

ASPEN EXPLORATION CORP
Form 10-Q
May 15, 2009

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

MARK ONE

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

For the quarterly period ended March 31, 2009

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 Number 0-9494

ASPEN EXPLORATION CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

84-0811316

(IRS Employer
Identification No.)

Suite 208, 2050 S. Oneida St.

Denver, Colorado

(Address of Principal Executive Offices)

80224-2426

(Zip Code)

Issuer's telephone number **(303) 639-9860**

Indicate by check mark whether Aspen (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 Aspen 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 smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the Issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at May 15, 2009
Common stock, \$.005 par value	7,259,622

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Part One. FINANCIAL INFORMATION**Item 1. FINANCIAL STATEMENTS****ASPEN EXPLORATION CORPORATION AND SUBSIDIARY**
CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2009 (unaudited)	June 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,978,296	\$ 1,595,150
Marketable securities	151,887	930,818
Accounts and trade receivables	912,461	2,287,519
Other current assets	79,229	39,474
Total current assets	6,121,873	4,852,961
Property and equipment		
Oil and gas property	20,288,722	23,677,355
Support equipment	96,560	183,374
	20,385,282	23,860,729
Accumulated depletion and impairment - full cost pool	(15,323,066)	(10,479,466)
Accumulated depreciation - support equipment	(29,510)	(70,570)
Net property and equipment	5,032,706	13,310,693
Other assets:		
Deposits	250,000	263,650
Deferred income taxes, net	159,500	-
Total other assets	409,500	263,650
Total assets	\$ 11,564,079	\$ 18,427,304

(Statement Continues)

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

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	March 31, 2009 (unaudited)	June 30, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 628,321	\$ 2,260,611
Other current liabilities and accrued expenses	-	620,875
Deposits on sale of gas property	2,401,100	-
Notes payable - current portion	166,667	475,000
Asset retirement obligation, current portion	30,900	56,400
Deferred income taxes, current	-	122,000
Total current liabilities	3,226,988	3,534,886
Long-term liabilities		
Notes payable, net of current portion	-	116,667
Asset retirement obligation, net of current portion	495,350	675,955
Deferred income taxes, net	-	2,398,000
Total long-term liabilities	495,350	3,190,622
Stockholders' equity:		
Common stock, \$.005 par value:		
Authorized: 50,000,000 shares		
Issued and outstanding: At March 31, 2009, and June 30, 2008, 7,259,622 shares		
	36,298	36,298
Capital in excess of par value	7,676,458	7,676,458
Accumulated other comprehensive loss	(566,046)	(281,849)
Retained earnings	695,031	4,270,889
Total stockholders' equity	7,841,741	11,701,796
Total liabilities and stockholders' equity	\$ 11,564,079	\$ 18,427,304

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

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	2008	2009	2008
Revenues:				
Oil and gas sales	\$ 452,757	\$ 1,325,261	\$ 2,606,637	\$ 3,910,858
Operating expenses:				
Oil and gas production	234,756	371,501	940,452	1,047,302
Accretion, depreciation, depletion and amortization	299,000	546,912	1,340,238	1,910,003
Impairment of full cost pool assets	1,300,000	-	3,550,000	-
Selling, general and administrative	149,923	135,322	516,271	363,333
Total operating expenses	1,983,679	1,053,735	6,346,961	3,320,638
Income (loss) from operations	(1,530,922)	271,526	(3,740,324)	590,220
Other income (expenses)				
Interest and other income	3,784	9,474	17,477	105,892
Interest and other (expenses)	(81,943)	(13,981)	(107,681)	(50,840)
Loss on conveyances of property	(2,157,000)	-	(2,157,000)	-
Gain on sale of marketable securities	12,049	4,834	12,049	4,834
Gain (loss) on sale of equipment	(36,289)	-	(24,240)	-
Total other income (expenses)	(2,259,399)	327	(2,259,395)	59,886
Income (loss) before income taxes	(3,790,321)	271,853	(5,999,719)	650,106
Provision for income taxes	1,453,063	(67,014)	2,423,861	(133,439)
Net income (loss)	\$ (2,337,258)	\$ 204,839	\$ (3,575,858)	\$ 516,667
Basic net income (loss) per share	\$ (0.32)	\$ 0.03	\$ (0.49)	\$ 0.07
Diluted net income (loss) per share	\$ (0.32)	\$ 0.03	\$ (0.49)	\$ 0.07
Weighted average number of common shares outstanding				
used to calculate basic net income (loss) per share :	7,259,622	7,259,622	7,259,622	7,259,622
Effect of dilutive securities:				
Equity based compensation	-	39,912	-	39,912
Weighted average number of common shares outstanding used to calculate diluted net income (loss) per share :	7,259,622	7,299,534	7,259,622	7,299,534

Unaudited Condensed Statements of Comprehensive Income (Loss)
Three and Nine Month Periods Ended March 31, 2009 and 2008

Three Months Ended

Nine Months Ended

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	March 31,		March 31,	
	2009	2008	2009	2008
Net income (loss)	\$ (2,337,258)	\$ 204,839	\$ (3,575,858)	\$ 516,667
Unrealized losses on available-for-sale securities, net of income tax of \$(4,949) and \$(187,520), respectively.	(7,425)	(258,131)	(281,286)	(354,095)
Other Comprehensive Income (loss)	\$ (2,344,683)	\$ (53,292)	\$ (3,857,144)	\$ 162,572

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

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ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended March 31,	
	2009	2008
<u>Cash Flows from Operating Activities:</u>		
Net income (loss)	\$ (3,575,858)	\$ 516,667
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Accretion and depreciation, depletion, and amortization	1,340,238	1,910,003
Impairment of oil and gas properties	3,550,000	-
Deferred income taxes	(2,494,881)	280,994
Compensation expense related to stock options granted	-	47,298
Loss on conveyances of property	2,157,000	-
Realized (gain) on marketable securities	(12,050)	(4,834)
Loss on sale of equipment	24,241	-
Changes in assets and liabilities:		
(Increase) decrease in current assets other than cash, cash equivalents, and short-term marketable securities	1,410,303	181,244
Increase (decrease) in current liabilities other than notes payable and asset retirement obligation	(2,253,165)	1,920,366
Net Cash Provided by Operating Activities	145,828	4,851,738
<u>Cash Flows from Investing Activities:</u>		
Sale of oil and gas properties	918,078	-
Deposits on sale of gas property	2,401,100	-
Additions to oil & gas property	(212,310)	(2,653,991)
Sales of marketable securities	322,165	-
(Purchases) of marketable securities	-	(280,184)
Sale of property and equipment	10,875	-
Net Cash Provided by (Used in) Investing Activities	3,439,908	(2,934,175)
<u>Cash Flows from Financing Activities:</u>		
Payment of long-term debt	(202,590)	(206,250)
Net Cash (Used in) Financing Activities	(202,590)	(206,250)
Net Increase (Decrease) in Cash and Cash Equivalents	3,383,146	1,711,313
Cash and Cash Equivalents, beginning of year	1,595,150	4,057,279
Cash and Cash Equivalents, end of year	\$ 4,978,296	\$ 5,768,592
<u>Supplemental disclosures of cash flow information:</u>		
Interest paid	\$ 30,670	\$ 50,840

Supplemental non-cash activity

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Decrease in fair value of marketable securities (net of income taxes of \$187,520 and \$243,494, respectively)	\$	281,297	\$	354,095
Note receivable on sale of oil & gas properties	\$	75,000	\$	-
Note payable relieved on sale of oil & gas properties	\$	222,410	\$	-
Increase (decrease) in asset retirement obligation	\$	(206,105)	\$	95,973

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

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ASPEN EXPLORATION CORPORATION

Notes to Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2009

NOTE 1 BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements of Aspen Exploration Corporation (the Company) are unaudited. However, in the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for fair presentation for the interim period.

Prior deferred tax amounts have been reclassified to properly present the net future deferred taxes.

The condensed consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. Management believes the disclosures made are adequate to make the information not misleading and suggests that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes hereto included in the Company's Form 10-KSB for the year ended June 30, 2008.

This Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this Form 10-Q, including, without limitation, the statements under both Notes to Consolidated Financial Statements and Item 2. Management's Discussion and Analysis located elsewhere herein regarding the Company's financial position and liquidity, its strategies, financial instruments