ALTEX INDUSTRIES INC
Form 10QSB
August 01, 2008

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

FORM 10-QSB

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

For the quarterly period ended June 30, 2008

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT

For the transition period from ____ to ____.

Commission file number 1-9030

ALTEX INDUSTRIES, INC.
(Exact name of small business issuer as specified in its charter)

Delaware	84-0989164
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

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

(303) 265-9312
(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 [X] No [ ]

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

Number of shares outstanding of issuer's Common Stock as of August 1, 2008: 13,973,901

Transitional Small Business Disclosure Format. Yes [ ] No [X]

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
JUNE 30, 2008
(UNAUDITED)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 4,37
Accounts receivable	
Other	
Total current assets	4,38
PROPERTY AND EQUIPMENT, AT COST	
Proved oil and gas properties (successful efforts method)	9
Other	3
	12
Less accumulated depreciation, depletion, amortization, and valuation allowance	(12
Net property and equipment	
OTHER ASSETS	
	$ 4,39

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 2
Other accrued expenses	3
Total current liabilities	5
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 14,287,524 shares	14
Additional paid-in capital	14,04
Accumulated deficit	(9,77
Treasury shares, at cost, 313,623 shares	(7
	4,34
	$ 4,39

See accompanying notes to consolidated, condensed financial statements.

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended June 30 2008	2007
Revenue		
Oil and gas sales	$ 11,000	6,000
Interest income	20,000	62,000
Other income	-	4,000
	31,000	72,000
Costs and expenses		
Lease operating	9,000	-
Production taxes	1,000	1,000
General and administrative	103,000	102,000
Reclamation, restoration, and dismantlement	7,000	-
Depreciation, depletion, amortization, and valuation allowance	1,000	-
	121,000	103,000
Net loss	$ (90,000)	(31,000)
Loss per share	$ (0.006)	(0.002)
Weighted average shares outstanding	13,973,901	14,336,315

See accompanying notes to consolidated, condensed financial statements.

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
(UNAUDITED)

	NINE MONTHS ENDED JUNE 30 2008	NINE MONTHS ENDED JUNE 30 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (218,000)	(137,000)
Adjustments to reconcile net loss to net cash provided by operating activities		
Increase in deferred income tax asset	-	(1,000)
Depreciation, depletion, amortization, and valuation allowance	3,000	2,000
(Increase) decrease in other current assets	58,000	(3,000)
Decrease in other assets	-	2,000

Increase (decrease) in accounts payable	14,000	(19,000)
Decrease in income taxes payable	-	(51,000)
Increase (decrease) in other accrued expenses	(5,000)	(11,000)
Net cash used in operating activities	(148,000)	(218,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Other additions to property and equipment	(5,000)	(6,000)
Net cash used in investing activities	(5,000)	(6,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	(72,000)	(15,000)
Net cash used in financing activities	(72,000)	(15,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(225,000)	(239,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,597,000	5,140,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,372,000	4,901,000

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 June 30, 2008, and the cash flows and results of operations for the three and nine months then ended. Such adjustments consisted only of normal recurring items. The results of operations for the three and nine months ended June 30 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 2007 Annual Report on Form 10-KSB, 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-QSB 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 OR PLAN OF OPERATION.

FINANCIAL CONDITION

Cash balances declined $225,000 in the nine months ended June 30, 2008, because the Company used $148,000 cash in operating activities, expended $5,000 cash on information technology, and acquired 313,623 shares of its Common Stock for $72,000. Other current assets declined from $65,000 at September 30, 2007, to $7,000 at June 30, 2008, principally because the Company received an income tax refund of $50,000 during the three months ended March 31, 2008 ("Q2FY08"). At December 31, 2007, the Company reduced proved oil and gas properties and related accumulated depreciation, depletion, amortization, and valuation allowance by $4,000 to reflect final abandonment of wells in which the Company had owned small over-riding royalty interests. Also at December 31, 2007, the Company removed $36,000 from other property and equipment and related accumulated depreciation, depletion, amortization, and valuation allowance to reflect the abandonment of obsolete office equipment.

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 decline from the current level of interest rates, the Company knows of no trends, events, or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity. 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 August 1, 2008, the Company had no material commitments for capital expenditures.

AOC has completed the restoration of the area that had contained its East Tisdale Field in Johnson County, Wyoming, and its bonds with the State of Wyoming and the Bureau of Land Management have been released. The Company does not believe it will have any further liability in connection with the field, although this cannot be assured. 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

Oil and gas sales increased from $6,000 in the three months ended June 30, 2007 ("Q3FY07") , to $11,000 in the three months ended June 30, 2008 ("Q3FY08") , and from $16,000 in the nine months ended June 30, 2007, to $22,000 in the nine months ended June 20, 2008, principally because of higher prices. Interest income decreased from $62,000 in Q3FY07, to $20,000 in Q3FY08 and from $187,000 in the nine months ended June 30, 2007, to $100,000 in the nine months ended June 30, 2008, because of lower interest rates and lower cash balances. Lease operating expense ("LOE") increased from nil in Q3FY07 to $9,000 in Q3FY08 and from $2,000 in the nine months ended June 30, 2007, to $10,000 in the nine months ended June 30, 2008, principally because of repairs and maintenance expense to one well in which AOC has a small working interest. General and administrative expense decreased from $336,000 in the nine months ended June 30, 2007, to $311,000 in the nine months ended June 30, 2008, principally because of decreased consulting, insurance, and legal expense. The Company made two payments of $7,000 to the surface owner of its East Tisdale Field to secure a landowner release, one in the three months ended March 31, 2008, and one in Q3FY08 and, therefore, recognized $7,000 in reclamation, restoration, and dismantlement expense ("RR&D") in Q3FY08 and $14,000 in the six months ended June 30, 2008.

The Company's revenue currently consists almost entirely of interest earned on cash balances. 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 trends, events, or uncertainties that have had or that are reasonably expected to have a material impact on net sales or revenues or income from continuing operations.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities. Excluding changes in other current assets, accounts payable, and income taxes payable, net cash used in operating activities increased from $145,000 in the nine months ended June 30, 2007, to $220,000 in the nine months ended June 30, 2008.

Investing Activities. In the nine months ended June 30, 2007, the Company expended $6,000 on information technology, and in the nine months ended June 30, 2008, the Company expended $5,000 on information technology

Financing Activities. In the nine months ended June 30, 2007, the Company acquired 59,200 shares of its Common Stock for $15,000, and in the nine months ended June 30, 2008, the Company acquired 313,623 shares of its Common Stock for $72,000.

ITEM 3. 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

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.

ALTEX INDUSTRIES, INC.

Date: August 1, 2008

By: /s/ STEVEN H. CARDIN

Steven H. Cardin
Chief Executive Officer and Principal
Financial Officer

EXHIBIT INDEX

31. Rule 13a-14(a)/15d-14(a) Certifications
32. Section 1350 Certifications