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2018	2017	2018	2017
Operating revenues:				
Oil and gas	\$701,246	\$610,451	\$1,436,599	\$1,261,893
Other	13,262	8,637	26,920	24,879
Total operating revenues	714,508	619,088	1,463,519	1,286,772
Operating expenses:				
Production	250,578	254,842	509,513	564,705
Accretion of asset retirement obligations	3,771	8,308	7,406	16,557
Depreciation, depletion, and amortization	205,583	285,507	421,658	596,765
General and administrative	226,169	232,869	475,207	539,528
Total operating expenses	686,101	781,526	1,413,784	1,717,555
Operating income (loss)	28,407	(162,438)	49,735	(430,783)
Other income (expenses):				
Interest income	70	2	83	11
Interest expense	(6,446)	(26,734)	(13,367)	(53,950)
Net other expense	(6,376)	(26,732)	(13,284)	(53,939)
Income (loss) before income taxes	22,031	(189,170)	36,451	(484,722)
Income tax	-	-	-	-
Net income (loss)	\$22,031	\$(189,170)	\$36,451	\$(484,722)
Income (loss) per common share:				
Basic:	\$0.01	\$(0.09)	\$0.02	\$(0.24)
Diluted:	\$0.01	\$(0.09)	\$0.02	\$(0.24)
Weighted average common shares outstanding:				
Basic:	2,040,052	2,037,266	2,038,659	2,037,266
Diluted:	2,040,052	2,037,266	2,038,659	2,037,266

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

Mexco Energy Corporation and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

	Common Stock Par Value	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at April 1, 2018	\$1,052,133	\$(346,001)	\$7,265,601	\$429,483	\$8,401,586
Net income	-	-	-	36,451	36,451
Issuance of stock through options exercised	1,450	-	16,791	-	18,241
Stock based compensation	-	-	6,448	-	6,448
Balance at September 30, 2018	\$1,053,583	\$(346,001)	\$7,288,840	\$466,304	\$8,462,726

	Common Stock Par Value	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
Balance at April 1, 2017	\$1,052,133	\$(346,001)	\$7,244,848	\$751,342	\$8,702,322
Net loss	-	-	-	(484,722)	(484,722)
Stock based compensation	-	-	13,775	-	13,775
Balance at September 30, 2017	\$1,052,133	\$(346,001)	\$7,258,623	\$266,620	\$8,231,375

SHARE ACTIVITY

Common stock shares, issued:

Balance at April 1, 2018	2,104,266
Issued	2,900
Balance at September 30, 2018	2,107,166

Common stock shares, held in treasury:

Balance at April 1, 2018	(67,000)
Acquisitions	-
Balance at September 30, 2018	(67,000)

Common stock shares, outstanding at September 30, 2018 2,040,166

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

Mexco Energy Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Six Months Ended September 30,

(Unaudited)

	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$36,451	\$(484,722)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Stock-based compensation	6,448	13,775
Depreciation, depletion and amortization	421,658	596,765
Accretion of asset retirement obligations	7,406	16,557
Changes in operating assets and liabilities:		
Decrease in accounts receivable	341,509	62,991
Decrease (increase) in prepaid expenses	10,398	(139)
(Decrease) increase in accounts payable and accrued expenses	(323,396)	127,737
Settlement of asset retirement obligations	(1,937)	(6,529)
Net cash provided by operating activities	498,537	326,435
Cash flows from investing activities:		
Additions to oil and gas properties	(438,621)	(481,005)
Drilling refund	-	19,500
Proceeds from sale of oil and gas properties and equipment	31,876	549,507
Change in note receivable	(3,783)	-
Net cash (used in) provided by investing activities	(410,528)	88,002
Cash flows from financing activities:		
Proceeds from exercise of stock options	18,241	-
Reduction of long-term debt	(250,000)	(432,000)
Net cash used in financing activities	(231,759)	(432,000)
Net decrease in cash and cash equivalents	(143,750)	(17,563)
Cash and cash equivalents at beginning of period	492,610	73,451
Cash and cash equivalents at end of period	\$348,860	\$55,888
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$14,447	\$54,884
Non-cash investing and financing activities:		
Asset retirement obligations	\$4,697	\$4,167

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

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Mexco Energy Corporation and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Nature of Operations

Mexco Energy Corporation (a Colorado corporation) and its wholly owned subsidiaries, Forman Energy Corporation (a New York corporation), Southwest Texas Disposal Corporation (a Texas corporation) and TBO Oil & Gas, LLC (a Texas limited liability company) (collectively, the “Company”) are engaged in the exploration, development and production of natural gas, crude oil, condensate and natural gas liquids (“NGLs”). Most of the Company’s oil and gas interests are centered in the Permian Basin of West Texas; however, the Company owns producing properties and undeveloped acreage in thirteen states. Although the Company’s oil and gas interests predominately are operated by others, the Company operates three wells on a lease in which it owns a 100% working interest.