

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON

July 9, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: **May 31, 2002**

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: **333-91191**

INTERMOUNTAIN REFINING CO., INC.

(Name of small business issuer in its charter)

NEW MEXICO

(State or other jurisdiction of incorporation or organization)

74-2329327

(I.R.S. Employer Identification Number)

**1921 Bloomfield Boulevard
Farmington, New Mexico 87401
Telephone: (505) 326-2668**

(Address, including zip code, and telephone number, including area code, of issuer's principal executive offices)

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 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 ☒ No ☐

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

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after 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 the latest practicable date: **1,155,609 shares of common stock, no par value, were outstanding on June 30, 2002.**

Transitional Small Business Disclosure Format (Check One): Yes ☐ No ☒

Table Of Contents

	<u>Page</u>
Financial Statements of Intermountain	3
Managements Discussion and Analysis of Financial Condition and Results of Operations	3
Intermountain's Business Activities	
Liquidity and Capital Resources	3
Cash Requirements as of May 31, 2002	4
Results of Operations	4
Inflation, Deflation and Changing Prices	9
Legal Proceedings	9
Submission of Matters to a Vote of Security Holders	9
Changes in Securities	9
Index To Financial Statements	10
Exhibits and Reports on Form 8-K	15

Financial Statements of Intermountain

The financial statements of Intermountain as of May 31, 2002 and for the three month periods ended May 31, 2001 and May 31, 2002 are included beginning on page 10 of this report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition as of May 31, 2002 and results of operations for the three month periods ended May 31, 2001 and May 31, 2002, should be read in conjunction with our financial statements and notes related thereto included elsewhere in this report.

Some of the statements contained in this report relate to future expectations, contain projections of results of operations or financial condition or include other forward-looking information. When used in this report, the words "estimate", "project", "anticipate", "intend", "believe", "hope", "may" and similar expressions, as well as "will", "shall" and other indications of future tense, are intended to identify forward-looking statements. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. You are cautioned not to place undue reliance on the forward-looking statements.

Intermountain's Business Activities

Intermountain was incorporated under the laws of the state of New Mexico in January 1984 and conducts its business in the following areas:

- Production of natural gas
- Manufacture and storage of asphalt paving products
- Other business activities including providing management and consulting services to others, and leasing unused space in Intermountain's office building

Effective as of January 1, 2002, Intermountain and Paramount Petroleum entered into a revised agreement where Paramount took over all operations at Intermountain's asphalt manufacturing and storage facility in Fredonia, Arizona. Presently, Intermountain receives a fixed monthly equipment rental fee of \$3,200 plus a \$5.50 per ton fee on all products shipped by Paramount from the facility. Prior to January 1, 2002, Intermountain's revenues associated with the activity effectively consisted of the sales value of products shipped by Intermountain to Paramount's customers. Under the previous arrangement, Intermountain was responsible for all operating costs associated with the facility. Presently, Intermountain is only responsible for certain indirect costs, such as property taxes, which are not directly related to Paramount's operation and maintenance of the asphalt manufacturing and storage facility.

Liquidity and Capital Resources:

Intermountain has sustained substantial operating losses over the past several years. Such losses are the direct result of increased costs associated with two failed mergers including the cost of our Form S-1 registration, valuation losses recognized on long lived assets, and operating losses associated with the manufacture of asphalt products. These losses and increased costs have resulted in a significant decline in our cash balances and working capital available to fund ongoing operations. Management believes that cash flow from ongoing operations will be adequate to meet cash demands for the coming year. We recognize that it will be necessary to develop additional sources of cash flow to avoid further depletion of cash and working capital in the longer term.

The following table presents selected financial data regarding cash and working capital:

	February 28, 2002	% Change	May 31, 2002
Cash and cash equivalents	\$ 252,438	85%	\$ 466,060
Working capital	\$ 488,302	(1)%	\$ 485,786

During the three months ended May 31, 2002, Intermountain realized a \$14,000 increase in cash from operating activities and a \$200,000 increase in cash from non-operating sources. The increase in cash from operating activities is generally attributed to collection of accounts receivable offset by operating losses, a small decrease in accounts payable and a slight increase in prepaid insurance. There were no significant or unusual operating cash items during the period. The \$200,000 increase in cash from non-operating sources consisted mainly of the collection of \$199,000 in proceeds from the prior sale of Intermountain's Fredonia, AZ shop building.

During the three months ended May 31, 2001, Intermountain realized a \$94,000 increase in cash from operating activities. The increase in cash from operating activities resulted primarily from approximately \$210,000 received from production of natural gas and collection of receivables associated with natural gas production. This increase was offset by losses sustained in association with the asphalt products manufacturing operations along with ongoing administrative costs. Significant or unusual operating cash items included:

- \$20,000 net cash used as a result of losses sustained from refining and asphalt products manufacturing operations;
- \$35,000 cash used for professional legal and accounting services mainly related to registration and distribution costs of Intermountain's common stock.

Significant non-operating sources or uses of cash during the three months ended May 31, 2001 included:

- \$63,000 net proceeds from borrowings on the credit line payable to Red Hills;
- \$375,000 used for recommissioning of electric generation equipment.

Cash requirements as of May 31, 2002:

Estimated cash requirements for the next twelve months include:

- \$24,000 per month in normal general and administrative costs;
- \$1,000 estimated monthly costs associated with the ownership and maintenance of Intermountain's refinery and asphalt manufacturing and storage facility.

In its efforts to develop additional sources of revenues, Intermountain may incur some project development costs. We are unable to predict the level of costs that may be incurred for such additional projects during the next year.

Expected sources of cash during the next twelve months consist of cash flows from operating activities estimated as follows:

- \$20,000 per month net cash flow from estimated natural gas operations based on results of operations during the three months ended May 31, 2002 and projected production and natural gas prices during the next 12 months;
- \$1,500 per month from Farmington, NM office space rental;
- \$3,000 per month from management fees charged to Red Hills Manufacturing;
- \$800 per month interest earned on cash balances;
- \$3,200 per month from the rental of our asphalt storage and manufacturing facility to Paramount, plus an estimated \$41,000 in throughput fees based on estimated annual asphalt product shipments of 7,500 tons.

Estimates of future sources and uses of cash presented herein are based on our assumptions and expectations that our operations will continue at current levels without material interruption and that collection of accounts will occur under agreed terms. Actual results may be materially different.

Results of Operations:

The following table summarizes the results of Intermountain's operations for each of the periods indicated. All percentage amounts were calculated using the underlying data.

	<u>Three months ended</u>		
	<u>May 31,</u> <u>2001</u>	<u>% Change</u>	<u>May 31,</u> <u>2002</u>
Revenues	\$ 177,670	(32)%	\$ 121,088
Costs and Expenses	<u>197,099</u>	<u>(29)%</u>	<u>140,239</u>
Net loss before taxes	\$ (19,429)	1%	\$ (19,151)
Income taxes	<u>100</u>	<u>(100+)%</u>	<u>-</u>
Net loss	<u>\$ (19,529)</u>	<u>2%</u>	<u>\$ (19,151)</u>

Intermountain has experienced significant operating losses during the past several years primarily from substantial legal, accounting, and consulting costs incurred in conjunction with two failed mergers including Form S-1 registration, operating losses associated with asphalt product storage and manufacturing operations, and the recognition of impairments in the carrying value of refining and electrical generation equipment. Future growth in revenue sources and/or reduction of operating costs is required to further improve earnings and cash flows.

Revenues:

The decrease in revenues for the three months ended May 31, 2002 compared to the three months ended May 31, 2001, consisted of:

- \$58,000 decrease in natural gas revenues;
- \$2,000 decrease in asphalt product sales and asphalt equipment manufacturing and storage equipment rental revenues;
- \$2,000 decrease in real estate rental revenues;
- \$6,000 increase in consulting fees.

The increase in revenues for the three months ended May 31, 2001 compared to the three months ended May 31, 2000 consisted of:

- \$62,000 increase in natural gas revenues;
- \$18,000 increase in asphalt product manufacturing and refined product sales;
- All other revenues sources remained relatively unchanged.

Changes in individual components of revenues are discussed below:

Natural gas revenues:

The decrease in natural gas revenues for the three months ended May 31, 2002 as compared to the three months ended May 31, 2001 was attributed to an average \$1.13 per Mcf (38%) decrease in selling prices along with a 500 Mcf (1%) decrease in natural gas produced. The average selling price realized for the natural gas was \$1.81 per Mcf for the three month period ended May 31, 2002 compared to \$2.94 per Mcf realized during the same period of the prior year. The quantity of natural gas produced, net to Intermountain's interest, was 50,409 Mcf for the three month period ended May 31, 2002 compared to 50,883 Mcf during the same period of the prior year. The reduction in natural gas prices is generally attributed to the downturn in the nations economy experienced during the past 15 months. Due to the complexity of the economic factors affecting energy prices, we are unable to predict the direction or magnitude of future price changes. It is expected that Intermountain's production of natural gas will decline slightly over the next twelve months consistent with observed decline rates.

The increase in natural gas revenues for the three months ended May 31, 2001 as compared to the three months ended May 31, 2000 was attributed to an average \$1.35 per Mcf (85%) increase in the average natural gas price received offset by a 4,200 Mcf (8%), net to Intermountain's interest, decrease in natural gas produced. The average selling price realized for natural gas was \$2.94 per Mcf for the three month period ended May 31, 2001 compared to \$1.59 per Mcf realized during the same period of the prior year. The quantity of natural gas produced, net to Intermountain's interest, was 50,883 Mcf for the three month period ended May 31, 2001 compared to 55,120 Mcf during the same period in the prior year. The decrease in natural gas produced is attributed to observed increased pipeline operating pressures and projected production decline rates. Natural gas prices fell substantially after reaching an all time high in January 2001 but consistently ran well above prices observed during the spring months of prior years.

Real estate rental:

The decrease in real estate rental during the three month period ended May 31, 2002 compared to the same period of the prior year primarily consisted of a \$750 per month reduction in real estate rental revenue from Intermountain's Fredonia, AZ shop building which was sold in February 2002. Rental revenues from Intermountain's Farmington, NM office building is expected to increase slightly over the next several months due to increased building occupancy.

Real estate rental income was relatively unchanged during the three months ended May 31, 2001 compared to the same period in the prior year.

Asphalt storage and manufacturing:

The decrease in revenues from asphalt products manufacturing and storage for the three months ended May 31, 2002 as compared to the same period of the prior year was attributed to the January 1, 2002 change in the operating agreement with Paramount. During the three month period ended May 31, 2002, Intermountain recognized \$9,600 from equipment rental plus \$6,800 in fees for products shipped by Paramount from the Fredonia, AZ facility. During the three month period ended May 31, 2001, Intermountain recognized \$18,000 from the sale of asphalt products from the facility. It is estimated that fees recognized for products shipped by Paramount will increase during the next several months consistent with the seasonal nature of asphalt paving and repair activities.

The increase in asphalt product manufacturing revenues during the three months ended May 31, 2001 was the result of the asphalt paving products manufacturing facility not being put into operation until June 2000. The facility was under construction during the three months ended May 31, 2000. Due to the seasonality of the asphalt paving product industry, there were no sales of products from Intermountain's facility during March and April of 2001.

Consulting fee revenues:

Consulting fee revenues increased by \$6,000 for the three month period ended May 31, 2002 compared to the same period of the prior year. The increase is attributed to the \$2,000 per month increase in accounting and managements fees charged to Red Hills that became effective January 1, 2002.

Consulting fee revenues were unchanged for the three months ended May 31, 2001 compared to the same period in the prior year. Consulting fee revenues during the three months ended May 31, 2001 and the same period in the prior year consisted solely of \$1,000 per month received from Red Hills for accounting and management services provided.

Costs and Expenses:

The following table presents a summary of Intermountain's costs and expenses for the periods indicated:

	<u>Three Months Ended</u>	
	<u>May 31,</u> <u>2001</u>	<u>May 31,</u> <u>2002</u>
	<u>% Change</u>	
Cost of sales	\$ 83,565 (43)%	\$ 47,950
General and administrative costs	100,350 (21)%	79,210
Depletion, depreciation and amortization	20,520 (25)%	15,387
Interest and investment income, net	(7,336) 69%	(2,308)
Total costs and expenses	<u>\$ 197,099</u> (29)%	<u>\$ 140,239</u>

Costs and expenses decreased overall by \$57,000 during the three month period ended May 31, 2002 compared to the same period during the prior year. The decrease consisted of a \$36,000 decrease in cost of sales, a \$21,000 decrease in general and administrative costs, and a \$5,000 decrease in depreciation and depletion expense, offset by a \$5,000 decrease in net interest and investment income.

Costs and expenses increased overall by \$33,000 during the three month period ended May 31, 2001 compared to the same period during the prior year. The increase in costs and expenses consisted of a \$27,000

increase in cost of sales, and a \$19,000 increase in general and administrative costs, offset by a \$10,000 decrease in depletion and depreciation, and a \$3,000 increase in net interest and investment income.

Changes in individual components of costs and expenses are discussed below.

Cost of sales:

Cost of sales includes costs incurred in the production of natural gas, the costs of producing asphalt paving products and maintaining the refinery and electric generation facilities.

The decrease in cost of sales during the three month period ended May 31, 2002 as compared to the three month period ended May 31, 2001 consisted of a \$52,000 decrease in asphalt manufacturing and storage costs offset by a \$17,000 increase in natural gas production costs.

The increase in natural gas production costs is substantially attributed to an increase in well equipment repairs. During the three month period ended May 31, 2002, Intermountain incurred \$25,000 in well equipment repair costs compared to \$8,000 incurred during the same period of the prior year. Intermountain experienced three significant well equipment failures during the three month period ended May 31, 2002. There were no significant well equipment failures encountered during the three month period ended May 31, 2001. Well pump, production tubing and surface equipment failures occur randomly and the timing and cost of repairs cannot be accurately predicted. There were no significant changes in other natural gas production cost categories for the three month period ended May 31, 2002 compared to the same period of the prior year.

The decrease in operating costs associated with the asphalt and refinery facility during the three month period ended May 31, 2002 compared to the same period of the prior year was primarily due to the January 1, 2002 change in the operating agreement previously discussed. During the three month period ended May 31, 2002, Intermountain incurred \$4,000 in costs associated with the operation and maintenance of the asphalt and refinery facility compared to \$56,000 incurred during the same period of the prior year.

The increase in cost of sales during the three month period ended May 31, 2001 as compared to the three month period ended May 31, 2000 consisted of a \$45,000 increase in asphalt and refinery facility operating costs, offset by an \$18,000 decrease in natural gas production costs

The decrease in natural gas production costs for the three month period ended May 31, 2001 was primarily attributed to a \$16,000 decrease in well equipment repairs. Intermountain encountered several significant equipment problems during the three month period ended May 31, 2000. There were no significant well equipment problems encountered during the three months ended May 31, 2001. A decline in produced water during the three months ended May 31, 2001 as compared to the same period in the prior year resulted in a \$3,000 reduction in produced water disposal costs. There were no significant changes in other natural gas production costs categories during the three month period ended May 31, 2001 as compared to the three month period ended May 31, 2000.

The increase in operating costs associated with the asphalt and refinery facility during the three month period ended May 31, 2001 was primarily due to operating costs associated with the asphalt product manufacturing operation which was not in operation during the same period of the prior year. Intermountain incurred approximately \$53,000 in direct costs associated with the operation of the facility during the three month period ended May 31, 2002. The asphalt product manufacturing facility was placed in operation in June 2000 and Intermountain did not incur any significant operating costs during the three month period ended May 31, 2000.

During the three months ended May 31, 2001 Intermountain incurred approximately \$3,000 for ongoing costs associated with maintaining its refining equipment compared to \$10,000 incurred during the three month period ended May 31, 2000. During the prior year, Intermountain performed cleaning and maintenance on its refining equipment.

General and administrative expenses:

General and administrative expenses include the cost of Intermountain's officers and administrative employees, costs incurred to operate and maintain the Farmington office building, and all items of general overhead required to manage and administer the corporate affairs of Intermountain.

The decrease in general and administrative expenses during the three months ended May 31, 2002 compared to the three months ended May 31, 2001 was primarily due to a \$19,000 decrease in legal, accounting and printing costs that were directly related to Intermountain's Form S-1 registration and subsequent distribution of

common stock that was completed during the prior year. All other general and administrative cost categories decreased overall by \$3,000 during the three month period ended May 31, 2002 compared to the same period in the prior year.

The increase in general and administrative expenses during the three month period ended May 31, 2001 compared to the three month period ended May 31, 2000 was primarily due to an \$18,000 increase in legal, accounting, and printing fees and a \$4,000 increase in officer life insurance expense offset by a \$3,000 decrease in all other costs associated with operation of the Farmington office building and the overall administration of Intermountain's affairs.

During the three month period ended May 31, 2001, Intermountain incurred approximately \$35,000 in legal, accounting and printing fees, \$18,000 of which was primarily related to registration and distribution of Intermountain's stock. The remaining \$17,000 was related to the audit of Intermountain's February 28, 2001 financial statements and Form 10-KSB filed with the Securities and Exchange Commission. During the three month period ended May 31, 2000 Intermountain incurred approximately \$17,000 in legal, accounting and consulting costs that were primarily related to registration of Intermountain's stock and enforcement of the terms of the novation agreement.

Officer life insurance premiums are currently \$26,000 per year offset by changes in the cash surrender value of the policies. Officer life insurance expense decreased by \$3,000 during the three month period ended May 31, 2002 compared to the same period of the prior year due to an increase in the underlying investment values over the cost of insurance during the period. The increase in officer life insurance expense for the three month period ended May 31, 2001 compared to the same period in the prior year was the result of a decline in the cash value of policies associated with the application of administrative and cost of insurance charges against the cash value of the policies.

The \$3,000 decrease in all other general and administrative costs during the three months ended May 31, 2001 as compared to the three month period ended May 31, 2000 is primarily attributed to a reduction of insurance costs allocated to general and administrative activities.

Depreciation and Depletion:

The decline in depreciation and depletion expense for the three month period ended May 31, 2002 compared to the same period in the prior year was primarily attributed to a \$4,000 reduction in depreciation on Intermountain's Farmington, NM office building. The building became fully depreciated during the year ended February 28, 2002. Depreciation expenses further declined by \$1,000 during the three month period ended May 31, 2002 compared to the same period of the prior year as a result of the sale of Intermountain's Fredonia, AZ shop building in February 2002.

The decline in depreciation and depletion expenses during the three month period ended May 31, 2001 compared to the three month period ended May 31, 2000 is primarily attributed to the discontinuation of depreciation on refining equipment. As of February 28, 2001, Intermountain recognized a reserve for impairment of the entire remaining carrying value of its refining equipment.

Interest and investment income (net):

Interest and investment income includes earnings on cash balances and certificates of deposit, earnings on notes receivable, and net earnings on investments, less interest expense incurred.

The decrease in interest and investment income during the three month period ended May 31, 2002 compared to the three month period ended May 31, 2001 was attributed to a significant reduction of interest rates applied to bank deposits coupled with decreased cash balances. Interest earned on cash balances and investment income from mutual funds was \$2,000 during the three month period ended May 31, 2002 compared to \$8,000 earned during the same period the prior year. The decline in interest earned during the three month period ended May 31, 2002 was partially offset by a reduction in interest expense. Intermountain recognized \$0 in interest expense during the three month period ended May 31, 2002 compared to \$900 recognized during the three month period ended May 31, 2001.

The increase in interest and investment income during the three month period ended May 31, 2001 compared to the same period during the prior year was primarily attributed to increased average cash balances and increased rates of returns on deposited funds. Interest earned on cash balances and investment income from mutual

funds was \$8,000 during the three month period ended May 31, 2001 compared to \$4,000 earned during the same period of the prior year. Intermountain incurred interest expense of \$900 during the three month period ended May 31, 2001 associated with the line of credit established in April 2001. Intermountain did not incur any interest expense during the three month period ended May 31, 2000.

Inflation, Deflation and Changing Prices:

The results of operations and capital expenditures will continue to be affected by inflation, deflation and changing prices. Prices of natural gas could have a materially adverse effect on Intermountain's operations. Management is unable to determine the full impact of inflation, deflation and changing prices on the results of operations or working capital.

Legal Proceedings

We are not aware of any pending or threatened legal proceedings to which Intermountain is a party. We are not aware of any pending or threatened legal proceedings to which any director, officer, affiliate of Intermountain, or any owner of more than 5% of Intermountain's common stock, is an adverse party to, or has a material interest adverse to, Intermountain.

Submission of Matters to a Vote of Security Holders

There have been no matters submitted to a vote of security holders during the three months ended May 31, 2002 through the solicitation of proxies or otherwise.

Changes in Securities

Market for Intermountain Common Stock:

There is presently no market for Intermountain's common stock. It is the intent of Intermountain to seek a listing on the OTC Electronic Bulletin Board for the purpose of establishing a public trading market for its shares. There is no assurance that such listing will be obtained, however, we believe that the listing requirements for the OTC Electronic Bulletin Board can reasonably be met. If and when Intermountain's common stock begins trading, it will be listed under the symbol "IMNG".

Intermountain Refining Co., Inc.

Index to Financial Statements

	Page
Balance Sheet as of May 31, 2002	11
Statements of Operations and Comprehensive Loss for the three month periods ended May 31, 2001 and May 31, 2002	12
Statements of Cash Flows for the three month periods ended May 31, 2001 and May 31, 2002	13
Notes to financial statements	14

Intermountain Refining Co., Inc.**Balance Sheet - Unaudited****May 31, 2002****Assets****Current Assets**

Cash and cash equivalents	\$ 466,060
Certificate of deposit	20,000
Accounts receivable	32,978
Inventories	2,390
Prepaid expenses	<u>4,441</u>
Total Current Assets	525,869

Property, Plant and Equipment, net of valuation allowances

Land, buildings and improvements	384,419
Equipment	164,930
Crude oil refining equipment	581,919
Oil and gas properties, (successful efforts method)	<u>985,731</u>
	2,116,999
Less accumulated depletion and depreciation	<u>(1,703,680)</u>
	413,319

Other Assets

Electric generation equipment available for sale	515,000
Available-for-sale investments	49,694
Deferred tax receivable	6,315
Other assets	<u>69,088</u>
	<u>640,097</u>
Total Assets	<u>\$ 1,579,285</u>

Liabilities and Stockholders' Equity**Current Liabilities**

Accounts payable	\$ 37,031
Taxes other than income taxes	3,052
Income taxes payable	<u>-</u>
Total Current Liabilities	40,083

Deferred Taxes

-

Commitments and Contingencies

-

Stockholders' Equity

Common stock, no par value, authorized 10,000,000 shares, issued and outstanding 1,155,609 shares	1,455,314
Preferred stock, \$0.01 par value, authorized 5,000,000 shares, no shares issued and outstanding.	-
Retained earnings	95,615
Accumulated other comprehensive loss	<u>(11,727)</u>
	<u>1,539,202</u>
Total Liabilities and Stockholders' Equity	<u>\$ 1,579,285</u>

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

Intermountain Refining Co., Inc.
Statements of Operations and Comprehensive Loss

	<u>Three months ended</u>	
	May 31, <u>2001</u>	May 31, <u>2002</u>
	(Unaudited)	(Unaudited)
Revenues		
Natural gas production revenues	\$ 149,502	\$ 91,166
Asphalt equipment rental fees	-	16,362
Petroleum product sales	18,148	-
Real estate rental income	7,020	4,560
Consulting fees	<u>3,000</u>	<u>9,000</u>
	177,670	121,088
Costs and Expenses		
Cost of sales	83,565	47,950
General and administrative	100,350	79,210
Depletion, depreciation and amortization	20,520	15,387
Interest and investment income, net	<u>(7,336)</u>	<u>(2,308)</u>
	<u>197,099</u>	<u>140,239</u>
Loss From Operations Before Income Taxes	(19,429)	(19,151)
 Provision (benefit) for income taxes		
Current	100	-
Deferred	<u>-</u>	<u>-</u>
	<u>100</u>	<u>-</u>
Net Loss - Note A	(19,529)	(19,151)
 Other Comprehensive Loss , net of tax:		
Unrealized holding loss on investments available for sale (net of income tax benefit of \$195 for the three months ended May 31, 2001 and income tax benefit of \$431 for the three months ended May 31, 2002)	<u>(362)</u>	<u>(798)</u>
Comprehensive Loss	\$ (19,891)	\$ (19,949)
	=====	=====
Weighted Average Number of Shares Outstanding	1,155,609	1,155,609
 Basic and Fully Diluted Earnings Per Share		
Net loss per common share	\$ (0.02)	\$ (0.02)
	=====	=====

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

Intermountain Refining Co., Inc.
Statements of Cash Flows

	<u>Three months ended</u>	
	May 31, <u>2001</u> (Unaudited)	May 31, <u>2002</u> (Unaudited)
Cash Flows From Operating Activities		
Net loss	\$ (19,529)	\$ (19,151)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	20,520	15,387
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	104,341	20,962
(Increase) decrease in inventories	17,331	-
Increase in prepaid expenses	(12,042)	(1,393)
Increase (decrease) in accounts payable and accrued expenses	(16,585)	(2,176)
Increase in accrued interest payable to related parties	29	-
Increase (decrease) in income taxes accrued/receivable	-	(100)
Net Cash Flow Provided (Used) by Operating Activities	94,065	13,529
Cash Flows From Investing Activities		
Collection of account receivable from related party from sale of building	-	198,845
Purchases of available for sale mutual funds	(494)	(383)
Decrease in cash value of life insurance policies	4,706	1,631
Electric generation equipment recommission costs	(375,316)	-
Net Cash Flow Provided (Used) by Investing Activities	(371,104)	200,093
Cash Flows From Financing Activities		
Proceeds from advances on line of credit payable to related parties	130,000	-
Repayment of advances on line of credit payable to related parties	(67,057)	-
Net Cash Flow Provided by Investing Activities	62,943	-
Increase (Decrease) in Cash and Cash Equivalents	(214,096)	213,622
Cash and Cash Equivalents at Beginning of Year	<u>741,140</u>	<u>252,438</u>
Cash and Cash Equivalents at End of Period	<u>\$ 527,044</u>	<u>\$ 466,060</u>

Intermountain paid interest of \$0 during the three month period ended May 31, 2002.

Intermountain paid interest of \$912 during the three month period ended May 31, 2001.

Intermountain paid income taxes of \$100 during the three month period ended May 31, 2002.

Intermountain paid income taxes of \$100 during the three month period ended May 31, 2001.

Supplemental Schedule of Noncash Investing Activities:

During the three month period ended May 31, 2002, Intermountain's available for sale investments decreased in value by \$798, net of deferred tax credits of \$491.

During the three month period ended May 31, 2001, Intermountain's available for sale investments declined in value by \$362, net of deferred tax credits of \$195.

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

Intermountain Refining Co., Inc.

Notes to Financial Statements (Unaudited)

May 31, 2002

Note A - Interim Financial Statements (Unaudited)

The accompanying balance sheet as of May 31, 2002 and the statements of operations for the three month periods ended May 31, 2001 and May 31, 2002, and the statements of cash flows for the three month periods ended May 31, 2001 and May 31, 2002 have been prepared by Intermountain, 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 at May 31, 2002, and for all periods presented, have been made.

It is suggested that these unaudited financial statements be read in conjunction with the audited financial statements for the year ended February 28, 2002. The results of operations for the three months ended May 31, 2002 are not necessarily indicative of the operating results for the full year.

Intermountain's financial statements for the three months ended May 31, 2002 have been prepared on a going concern basis which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. Intermountain incurred a net loss of \$88,005 for the year ended February 28, 2002 and a net loss of \$19,151 for the three months ended May 31, 2002. Intermountain's losses during the past several years are the combined result of increased costs and expenses associated with two failed merger attempts, the recognition of losses due to impairment in valuation of investments and electric generation and refining assets, and losses associated with its asphalt products manufacturing operations.

The asphalt products manufacturing operation was expected to improve revenues and earnings. However, the operation has not resulted in the expected improvements primarily because of slower than anticipated asphalt emulsion product sales growth since beginning operations in June 2000. In January 2002, Intermountain and Paramount Petroleum renegotiated the asphalt products manufacturing agreement and Intermountain is no longer responsible for the operation of the facility. Under the new agreement, Paramount operates the facility and Intermountain receives fixed monthly lease payments and variable throughput fees for products shipped from the facility. Intermountain expects to recognize positive earnings and cash flow from its asphalt storage assets under the new agreement with Paramount.

Management recognizes that Intermountain must generate additional revenues and eliminate operating losses to replace its depleting resource base. Intermountain has positive working capital and positive stockholders' equity at May 31, 2002 and has no debt service requirements. Management believes that the current revenue stream would allow Intermountain to sustain its operations on an ongoing basis for at least the next fiscal year.

Intermountain is presently exploring additional means to improve revenues and cash flows. Additional opportunities may include: the disposal, by outright sale or equity contribution, of unutilized and underutilized petroleum refining and processing equipment; the acquisition of additional oil and gas operating interests, the participation in petroleum processing projects; and, participating in an industry related merger and/or acquisition. However, there can be no assurance that management will be successful in implementing any of these plans.

Exhibits and Reports on Form 8-K

Reports on Form 8-K:

There were no reports on Form 8-K filed by Intermountain during the quarter ended May 31, 2001.

Exhibits:

All of the following exhibits are incorporated herein by reference to Intermountain's registration statement filed on Form S-1 dated April, 9, 2001:

Exhibit	Description
3.1	Amended and Restated Articles of Incorporation
3.2	Bylaws
10.1	Stock Purchase Agreement
10.2	Novation Agreement
10.2.1	Amendment No. 1 to the Novation Agreement
10.3	Trust Agreement
10.4	Oneok / Kinder Morgan / KN Energy Gas Sales Agreement
10.5	Paramount Petroleum Agreement

Signatures

Pursuant to the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farmington, State of New Mexico, on July 9, 2002.

Intermountain Refining Co., Inc.

By: /s/ William N. Hagler
William N. Hagler, President

Pursuant to the requirements of the Exchange Act, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ William N. Hagler _____ Date: July 9, 2002
William N. Hagler, Chairman of the Board of
Directors, and President

/s/ Rick L. Hurt _____ Date: July 9, 2002
Rick L. Hurt, Secretary, Treasurer, Director