

BARNWELL INDUSTRIES INC

Form 10-Q

August 11, 2010

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2010

or

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
(Address of principal executive offices)

96813
(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 requirements for the past 90 days. x Yes o 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). o Yes o 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.

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). o Yes x No

As of August 10, 2010 there were 8,277,160 shares of common stock, par value \$0.50, outstanding.

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AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

	June 30, 2010	September 30, 2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,323,000	\$ 6,879,000
Restricted cash	371,000	-
Accounts receivable, net of allowance for doubtful accounts of: \$75,000 at June 30, 2010; \$47,000 at September 30, 2009	3,946,000	3,978,000
Current taxes receivable	1,822,000	653,000
Prepaid expenses	882,000	1,403,000
Deferred income taxes	170,000	272,000
Real estate held for sale	13,629,000	13,585,000
Other current assets	742,000	591,000
TOTAL CURRENT ASSETS	32,885,000	27,361,000
INVESTMENT IN RESIDENTIAL PARCELS	3,800,000	4,598,000
INVESTMENT IN JOINT VENTURES	1,875,000	1,920,000
INVESTMENT IN LAND INTERESTS	538,000	538,000
PROPERTY AND EQUIPMENT	218,132,000	212,215,000
ACCUMULATED DEPRECIATION, DEPLETION, AND AMORTIZATION	(168,925,000)	(160,528,000)
PROPERTY AND EQUIPMENT, NET	49,207,000	51,687,000
TOTAL ASSETS	\$ 88,305,000	\$ 86,104,000
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,962,000	\$ 3,277,000
Accrued capital expenditures	1,166,000	588,000
Accrued incentive plan costs	1,013,000	1,427,000
Other accrued compensation costs	577,000	546,000
Payable to joint interest owners	924,000	1,001,000
Income taxes payable	1,337,000	619,000
Current portion of long-term debt	13,500,000	14,335,000
Other current liabilities	3,466,000	2,212,000
TOTAL CURRENT LIABILITIES	23,945,000	24,005,000
LONG-TERM DEBT	13,000,000	16,665,000

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LIABILITY FOR RETIREMENT BENEFITS	4,990,000	4,848,000
ASSET RETIREMENT OBLIGATION	4,785,000	4,508,000
DEFERRED INCOME TAXES	3,641,000	2,858,000
TOTAL LIABILITIES	50,361,000	52,884,000
EQUITY:		
BARNWELL INDUSTRIES, INC. STOCKHOLDERS EQUITY:		
Common stock, par value \$0.50 per share; Authorized, 20,000,000 shares: 8,445,060 issued at June 30, 2010; 8,403,060 issued at September 30, 2009	4,223,000	4,202,000
Additional paid-in capital	1,289,000	1,227,000
Retained earnings	34,256,000	30,500,000
Accumulated other comprehensive loss, net	(827,000)	(1,349,000)
Treasury stock, at cost: 167,900 shares at June 30, 2010; 162,900 shares at September 30, 2009	(2,286,000)	(2,262,000)
TOTAL BARNWELL INDUSTRIES, INC. STOCKHOLDERS EQUITY	36,655,000	32,318,000
Non-controlling interests	1,289,000	902,000
TOTAL EQUITY	37,944,000	33,220,000
TOTAL LIABILITIES AND EQUITY	\$ 88,305,000	\$ 86,104,000

See Notes to Condensed Consolidated Financial Statements

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(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2010	2009	2010	2009
Revenues:				
Oil and natural gas	\$ 5,947,000	\$ 5,927,000	\$ 20,650,000	\$ 19,187,000
Contract drilling	1,599,000	1,420,000	4,882,000	3,643,000
Sale of interest in leasehold land, net	1,128,000	-	3,347,000	201,000
Sale of development rights, net	-	-	2,497,000	833,000
Gas processing and other	105,000	121,000	328,000	697,000
	8,779,000	7,468,000	31,704,000	24,561,000
Costs and expenses:				
Oil and natural gas operating	2,659,000	2,140,000	7,518,000	7,036,000
Contract drilling operating	1,819,000	1,070,000	4,203,000	3,187,000
General and administrative	1,591,000	2,086,000	6,001,000	6,073,000
Depreciation, depletion, and amortization	2,163,000	2,636,000	6,817,000	9,184,000
Reduction of carrying value of assets	-	4,260,000	798,000	26,348,000
Bad debt (recovery) expense	-	(129,000)	-	465,000
Interest expense, net	326,000	247,000	906,000	601,000
	8,558,000	12,310,000	26,243,000	52,894,000
Earnings (loss) before income taxes	221,000	(4,842,000)	5,461,000	(28,333,000)
Income tax (benefit) provision	(282,000)	(1,567,000)	852,000	(8,630,000)
NET EARNINGS (LOSS)	503,000	(3,275,000)	4,609,000	(19,703,000)
Less: Net earnings (loss) attributable to non-controlling interests	189,000	(40,000)	853,000	105,000
NET EARNINGS (LOSS) ATTRIBUTABLE TO BARNWELL INDUSTRIES, INC.	\$ 314,000	\$ (3,235,000)	\$ 3,756,000	\$ (19,808,000)
BASIC NET EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO BARNWELL INDUSTRIES, INC. STOCKHOLDERS	\$ 0.04	\$ (0.39)	\$ 0.45	\$ (2.40)
DILUTED NET EARNINGS (LOSS) PER COMMON SHARE ATTRIBUTABLE TO BARNWELL INDUSTRIES, INC. STOCKHOLDERS	\$ 0.04	\$ (0.39)	\$ 0.45	\$ (2.40)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				

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BASIC	8,277,160	8,240,160	8,272,732	8,240,539
DILUTED	8,277,160	8,240,160	8,272,732	8,240,539

See Notes to Condensed Consolidated Financial Statements

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BARNWELL INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended June 30,	
	2010	2009
Cash flows from operating activities:		
Net earnings (loss)	\$ 4,609,000	\$ (19,703,000)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion, and amortization	6,817,000	9,184,000
Reduction of carrying value of assets	798,000	26,348,000
Deferred income tax expense (benefit)	867,000	(8,362,000)
Retirement benefits expense	599,000	378,000
Accretion of asset retirement obligation	236,000	202,000
Bad debt expense	-	465,000
Asset retirement obligation payments	(56,000)	(128,000)
Share-based compensation benefit	(89,000)	(370,000)
Retirement plan contributions	(256,000)	(4,000)
Sale of interest in leasehold land, net	(3,347,000)	(201,000)
Sale of development rights, net	(2,497,000)	(833,000)
Additions to real estate held for sale	(44,000)	(4,338,000)
Decrease from changes in current assets and liabilities	(738,000)	(7,074,000)
Net cash provided by (used in) operating activities	6,899,000	(4,436,000)
Cash flows from investing activities:		
Proceeds from sale of development rights, net of fees paid	2,497,000	833,000
Proceeds from sale of interest in leasehold land, net of fees paid	3,347,000	201,000
Proceeds from sale of oil and natural gas properties	733,000	-
Proceeds from gas over bitumen royalty adjustments	97,000	162,000
Return of capital distribution from joint venture	45,000	-
Refund of deposits on residential parcels	-	200,000
Investment in joint ventures	-	(164,000)
Capital expenditures - oil and natural gas	(2,900,000)	(7,494,000)
Capital expenditures - all other	(1,038,000)	(19,000)
Net cash provided by (used in) investing activities	2,781,000	(6,281,000)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	-	6,093,000
Repayments of long-term debt	(4,500,000)	(603,000)
Contributions from non-controlling interests	781,000	31,000
Proceeds from exercise of stock options	59,000	-
Purchases of common stock for treasury	-	(97,000)
Payment of loan commitment fees	(104,000)	(60,000)
Distributions to non-controlling interests	(1,247,000)	(181,000)
Net cash (used in) provided by financing activities	(5,011,000)	5,183,000
Effect of exchange rate changes on cash and cash equivalents	(225,000)	(639,000)

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Net increase (decrease) in cash and cash equivalents	4,444,000	(6,173,000)
Cash and cash equivalents at beginning of period	6,879,000	13,618,000
Cash and cash equivalents at end of period	\$ 11,323,000	\$ 7,445,000

See Notes to Condensed Consolidated Financial Statements

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(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Comprehensive Loss	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Non-controlling Interests	Total Equity
Balance at March 31, 2009	8,240,160	\$ 4,202,000	\$ 1,227,000		\$ 38,289,000	\$ (3,467,000)	\$ (2,262,000)	\$ 1,046,000	\$ 40,035,000
Contributions from non-controlling interests								16,000	16,000
Comprehensive loss:									
Net loss				\$ (3,275,000)	(3,235,000)			(40,000)	(275,000)
Other comprehensive income:									
Foreign currency translation adjustments, net of \$154,000 of taxes				2,850,000		2,850,000			2,850,000
Retirement plans - amortization of accumulated other comprehensive loss into net periodic benefit cost, net of \$12,000 of taxes				23,000		23,000			23,000
Total comprehensive loss				(402,000)					
Comprehensive loss attributable to non-controlling interests				40,000					
Comprehensive loss attributable to Barnwell Industries, Inc.				\$ (362,000)					
At June 30, 2009	8,240,160	\$ 4,202,000	\$ 1,227,000		\$ 35,054,000	\$ (594,000)	\$ (2,262,000)	\$ 1,022,000	\$ 38,645,000