

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **2001-08-03** | Period of Report: **2001-06-30**
SEC Accession No. **0001013176-01-500129**

([HTML Version](#) on [secdatabase.com](#))

FILER

MOUNTAIN OIL INC

CIK: **1103017** | IRS No.: **870639343** | State of Incorporation: **UT** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **333-37842** | Film No.: **1696890**
SIC: **1382** Oil & gas field exploration services

Mailing Address
P O BOX 1574
ROOSEVELT UT 84066

Business Address
P O BOX 1574
ROOSEVELT UT 84066
4357222992

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

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. 333-37842

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

Utah 87-0639343
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation or organization)

3954 East 200 North East Highway 40
Ballard, UT 84066
(Address of principal executive offices)

(435) 722-2992
(Issuer's telephone number)

Not Applicable
(Former name, address and fiscal year, if changed since last
report)

Check whether the issuer (1) has filed all reports required
to be filed by Section 13 or 15(d) of the Exchange Act
during the preceding 12 months (or for such shorter period
that the issuer was required to file such reports), and (2)
has been subject to such filing requirements for the past 90
days. Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

Check whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13, or 15(d) of
the Exchange Act subsequent to the distribution of
securities under
a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

State the number of shares outstanding of each of the
issuer's classes of common equity, as of June 30, 2001:
3,102,749 shares of common stock.

Transitional Small Business Format: Yes No

FORM 10-QSB
MOUNTAIN OIL, INC.

	INDEX	Page
PART I.	Financial Information	
	Item 1. Financial Statements	3
	Balance Sheet as of June 30, 2001 (unaudited)	3
	Statement of Operations for the Three Months Ended June 30, 2001 and 2000 and Six Months Ended June 30, 2001 (unaudited)	4
	Statement of Cash Flows for the Six Months Ended June 30, 2001 and 2000 (unaudited)	5
	Notes to Financial Statements	6
	Item 2. Management's Discussion and Analysis of Financial Condition	7
PART II.	Other Information	
	Item 2. Changes in Securities and Use of Proceeds	8
	Item 6. Exhibits and Repots on Form 8-K	9
SIGNATURES		9

2

Part I. Financial Information

Item 1. Financial Statements

MOUNTAIN OIL, INC.
Balance Sheet
June 30, 2001
(unaudited)

Assets

Current assets:

Cash	\$ 483,000
Accounts receivable	135,000
Inventory	33,000

Total current assets 651,000

Property and equipment, net 2,115,000

\$2,766,000

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$ 178,000
Accrued expenses	100,000
Current portion of long-term debt	29,000

Total current liabilities	307,000
---------------------------	---------

Long-term debt	36,000
----------------	--------

Total Liabilities	343,000
-------------------	---------

Stockholders' equity:

Preferred stock, no par value, authorized 10,000,000 shares; no shares issued or outstanding	-
----------------------------------------------------------------------------------------------------	---

Common stock, no par value, authorized 50,000,000 shares; 3,102,749 shares issued and outstanding	3,084,000
---------------------------------------------------------------------------------------------------------	-----------

Accumulated deficit	(661,000)
---------------------	-----------

Total stockholders' equity	2,423,000
----------------------------	-----------

Total Liabilities and Equity	2,766,000
------------------------------	-----------

See accompanying notes to financial statements

3

MOUNTAIN OIL, INC.
Statement of Operations

<TABLE>
<CAPTION>

	Three Months Ended		Six Months Ended	
	June 30 2001 (Unaudited)	June 30 2000 (Unaudited)	June 30, 2001 (Unaudited)	2000 (Unaudited)
	<C>	<C>	<C>	<C>
<S> Oil and gas sales	\$ 268,000	\$ 136,000	\$ 540,000	\$ 272,000
Costs and expenses:				
Operating Costs	219,000	87,000	405,000	119,000
General and administrative expenses	124,000	73,000	256,000	162,000
Depreciation, depletion and amortization expense	57,000	22,000	114,000	44,000
	400,000	182,000	777,000	324,000
Income (loss) from operations	(132,000)	(46,000)	(235,000)	(53,000)
Interest expense	(2,000)	(15,000)	(28,000)	(19,000)
Other income	4,000	11,000	22,000	14,000
Income (loss) before provision for				

income taxes	(130,000)	(50,000)	(241,000)	(58,000)
Provision for income taxes	-	-	-	-
Net income (loss)	\$ (130,000)	\$ (50,000)	\$ (241,000)	\$ (58,000)
Income (loss) per common share - basic and diluted	\$ (.04)	\$ (.02)	\$ (.08)	\$ (.03)
Weighted average number of common shares - basic and diluted	3,103,000	2,099,000	2,926,000	1,815,000

</TABLE>

See accompanying notes to financial statements

4

MOUNTAIN OIL, INC.
Statement of Cash Flows

	Six Months Ended June 30,	
	2001	2000
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net (loss)	\$ (241,000)	\$ (58,000)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization	114,000	44,000
(Increase) decrease in:		
Accounts receivable	(22,000)	7,000
Deffered issue costs	64,000	(20,000)
Prepaid expenses	15,000	(18,000)
Inventory	(25,000)	-
Deposits	11,000	-
Increase (decrease) in:		
Accounts payable	(144,000)	(54,000)
Accrued expenses	87,000	30,000
Net cash used in operating activities	(91,000)	(69,000)
Cash flows from investing activities-		
purchase of property and equipment	(646,000)	(751,000)
note receivable	-	(330,000)
Net cash used in investing Activities	(646,000)	(1,081,000)
Cash flow from financing activities:		
Proceeds from long-term debt	-	825,000
Payments on related party notes payable	(338,000)	(200,000)
Payments on long-term debt (conversion of debentures)	(3,000)	(9,000)
Collection of subscription receivable	-	10,000
Proceeds from issuance of common stock	1,547,000	50,000
Net cash provided by (used in)		

financing activities	1,206,000	676,000
Net increase (decrease) in cash	469,000	(474,000)
Cash, beginning of period	14,000	512,000
Cash, end of period	\$ 483,000	\$ 38,000

See accompanying notes to financial statements

5

MOUNTAIN OIL, INC.
Notes to Financial Statements

Six Months Ended June 30, 2001

1. Organization and Summary of Significant Accounting Policies

The Company is incorporated under the laws of the state of Utah and is primarily engaged in the business of acquiring, developing, producing and selling oil and gas products and properties to companies located in the continental United States.

Unaudited Financial Information

The unaudited financial statements include the accounts of the Company and include all adjustments (consisting of normal recurring items), which are, in the opinion of the management, necessary to present fairly the financial position as of June 30, 2001 and the results of operations and cash flows for the period ended June 30, 2001. The results of operations for the period ended are not necessarily indicative of the results to be expected for the entire year.

Earnings Per Share

The computation of basic earnings per common share is based on the weighted average number of shares outstanding during the period.

The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the period plus the common stock equivalents which would arise from the exercise of stock options and warrants outstanding using the treasury stock method and the average market price per share during the period. Common stock equivalents are not included in the diluted earnings per share calculation when their effect is antidilutive.

2. Public Offering

In January 2001, the Company's initial public offering of its common stock, registered on Form SB-2, was declared effective by the Securities and Exchange Commission. The Company registered 1,000,000 shares of common stock for sale at \$2.25 per share. On

February 28, 2001, the offering closed with 715,068 shares sold, resulting in gross proceeds of approximately \$1,609,000.

3. Subsequent Event

The Company has entered into a non-binding letter of intent to acquire all of the issued and outstanding shares of a gas and oil company in exchange for 3,118,000 of the companies common stock.

6

Item 2. Management's Discussion and Analysis of Financial Condition and Plan of Operation

Results of Operations - six month periods ended June 30, 2001 and 2000 and three month periods ended June 30, 2001 and 2000.

Oil sales were \$540,000 and \$272,000 for the six months ended June 30, 2001 and 2000, respectively. This 98.5% increase in sales is primarily attributable to increasing both the number of our producing wells and the production rates of our existing wells. Oil sales were \$268,000 and \$136,000 for the three months ended June 30, 2001 and 2000. This 97% increase is also primarily attributable to our increased number of our producing wells and the increased production rates of our existing wells.

Operating costs for the six months ended June 30, 2001 and 2000 were \$405,000 and \$119,000, respectively. This 240% increase in production costs is attributable to the cost of reworking wells to improve existing production and to establish production in wells that were not producing. Operating costs for the three months ended June 30, 2001 and 2000 were \$219,000 and \$87,000, respectively. This 152% increase in production costs is also attributable to the cost of reworking wells and establishing production in wells that were previously not producing.

General and administrative expenses increased 57% to \$256,000 from \$163,000 for the six months ended June 30, 2001 and 2000, respectively. Depreciation, depletion and amortization expenses increased 159% to \$114,000 for the six months ended June 30, 2001, from \$44,000 for the same period in 2000. For the three months ended June 30, 2001 and 2000 depreciation, depletion and amortization expenses increased 159 % to \$57,000 from \$22,000. Other income for these same periods was \$22,000 and \$14,000 for the six months ended June 30, 2001 and 2000, and \$4,000 and \$11,000 for the three months ended June 30, 2001 and 2000, respectively. These values are attributable to expansion of operations and the acquisition of capital used in that expansion.

As a result of the foregoing, we realized a net loss of \$241,000 for the six months ended June 30, 2001, as compared to a net loss of \$58,000 for the six months ended June 30, 2000; and a net loss of \$130,000 and \$ 50,000 for the three months ended June 30, 2001 and 2000 respectively.

Liquidity and Capital Resources

Net cash used in operating activities for the six months ended June 30, 2001 and 2000 was \$91,000 and \$69,000, respectively. During these periods our net cash used in investing activities was \$646,000 and \$1,081,000, respectively, which was invested in property and equipment and for the six months ended June 30 2000 a related party note receivable. Also during the first quarter of 2001, we paid \$338,000 on related party notes payable, \$3,000 on long term debt, and received \$1,547,000 in net proceeds from our public offering; as compared to \$200,000 paid on related party notes, \$9,000 paid on long term debt, \$10,000 received from stock subscriptions and proceeds from convertible debentures of \$825,000 in the first quarter of 2000. As a result, our financing activities provided \$1,206,000 of net cash for the six months ended June 30, 2001, as compared to \$676,000 of net cash provided by financing activities for the same period in 2000. Accordingly, our net cash increased \$469,000 for the six months ended June 30, 2001, as compared to a decrease in net cash of \$474,000 for the six months ended June 30, 2000.

On February 28, 2001, we closed our public offering of common stock after selling 715,068 shares resulting in gross proceeds of \$1,609,000. Net proceeds of the offering were approximately \$1,547,000. Net proceeds of the offering were approximately \$1,524,053. As of the date of this report, we used approximately \$332,687 of the net proceeds to purchase oil well equipment, \$427,587 to rework wells, \$95,706 to purchase service equipment, \$282,000 to repay director loans, \$16,727 to pay interest expense, and \$29,000 for general and administrative expenses.

7

At June 30, 2001, we had a working capital of \$344,000, as compared to working capital of \$35,000 at June 30, 2000. This substantial improvement to our working capital is due to our public offering that closed in February 2001.

We will continue to pursue the rework project on our existing wells over the next 4 months. We believe Mountain Oil has sufficient capital to fund its operating expenses and the rework project during this period. If Mountain Oil is successful in improving production during this period, we believe that Mountain Oil will generate sufficient revenues internally to cover all of its operating expenses.

Forward-Looking Statements

This Form 10-QSB includes, without limitation, certain statements containing the words "believes", "anticipates", "estimates", and words of a similar nature, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. This Act provides a "safe harbor" forward-looking statements to encourage companies to provide prospective information about themselves so long as they identify these statements as forward looking and provide meaningful, cautionary statements identifying important factors that could cause actual results to differ from the projected results. All statements other than statements of historical fact made in this Form 10-QSB are forward-looking. In particular, the statements

herein regarding industry prospects and future results of operations or financial position are forward-looking statements.

Forward-looking statements reflect management's current expectations and are inherently uncertain. The Company's actual results may differ significantly from management's expectations.

Part II. Other Information

Item 2. Changes in Securities and Use of Proceeds.

Mountain Oil filed with the Securities and Exchange Commission a registration statement on Form SB-2 for the offer and sale of up to 1,000,000 shares of common stock at a price of \$2.25 per share or a total of \$2,250,000, SEC file no. 333-37842. The registration statement was declared effective on January 19, 2001, and the offering commenced on that date. We terminated the offering on February 28, 2001, after selling 715,068 shares resulting in gross proceeds of \$1,609,000. The estimated total expense of the offering for filing fees, professional fees, printing costs and miscellaneous items is \$84,947, none of which was paid directly or indirectly to any officer, director, or 10% stockholder. The net proceeds of the offering were approximately \$1,524,000.

As of the date of this report, we used approximately \$332,689 of the net proceeds to purchase oil well equipment, \$427,547 to rework wells, \$95,706 to purchase service equipment, \$282,000 to repay director loans, \$16,727 to pay interest expense, and \$29,000 for general and administrative expenses. Funds applied to repayment of director loans are the only payments made directly or indirectly to any officer, director, or 10% stockholder from the net proceeds.

In April 2000, we sold convertible debentures to 41 investors and raised \$825,000. The debentures are convertible to common stock at the rate of one share for \$1.50 in principal amount of the debentures and come due on March 31, 2002. The debentures were issued to accredited investors in reliance on Section 4(2) of the Securities Act of 1933 for transactions by an issuer not involving a public offering. As of June 30, 2001, \$802,000 in principal amount of the debentures was converted into 534,681 shares of common stock.

8

Item 6. Exhibits and Reports on Form 8-K

None

SIGNATURES

In accordance with the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MOUNTAIN OIL, INC.

Date: July 23, 2001

By: /s/ Craig K. Phillips, President

Date: July 23, 2001

By: /s/ Joseph Ollivier, CFO