ALTEX INDUSTRIES INC
Form 10-Q
February 12, 2010

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

FORM 10-Q

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

For the quarterly period ended December 31, 2009

[ ] 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	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) (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 [X] 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 (Sec.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 [ ]

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 [X]

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 February 9, 2010: 13,885,734

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

ASSETS

	DECEMBER 31 2009 (UNAUDITED)
CURRENT ASSETS	
Cash and cash equivalents	$ 3,582,000
Accounts receivable	10,000
Other	3,000
Total current assets	3,595,000
PROPERTY AND EQUIPMENT, AT COST	
Proved oil and gas properties (successful efforts method)	356,000
Other	17,000
	373,000
Less accumulated depreciation, depletion, amortization, and valuation allowance	(83,000)
Net property and equipment	290,000
OTHER ASSETS	5,000
	$ 3,890,000

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 16,000
Other accrued expenses	34,000
Total current liabilities	50,000
STOCKHOLDERS' EQUITY	
Preferred stock, $.01 par value. Authorized 5,000,000 shares, none issued	--
Common stock, $.01 par value. Authorized 50,000,000 shares, 13,885,734 shares issued and outstanding	139,000
Additional paid-in capital	13,964,000
Accumulated deficit	(10,263,000)
	3,840,000

$ 3,890,000

See accompanying notes to consolidated, condensed financial statements.

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

	THREE MONTHS ENDED DECEMBER 31 2009	2008
Revenue		
Oil and gas sales	$ 20,000	16,000
Interest income	12,000	22,000
	32,000	38,000
Costs and expenses		
Lease operating	1,000	1,000
Production taxes	2,000	1,000
General and administrative	117,000	104,000
Depreciation, depletion, amortization, and valuation allowance	1,000	1,000
	121,000	107,000
Net loss	$ (89,000)	(69,000)
Loss per share	$ (0.006)	(0.005)
Weighted average shares outstanding	13,885,734	13,928,709

See accompanying notes to consolidated, condensed financial statements.

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

	THREE MONTHS ENDED DECEMBER 31 2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (89,000)	(69,000)
Adjustments to reconcile net loss to net cash used in operating		

activities		
Depreciation, depletion, amortization, and valuation allowance	1,000	1,000
Increase in accounts receivable	(1,000)	(4,000)
Decrease in other current assets	-	4,000
Increase (decrease) in accounts payable	(3,000)	11,000
Decrease in other accrued expenses	(2,000)	(4,000)
Net cash used in operating activities	(94,000)	(61,000)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for oil and gas property acquisitions	(288,000)	-
Net cash used in investing activities	(288,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury stock	-	(11,000)
Net cash used in financing activities	-	(11,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(382,000)	(72,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,964,000	4,291,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$3,582,000	4,219,000

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, 2009, 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 2009 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-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 declined $382,000 in the three months ended December 31, 2009, because the Company used $94,000 cash in operating activities and invested $288,000 in the acquisition of a 4.4% override in the Glo Field in Campbell County, Wyoming. The purchase price was $275,000, but the Company anticipates a total expenditure of approximately $300,000 to clear minor title defects. 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, 2010, 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

Interest income decreased from $22,000 in the three months ended December 31, 2008, to $12,000 in the three months ended December 31, 2009, because of lower interest rates and lower cash balances. General and administrative expense increased from $104,000 in the three months ended December 31, 2008, to $117,000 in the three months ended December 31, 2009, because the Company expended approximately $10,000 evaluating possible acquisitions that it did not consummate. 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. Included in net cash used in operating activities in the three months ended December 31, 2008, is an increase in accounts payable of $11,000. Included in net cash used in operating activities in the three months ended December 31, 2009, is an decrease in accounts payable of $3,000. Excluding these items, net cash used in operating activities in the three months ended December 31, 2008, was $72,000 compared to net cash used in operating activities in the three months ended December 31, 2009, of $91,000.

Investing Activities. In the three months ended December 31, 2009, the Company expended $288,000 for the acquisition of a 4.4% override in the Glo Field in Campbell County, Wyoming.

Financing Activities. In the three months ended December 31, 2008, the Company acquired 68,167 shares of its Common Stock for $11,000.

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

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, 2010

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