ALTEX INDUSTRIES INC
Form 10QSB
February 11, 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 December 31, 2007

[ ] 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, Including Area Code)

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 February 6, 2008: 14,220,217

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

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2007
(UNAUDITED)

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 4,521,
Accounts receivable	5,
Other	62,
Total current assets	4,588,
PROPERTY AND EQUIPMENT, AT COST	
Proved oil and gas properties (successful efforts method)	91,
Other	35,
	126,
Less accumulated depreciation, depletion, amortization, and valuation allowance	(120,
Net property and equipment	6,
OTHER ASSETS	8,
	$ 4,602,

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES	
Accounts payable	$ 8,
Other accrued expenses	28,
Total current liabilities	36,
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	143,
Additional paid-in capital	14,047,
Accumulated deficit	(9,608,
Treasury shares, at cost, 67,307 shares	(16,
	4,566,
	$ 4,602,

See accompanying notes to consolidated, condensed financial statements.

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
(UNAUDITED)

	Three Months Ended December 31 2007	Three Months Ended December 31 2006
Revenue		
Oil and gas sales	$ 5,000	7,000
Interest income	47,000	63,000
	52,000	70,000
Costs and expenses		
Lease operating	-	1,000
Production taxes	-	1,000
General and administrative	105,000	121,000
Depreciation, depletion, amortization, and valuation allowance	1,000	1,000
	106,000	124,000
Net loss	$ (54,000)	(54,000)
Loss per share	$ (0.004)	(0.004)
Weighted average shares outstanding	14,242,897	14,346,724

See accompanying notes to consolidated, condensed financial statements.

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

	THREE MONTHS ENDED DECEMBER 31 2007	THREE MONTHS ENDED DECEMBER 31 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (54,000)	(54,000
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation, depletion, amortization, and valuation allowance	1,000	1,000
Increase in accounts receivable	(1,000)	-
(Increase) decrease in other current assets	3,000	(3,000
Increase (decrease) in accounts payable	1,000	(18,000
Decrease in current income taxes payable	-	(49,000
Decrease in accrued production costs	-	(9,000
Increase (decrease) in other accrued expenses	(8,000)	15,000
Net cash used in operating activities	(58,000)	(117,000

CASH FLOWS FROM INVESTING ACTIVITIES		
Other additions to property and equipment	(2,000)	-
Net cash provided by investing activities	(2,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury stock	(16,000)	-
Net cash used in financing activities	(16,000)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(76,000)	(117,000
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,597,000	5,140,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,521,000	5,023,000

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, 2007, 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 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 $76,000 in the three months ended December 31, 2007 ("Q1FY08"), because the Company used $58,000 cash in operating activities, expended $2,000 cash on information technology, and acquired 67,307 shares of its Common Stock for $16,000. 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 February 6, 2008, the Company had no material commitments for capital expenditures.

AOC is completing the restoration of the area that had contained its East Tisdale Field in placeCityJohnson County, StateWyoming. AOC has removed all equipment from the field and has recontoured and reseeded virtually all disturbed areas in the field. Barring unforeseen events, the Company does not believe that the expense associated with any remaining restoration activities will be material, although this cannot be assured. After AOC's bonds with the state and the Bureau of Land Management are 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

Interest income decreased from $63,000 in the three months ended December 31, 2006 ("Q1FY07"), to $47,000 in Q1FY08 because of lower interest rates and lower cash balances. General and administrative expense decreased from $121,000 in Q1FY07 to $105,000 in Q1FY08 principally because of decreased consulting, insurance, and legal expense.

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. Included in net cash used in operating activities in Q1FY07 are a decrease in accounts payable of $18,000 and a decrease in income taxes payable of $49,000. Excluding these items, net cash used in operating activities in Q1FY07 was $50,000 compared to net cash used in operating activities in Q1FY08 of $58,000.

Investing Activities. In Q1FY08 the Company expended $2,000 on information technology.

Financing Activities. In Q1FY08 the Company acquired 67,307 shares of its Common Stock for $16,000.

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 2. CHANGES IN SECURITIES

Purchases of Equity Securities by the Small Business Issuer and Affiliated Purchasers

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Appr Dollar Shares that Be Pu Under or P
October 1, 2007 through October 31, 2007	67,307	$ 0.23	-	
November 1, 2007 through November 30, 2007	-	-	-	
December 1, 2007 through December 31, 2007	-	-	-	

The Company has no publicly announced plan or program for the purchase of shares. In October 2007 the Company purchased 67,307 shares other than through a publicly announced plan or program in open-market transactions.

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: February 8, 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