

ASPEN EXPLORATION CORP  
Form 10-Q  
November 16, 2009

## FORM 10-Q

### SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

**MARK ONE**

[ X ]

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

For the quarterly period ended September 30, 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 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 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

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.

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

Accelerated filer   
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.

<b>Class</b>	<b>Outstanding at November 16, 2009</b>
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**

(A DEVELOPMENT STAGE ENTERPRISE)

**CONDENSED CONSOLIDATED BALANCE SHEETS**

	September 30, 2009 (unaudited)	June 30, 2009
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 8,601,031	\$ 10,478,774
Marketable securities	251,274	228,319
Account and trade receivables	64,164	602,270
Other current assets	384,464	289,429
<b>Total current assets</b>	<b>9,300,933</b>	<b>11,598,792</b>
<b>Property and equipment</b>		
Support equipment	96,560	96,560
	96,560	96,560
Accumulated depreciation	(30,726)	(29,933)
<b>Net property and equipment</b>	<b>65,834</b>	<b>66,627</b>
<b>Other assets:</b>		
Deferred income taxes, net	115,500	29,000
<b>Total other assets</b>	<b>115,500</b>	<b>29,000</b>
<b>Total assets</b>	<b>\$ 9,482,267</b>	<b>\$ 11,694,419</b>

(Statement Continues)

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

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**ASPEN EXPLORATION CORPORATION AND SUBSIDIARY**  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	September 30, 2009 (unaudited)	June 30, 2009
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 277,123	\$ 1,398,863
Income tax payable	-	924,985
<b>Total current liabilities</b>	<b>277,123</b>	<b>2,323,848</b>
<b>Stockholders' equity:</b>		
Common stock, \$.005 par value:		
Authorized: 50,000,000 shares		
Issued and outstanding: At September 30, 2009, and June 30, 2009, 7,259,622 shares		
	36,298	36,298
Capital in excess of par value	7,676,458	7,676,458
Accumulated other comprehensive (loss)	(505,731)	(520,186)
<b>Retained earnings:</b>		
Accumulated prior to the development stage	2,178,001	2,178,001
(Deficit) accumulated during the development stage	(179,882)	-
<b>Total stockholders' equity</b>	<b>9,205,144</b>	<b>9,370,571</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 9,482,267</b>	<b>\$ 11,694,419</b>

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

**ASPEN EXPLORATION CORPORATION AND SUBSIDIARY**  
(A DEVELOPMENT STAGE ENTERPRISE)  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	Three Months Ended September 30,	
	2009	2008
<b>Operating expenses:</b>		
Selling, general and administrative	\$ 269,257	\$ 206,540
Depreciation expense	793	5,319
	270,050	211,859
<b>Operating loss</b>	<b>(270,050)</b>	<b>(211,859)</b>
<b>Other income (expenses)</b>		
Interest and other income	315	7,060
Interest and other (expenses)	(6,550)	(17,583)
Gain on sale of marketable securities	-	12,050
	(6,235)	1,537
<b>Loss from continuing operations before income taxes</b>	<b>(276,285)</b>	<b>(210,322)</b>
<b>Income tax benefit (expense)</b>	<b>95,000</b>	<b>67,887</b>
<b>(Loss) from continuing operations</b>	<b>(181,285)</b>	<b>(142,435)</b>
<b>Discontinued operations</b>		
Income (loss) from discontinued operations (less applicable income taxes of \$0 and \$104,000)	-	257,425
Gain on disposal of oil & gas operations	1,403	-
<b>Net Income (loss)</b>	<b>\$ (179,882)</b>	<b>\$ 114,990</b>
<b>Basic net income (loss) per share</b>	<b>\$ (0.02)</b>	<b>\$ 0.02</b>
<b>Diluted net income (loss) per share</b>	<b>\$ (0.02)</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding</b>		
used to calculate basic net income (loss) per share :	7,259,622	7,259,622
<b>Effect of dilutive securities:</b>		
Equity based compensation	-	873,527
<b>Weighted average number of common shares outstanding used to calculate diluted net income (loss) per share:</b>	<b>7,259,622</b>	<b>8,133,149</b>

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



**ASPEN EXPLORATION CORPORATION AND SUBSIDIARY**  
 (A DEVELOPMENT STAGE ENTERPRISE)  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY**

	Common Stock			Retained Earnings Accumulated Prior to Development Stage	(Deficit) Accumulated During the Development Stage	Accumulated Other Comprehensive (Loss)	Total Equity
	Shares	Par Value	APIC				
Balances at July 1, 2009	7,259,622	\$ 36,298	\$ 7,676,458	\$ 2,178,001	\$ -	\$ (520,186)	\$ 9,370,193
Unrealized gain on marketable securities (net of income tax of \$8,182)	-	-	-	-	-	14,455	14,455
Net (loss)	-	-	-	-	(179,882)	-	(179,882)
Balances at September 30, 2009	7,259,622	\$ 36,298	\$ 7,676,458	\$ 2,178,001	\$ (179,882)	\$ (505,731)	\$ 9,205,306

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



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**ASPEN EXPLORATION CORPORATION AND SUBSIDIARY**  
(A DEVELOPMENT STAGE ENTERPRISE)  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(UNAUDITED)

	Three Months Ended September 30,	
	2009	2008
<b><u>Cash Flows from Operating Activities:</u></b>		
Net income (loss)	\$ (179,882)	\$ 114,990
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Accretion and depreciation, depletion, and amortization	793	532,319
Deferred income taxes	(95,000)	36,104
Realized (gain) on marketable securities	-	(12,050)
Changes in assets and liabilities:		
(Increase) decrease in current assets other than cash, cash equivalents, and short-term marketable securities	534,797	515,618
Increase (decrease) in current liabilities other than notes payable and asset retirement obligation	(2,138,451)	(918,486)
Net Cash Provided by (Used in) Operating Activities	(1,877,743)	268,495
<b><u>Cash Flows from Investing Activities:</u></b>		
Additions to oil and gas property	-	(140,323)
Sales of marketable securities	-	97,165
Net Cash Provided by (Used in) Investing Activities	-	(43,158)
<b><u>Cash Flows from Financing Activities:</u></b>		
Payment of long-term debt	-	(71,820)
Net Cash (Used in) Financing Activities	-	(71,820)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,877,743)	153,517
Cash and Cash Equivalents, beginning of period	10,478,774	1,595,150
Cash and Cash Equivalents, end of period	\$ 8,601,031	\$ 1,748,667
<b><u>Supplemental disclosures of cash flow information:</u></b>		
Interest paid	\$ 6,550	\$ 17,573
Income taxes paid	\$ 1,020,000	\$ -
<b><u>Supplemental non-cash activity</u></b>		
Increase (decrease) in asset retirement obligation	\$ -	\$ (86,355)

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



**ASPEN EXPLORATION CORPORATION**

Notes to Condensed Consolidated Financial Statements

(Unaudited)

September 30, 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.

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-K for the year ended June 30, 2009.

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, and other matters, are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company's expectations are disclosed in this Form 10-Q in conjunction with the forward-looking statements.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

Aspen Exploration Corporation (the Company or Aspen) was incorporated under the laws of the State of Delaware on February 28, 1980 for the primary purpose of acquiring, exploring and developing oil and gas properties. The Company was engaged primarily in the exploration and development of oil and gas properties in California and had a significant working interest in oil wells in the Poplar Field of northern Montana. As of September 30, 2009, the Company has discontinued all oil and gas exploration and production activities, and disposed of all significant oil and gas related assets. Effective July 1, 2009, the Company has issued financial statements in accordance with the authoritative guidance. As a result of the sale of its oil and gas properties on June 30, 2009, the Company has re-entered the development stage effective July 1, 2009 in accordance with the authoritative guidance provided by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 915. As the current period presented (three months ended September 30, 2009) is the development stage period, we did not include a separate column indicating the changes in operations or cash flows since development stage inception.

We are not engaged in any business operations at the present time. We have called a meeting of our stockholders to consider a proposal to grant the Board of Directors the discretion to dissolve Aspen. The Board of Directors is exploring potential strategic transactions with third parties. These opportunities may include a business combination, asset acquisition, or other combination. However, to date discussions with third parties have not yet resulted in any definitive or binding terms on Aspen or any third party and the Board has not considered any substantive proposal.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Nature of Business (Continued)

**Oil and Gas Exploration and Development.** Prior to July 1, 2009, the major emphasis of the Company's activities had been participation in the oil and gas segment acquiring interests in producing oil or gas properties and participating in drilling operations. The Company engaged in a broad range of activities associated with the oil and gas business in an effort to develop oil and gas reserves and to participate in oil field operations. The Company's primary area of interest was in the state of California where the Company acquired a number of interests in oil and gas properties, although we also held a non-operating working interest in approximately 37 oil wells in the East Poplar Field, Roosevelt County, Montana. The Montana properties contributed only nominally (if at all) to our positive cash flow and profitability, and during much of the latter half of calendar 2008 resulted in operating losses. Effective January 1, 2009, we sold our entire interest in these Montana oil properties.

As a result of the sale of our California properties to Venoco, Inc. ( Venoco ) effective December 1, 2008 and our Montana properties to the other participants in the Poplar Field effective January 1, 2009, we are not engaged in any drilling operations or acreage acquisition programs. We have not drilled any new wells since January 2009, including during our current fiscal year.

In the past, where possible, we attempted to be the operator of each property in which we invested. Currently, we are no longer operating any gas wells. As operator, the other working interest owners were obligated to pay us fees pursuant to the overhead reimbursement provisions of the COPAS Accounting Procedures which are included as an attachment to the operating agreements. These accounting procedures define the overhead expenses that were charged to the joint accounts and permitted us to charge some expenses (such as salaries, wages and Personal Expenses of Technical Employees directly employed on the Joint Property and drilling expenses) directly to the joint interest owners. In almost all cases, Aspen also charged a general monthly producing overhead rate per well. We have not recognized these fees received from the joint interest owners as revenues; rather they are offset against (and are a deduction from) our general and administrative expenses as reflected in our statement of operations. We are no longer operating any wells. When we sold our properties to Venoco, we sold our operations retroactively effective December 1, 2008.

A summary of the Company's significant accounting policies follows:

Consolidated Financial Statements

The consolidated financial statements include the Company and its wholly-owned subsidiary, Aspen Gold Mining Company. Significant intercompany accounts and transactions, if any, have been eliminated. The subsidiary is currently inactive.

Cash and Cash Equivalents

For purposes of the Consolidated Balance Sheets and Statements of Cash Flows, we consider all highly liquid investments with a maturity of ninety days or less when purchased to be cash equivalents.

Management's Use of Estimates

Accounting principles generally accepted in the