

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: **1996-02-08** | Period of Report: **1995-12-31**
SEC Accession No. **0000010048-96-000004**

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

FILER

BARNWELL INDUSTRIES INC

CIK: **10048** | IRS No.: **720496921** | State of Incorporation: **DE** | Fiscal Year End: **0930**
Type: **10QSB** | Act: **34** | File No.: **001-05103** | Film No.: **96513261**
SIC: **1311** Crude petroleum & natural gas

Mailing Address
1100 ALAKEA ST.
SUITE 2900
HONOLULU HI 96813

Business Address
1100 ALAKEA ST.
SUITE 2900
HONOLULU HI 96813
808-531-8400

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

FORM 10-QSB

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
--- Exchange Act of 1934 for the Quarterly Period Ended December 31, 1995
Transition Report Pursuant to Section 13 or 15(d) of the Securities
--- Exchange Act of 1934

Commission File Number 1-5103

BARNWELL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

72-0496921
(I.R.S. Employer
Identification No.)

1100 Alakea Street, Suite 2900, Honolulu, Hawaii 96813
(Address of principal executive offices) (Zip code)

(808) 531-8400
(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 requirement for the past 90 days.

Yes X No
----- -----

As of February 8, 1996 there were 1,322,052 shares of common stock, par value \$0.50, outstanding.

BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION:

Item 1. Financial Statements

Condensed Consolidated Balance Sheets
December 31, 1995 and September 30, 1995 (Unaudited)

Consolidated Statements of Operations and Retained Earnings
three months ended December 31, 1995 and 1994 (Unaudited)

Condensed Consolidated Statements of Cash Flows
three months ended December 31, 1995 and 1994 (Unaudited)

Notes to Condensed Consolidated Financial Statements (Unaudited)

Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

PART II. OTHER INFORMATION:

Item 6. Exhibits and reports on Form 8-K

Signature

<TABLE>
<CAPTION>

BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, see Note A below)

	December 31, 1995	September 30, 1995
	-----	-----
	<C>	<C>
<S>		
ASSETS		

CURRENT ASSETS:		
Cash	\$ 3,113,000	\$ 2,976,000
Accounts receivable	2,472,000	2,485,000
Other current assets	864,000	663,000
	-----	-----
TOTAL CURRENT ASSETS	6,449,000	6,124,000
INVESTMENT IN LAND	762,000	648,000

OTHER ASSETS	1,065,000	1,011,000
NET PROPERTY AND EQUIPMENT	21,410,000	20,997,000
TOTAL ASSETS	\$ 29,686,000	\$ 28,780,000

LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Accounts payable	\$ 1,954,000	\$ 1,065,000
Accrued expenses	632,000	523,000
Other current liabilities	1,059,000	893,000
TOTAL CURRENT LIABILITIES	3,645,000	2,481,000

LONG-TERM DEBT	11,100,000	11,100,000

DEFERRED INCOME TAXES	4,528,000	4,837,000

STOCKHOLDERS' EQUITY:		
Common stock, par value \$.50 a share:		
Authorized, 4,000,000 shares		
Issued, 1,642,797 shares	821,000	821,000
Additional paid-in capital	3,103,000	3,103,000
Retained earnings	13,191,000	12,891,000
Foreign currency translation adjustments and other	(1,997,000)	(1,748,000)
Treasury stock, at cost, 320,745 shares	(4,705,000)	(4,705,000)
TOTAL STOCKHOLDERS' EQUITY	10,413,000	10,362,000

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 29,686,000	\$ 28,780,000
=====		

<FN>

Note A: The condensed consolidated balance sheet at September 30, 1995 has been derived from the audited financial statements at that date.

See Notes to Condensed Consolidated Financial Statements

</TABLE>

<TABLE>

<CAPTION>

BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(Unaudited)

	Three months ended December 31,	
	1995	1994
	----	----
<S>	<C>	<C>
Revenues:		
Oil and natural gas	\$ 2,470,000	\$ 2,910,000
Contract drilling	740,000	1,320,000
Interest income and other	210,000	160,000
	-----	-----
	3,420,000	4,390,000
	-----	-----
Costs and expenses:		
Oil and natural gas operating	920,000	855,000
Contract drilling operating	528,000	1,015,000
General and administrative	801,000	1,071,000
Depreciation, depletion and amortization	867,000	750,000
Interest expense	212,000	152,000
Minority interest in losses	(10,000)	(138,000)
	-----	-----
	3,318,000	3,705,000
	-----	-----
Earnings before income taxes	102,000	685,000
Income tax (benefit) provision	(198,000)	485,000
	-----	-----
NET EARNINGS	300,000	200,000
Retained earnings - beginning of period	12,891,000	12,439,000
Cash dividends declared	-	(99,000)
	-----	-----
Retained earnings - end of period	\$ 13,191,000	\$ 12,540,000
	=====	=====
NET EARNINGS PER COMMON SHARE	\$0.23	\$0.15
	=====	=====
Cash dividends declared per share	\$ -	\$0.075
	=====	=====

<FN> See Notes to Condensed Consolidated Financial Statements

</TABLE>

<TABLE>

<CAPTION>

BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three months ended December 31,	
	1995	1994
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net earnings	\$ 300,000	\$ 200,000
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation, depletion, and amortization	867,000	750,000
Deferred income taxes	(243,000)	67,000
Minority interest in losses	(10,000)	(138,000)
	914,000	879,000
All other	1,000,000	(943,000)
	1,914,000	(64,000)
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Capital expenditures - oil and natural gas	(1,563,000)	(958,000)
Additions to investment in land	(124,000)	-
Capital expenditures - contract drilling and other	(41,000)	(79,000)
Increase in long-term receivables and other assets	(43,000)	(2,000)
	(1,771,000)	(1,039,000)
Net cash used in investing activities		
Net Cash Provided by Financing Activity:		
Contributions from minority interest owner	20,000	-
	20,000	-
Net cash provided by financing activity		
Effect of exchange rate changes on cash	(26,000)	(92,000)
Net increase (decrease) in cash	137,000	(1,195,000)
Cash at beginning of period	2,976,000	4,198,000
Cash at end of period	\$ 3,113,000	\$ 3,003,000

Supplemental disclosures of cash flow information:

Cash paid during the period for:		
Interest	\$ 186,000	\$ 178,000
	=====	=====
Income taxes	\$ 77,000	\$ 1,351,000
	=====	=====

<FN>
See Notes to Condensed Consolidated Financial Statements
</TABLE>

BARNWELL INDUSTRIES, INC.

AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Balance Sheet as of December 31, 1995, and the Consolidated Statements of Operations and Retained Earnings and the Condensed Consolidated Statements of Cash Flows for the three months ended December 31, 1995 and 1994 have been prepared by Barnwell Industries, Inc. (referred to herein together with its subsidiaries as "Barnwell" or the "Company") without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and changes in cash flows at December 31, 1995 and for all periods presented have been made. The Condensed Consolidated Balance Sheet as of September 30, 1995 has been derived from audited financial statements.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 1995 annual report to stockholders. The results of operations for the period ended December 31, 1995 are not necessarily indicative of the operating results for the full year.

2. EARNINGS PER COMMON SHARE

Primary earnings per share are based on the weighted average number of outstanding common shares during the period. The primary weighted average

number of outstanding shares was 1,322,052 for the quarters ended December 31, 1995 and 1994. Fully diluted earnings per share are not presented because dilution is less than 3%.

3. INCOME TAXES

The components of the provision for income taxes for the three months ended December 31, 1995 and 1994 are as follows:

	Three months ended December 31,	
	1995	1994
Current - U.S.	\$ 5,000	\$ 30,000
Current - Foreign	40,000	388,000
Total - Current	45,000	418,000
Deferred - U.S.	(5,000)	(30,000)
Deferred - Foreign	(238,000)	97,000
Total - Deferred	(243,000)	67,000
	\$ (198,000)	\$ 485,000

In November 1995, officials of the U.S. and Canada formally ratified a new agreement amending the Canada-U.S. Tax Treaty that reduces the Canadian Branch tax, effective January 1, 1996, from 10% to 6% and, effective January 1, 1997, to 5%. This change resulted in the recognition of a deferred income tax benefit of \$290,000 in the three months ended December 31, 1995.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Net cash flows provided by operating activities for the three months ended December 31, 1995 totaled \$1,914,000, as compared to \$64,000 of net cash flows used in operating activities for the first three months of the prior year. Essentially all (97%) of the increase in cash flows from operating activities was due to changes in the Company's non-cash working capital accounts. In the current period, there was a \$903,000 increase in accounts payable, primarily representing oil and natural gas capital expenditures not yet paid at December 31, 1995. Additionally, in the prior year period there was a \$943,000 use of cash due primarily to the payment of accrued income taxes.

Barnwell's consolidated cash and working capital at December 31, 1995 was \$3,113,000 and \$2,804,000, respectively. Available credit under the Company's revolving credit facility amounted to approximately \$2,600,000 at December 31, 1995.

During the quarter ended December 31, 1995, the Company invested \$1,563,000 in oil and natural gas properties, compared to the \$958,000 of oil and natural gas investments during the prior year period. For the three months ended December 31, 1995, the Company participated in the drilling of six wells in Alberta, Canada and North Dakota as follows:

	Productive Oil Wells		Productive Gas Wells		Dry Holes		Total Wells	
	Exp.	Dev.	Exp.	Dev.	Exp.	Dev.	Exp.	Dev.
Gross	-	2.00	1.00	1.00	-	2.00	1.00	5.00
Net	-	0.45	0.29	0.09	-	0.27	0.29	0.81

Additionally, the Company participated in two natural gas well recompletions (net .15 well) and one oil well recompletion (net .25 well). "Net well" refers to Barnwell's aggregate participating interest in a given number of gross wells. For example, a 50% interest in a well represents one gross well, but 0.50 net well. The gross figure includes Barnwell's interest, as well as the portion owned by others.

The Company also invested \$124,000 towards the rezoning of the North Kona, Hawaii, property held by Kaupulehu Developments, a 50.1% owned joint venture, and invested \$41,000 in contract drilling assets. The Company expects total fiscal 1996 capital expenditures to be approximately 33% higher than capital expenditures in fiscal 1995. Capital expenditures are expected to be funded by both cash flows from operations and existing cash balances.

RESULTS OF OPERATIONS

Oil and Natural Gas

SELECTED OPERATING STATISTICS

	Net Production			
	Three months ended December 31,		Increase (Decrease)	
	1995	1994	Units	%
Liquids (Bbls)*	21,000	23,000	(2,000)	(9)%
Oil (Bbls)*	51,000	49,000	2,000	4%
Natural gas (MCF)**	1,278,000	1,261,000	17,000	1%

Average Price Per Unit

	Three months ended December 31,		Increase (Decrease)	
	1995	1994	\$	%
Liquids (Bbls)*	\$10.87	\$10.54	0.33	3%
Oil (Bbls)*	\$15.08	\$15.02	0.06	-
Natural gas (MCF)**	\$ 0.94	\$ 1.25	(0.31)	(25%)

*Bbls = stock tank barrel equivalent to 42 U.S. gallons

**MCF = 1,000 cubic feet

Oil and natural gas revenues decreased \$440,000 (15%) for the three months ended December 31, 1995, as compared to the same period in 1994, due primarily to a 25% decrease in natural gas prices. Additionally, the Province of Alberta changed its royalty tax credit program effective January 1, 1995, which reduced revenues and net earnings by approximately \$80,000 for the three months ended December 31, 1995, as compared to the three months ended December 31, 1994. Oil production increased 4%, while oil prices were essentially unchanged. Natural gas liquids volumes decreased 9% while natural gas liquids prices increased 3%.

The Company believes that natural gas prices for the remainder of the current year should increase from the prices received in the three months ended December 31, 1995, due to colder than normal winter weather and increased demand for natural gas.

Oil and natural gas operating expenses increased \$65,000 (8%) for the three months ended December 31, 1995, as compared to the same period in 1994, due primarily to new production from the Barrhead, Pembina and Zama areas, partially offset by decreased production from the Dunvegan area.

Contract Drilling

Contract drilling revenues and costs are associated with water well drilling and water pump installation in Hawaii. Contract drilling revenues and costs decreased \$580,000 (44%) and \$487,000 (48%), respectively, for the three months ended December 31, 1995, as compared to the same period in 1994, due to lower water well drilling and pump installation activity in the current year period. As a result of this lower activity, operating profit before depreciation decreased to \$212,000 for the three months ended December 31, 1995, as compared to \$305,000 for the same period in 1994; gross margin as a percentage of revenues was comparable.

Interest Income and Other

Interest income and other increased \$50,000 (31%) for the three months ended December 31, 1995, as compared to the same period in 1994, due to a

\$71,000 increase in natural gas processing revenues, partially offset by a \$21,000 decrease in dividend income resulting from the sale of trading securities in the prior fiscal year.

General and Administrative Expenses

General and administrative expenses decreased \$270,000 (25%) for the three months ended December 31, 1995, as compared to the same period in 1994, as costs incurred for the rezoning of Kaupulehu Developments' leasehold interest in conservation zoned property decreased from \$238,000 to \$124,000. Additionally, these rezoning costs were capitalized in the current period. A reduction in personnel costs comprised the remainder of the decrease.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization increased \$117,000 (16%) for the three months ended December 31, 1995, as compared to the same period in 1994, due to an increase in depletion, partially offset by a decrease in depreciation. Depletion increased primarily due to an 18% increase in the depletion rate. Depreciation decreased because certain water well drilling assets were fully depreciated during the prior fiscal year.

Interest Expense

Interest expense increased \$60,000 (39%) for the three months ended December 31, 1995, as compared to the same period in 1994, due primarily to \$50,000 of interest on the \$2,000,000 of convertible notes issued in June 1995. The remaining increase was due to higher average interest rates, partially offset by a lower loan balance, on the Company's credit facility with the Royal Bank of Canada.

Income Taxes

In November 1995, officials of the U.S. and Canada formally ratified a new agreement amending the Canada-U.S. Tax Treaty that reduces the Canadian Branch tax, effective January 1, 1996, from 10% to 6% and, effective January 1, 1997, to 5%. This change resulted in the recognition of a deferred income tax benefit of \$290,000 in the three months ended December 31, 1995.

PART II. OTHER INFORMATION

Item 6. Exhibits and reports on Form 8-K

None.

SIGNATURE

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.

BARNWELL INDUSTRIES, INC.

(Registrant)

/s/ Russell M. Gifford

Russell M. Gifford
Vice President and
Chief Financial Officer

Date: February 8, 1996

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from Barnwell Industries Inc.'s 1996 first quarter 10-QSB and is qualified in its entirety by reference to such 10-QSB.

</LEGEND>

<CIK> 0000010048

<NAME> BARNWELL INDUSTRIES INC.

<MULTIPLIER> 1000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	SEP-30-1996
<PERIOD-END>	DEC-31-1995
<CASH>	3113
<SECURITIES>	0
<RECEIVABLES>	2535
<ALLOWANCES>	63
<INVENTORY>	82
<CURRENT-ASSETS>	6449
<PP&E>	49712
<DEPRECIATION>	28302
<TOTAL-ASSETS>	29686
<CURRENT-LIABILITIES>	3645
<BONDS>	11100
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	821
<OTHER-SE>	9592
<TOTAL-LIABILITY-AND-EQUITY>	29686
<SALES>	3210
<TOTAL-REVENUES>	3420
<CGS>	1448
<TOTAL-COSTS>	1448
<OTHER-EXPENSES>	867
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	212
<INCOME-PRETAX>	102
<INCOME-TAX>	(198)
<INCOME-CONTINUING>	300
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	300
<EPS-PRIMARY>	.23
<EPS-DILUTED>	0

</TABLE>