

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON

July 10, 2007

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, 2007

☐ **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 X No _____

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes _____ No X

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, 2007.**

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	3
Liquidity and Capital Resources	3
Cash Requirements as of May 31, 2007	3
Results of Operations	4
Inflation, Deflation and Changing Prices	7
Critical Accounting Estimates	7
Controls and Procedures	7
Legal Proceedings	7
Submission of Matters to a Vote of Security Holders	7
Index To Financial Statements	8
Exhibits and Reports on Form 8-K	13

Financial Statements of Intermountain

The financial statements of Intermountain as of May 31, 2007 and for the three month periods ended May 31, 2006 and May 31, 2007 are included beginning on page 8 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, 2007 and results of operations for the three month periods ended May 31, 2006 and May 31, 2007, 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
- Leasing, on a fee basis, of asphalt paving products manufacturing and storage facilities in Fredonia, Arizona
- Other business activities including leasing unused space in Intermountain's office building

Liquidity and Capital Resources:

While current cash balances are adequate to satisfy normal operating costs, our present forecasts indicate that future cash flows from current operations will not be sufficient to fully cover normal operating costs. It is our intent to acquire, through purchase or merger, additional interests in oil and/or natural gas producing properties to replace cash flows lost as the result of the sale of our Kansas natural gas properties. There are presently no formal plans or agreements in place and there is no assurance that we will enter into any formal agreements in the near future that would have a significant impact on Intermountain's financial condition.

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

	February 28, 2007	% Change	May 31, 2007
Cash and cash equivalents	\$ 2,391,302	(9)%	\$ 2,166,538
Working capital	\$ 2,266,766	(9)%	\$ 2,065,328

During the three months ended May 31, 2007, Intermountain realized a \$47,000 decrease in cash from operating activities and a \$178,000 decrease in cash from non-operating sources. There were no significant or unusual operating cash items during the period.

During the three months ended May 31, 2006, Intermountain realized a \$157,000 increase in cash from operating activities and a \$9,000 decrease in cash from non-operating sources. There were no significant or unusual operating cash items during the period.

Cash requirements as of May 31, 2007:

Estimated cash requirements for the next twelve months include:

- \$24,000 per month in normal general and administrative costs including costs to operate our Farmington office building
- \$800 estimated monthly costs associated with the ownership and maintenance of our asphalt products 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:

- \$5,000 per month (net of production costs) from estimated natural gas operations based on results of operations during the three months ended May 31, 2007 along with projections of production and prices during the next 12 months
- \$800 per month from Farmington office space rental
- \$6,800 per month dividend and interest earned on cash balances and investments;
- \$3,200 per month from the rental of our asphalt storage and manufacturing facility plus an average of \$8,300 per month in throughput fees based on estimated annual asphalt product shipments of 10,000 tons during the 2007 paving season.
- \$370,000 of additional compensation from the sale of our Kansas natural gas producing properties contingent on the successful return of production from one of the Kansas gas units. During the three months ended May 31, 2007, Intermountain incurred approximately \$180,000 associated with drilling a replacement well on the unit. It is anticipated that the well will be completed during the quarter ended August 31, 2007 for an additional cost of approximately \$40,000. There is no assurance that resumption of production from the gas unit will be successful.

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>		
	May 31, <u>2006</u>	<u>% Change</u>	May 31, <u>2007</u>
Revenues	\$ 223,344	(68)%	\$ 71,913
Costs and expenses	<u>167,905</u>	<u>(33)%</u>	<u>112,493</u>
Net income/(loss) before taxes	55,439	(173)%	(40,580)
Income taxes	<u>-</u>	<u>(100+)%</u>	<u>(14,329)</u>
Net income/(Loss)	<u>\$ 55,439</u>	<u>(147)%</u>	<u>\$ (26,251)</u>

Revenues:

The following table presents a summary of our revenues for the periods indicated. All percentage amounts were calculated using the underlying data.

	<u>Three months ended</u>		
	May 31, <u>2006</u>	<u>% Change</u>	May 31, <u>2007</u>
Natural gas production	\$ 201,886	(81)%	\$ 38,521
Asphalt equipment rental and throughput fees	14,365	98%	28,382
Real estate rental	6,343	(33)%	4,260
Other revenues	<u>750</u>	<u>0%</u>	<u>750</u>
Total Revenues	<u>\$ 223,344</u>	<u>(68)%</u>	<u>\$ 71,913</u>

Changes in individual components of revenues are discussed below:

Natural gas revenues:

The following table contains natural gas production volume, net to Intermountain's interest, and average

sales prices received for the periods indicated:

	<u>For the three months ended</u>		
	May 31, <u>2006</u>	% <u>Change</u>	May 31, <u>2007</u>
Natural gas produced, net (Mcf)	<u>48,150</u>	<u>(81)%</u>	<u>4,408</u>
Average selling price (\$/Mcf)	<u>\$4.19</u>	<u>109%</u>	<u>\$8.74</u>

The decrease in natural gas revenues for the three months ended May 31, 2007 compared to the three months ended May 31, 2006 consisted of a \$6,500 decrease in New Mexico natural gas revenues and a \$157,000 decrease due to the sale of Intermountain's Kansas natural gas producing properties in February, 2007. The reduction in New Mexico gas revenues consisted of a 1,441 Mcf (25%) decrease in production offset by a \$1.05/Mcf (14%) increase in average selling prices. 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 decrease in oil and natural gas revenues for the three months ended May 31, 2006 compared to the three months ended May 31, 2005 consisted of a \$4,000 decrease in natural gas revenues and a \$7,000 decrease in crude oil revenues. The decrease in natural gas revenues consisted of a 680 Mcf (1%) increase in natural gas produced offset by an average \$0.14 \$/Mcf (3%) decrease in selling prices. Intermountain sold its Nebraska crude oil producing properties in November 2005.

Leasing of asphalt products manufacturing and storage facilities:

The increase in asphalt equipment rental and throughput fees for the three months ended May 31, 2007 compared to the three month period ended May 31, 2006 was attributed to a 2,550 ton increase in asphalt shipments from the facility. While shipments from the facility have increased during the current year as compared to the prior year, we continue to forecast that total shipments from the facility will amount to approximately 10,000 tons during the calendar 2007 paving season.

The decrease in asphalt equipment rental and throughput fees for the three months ended May 31, 2006 compared to the three months ended May 31, 2005 was attributed to a 2,600 ton reduction in asphalt shipments from the facility. We had anticipated that asphalt product shipments would decline due to a reduction in the amount of paving grade asphalt made available for sale from the facility by Paramount.

Real estate rental:

The decrease in real estate rental revenues during the three months ended May 31, 2007 compared to the three months ended May 31, 2006 was attributed to a decrease in occupancy in the Farmington, NM office building. One tenant moved out during the quarter ended May 31, 2007, which resulted in a reduction in real estate rental revenues of approximately \$885/month. We intend to perform minor renovations on the vacated space before it will be made available for future rental.

The increase in real estate rental revenues during the three months ended May 31, 2006 compared to the three months ended May 31, 2005 consisted of an average \$69 per month increase due to a slight increase in occupancy in the Farmington, NM office building.

Costs, Expenses, Investment Income and Other Gains and Losses :

The following table presents a summary of Intermountain's costs, expenses, investment income and other gains and losses for the periods indicated:

	<u>Three Months Ended</u>		
	May 31, <u>2006</u>	% <u>Change</u>	May 31, <u>2007</u>
Cost of sales	\$ 72,645	(41)%	\$ 43,060
General and administrative costs	82,745	(4)%	79,572
Depletion, depreciation and amortization	11,533	(52)%	5,490
Accretion of discount on asset retirement obligations	533	(80)%	104
Bad debt expense	-	100+%	11,310
Loss on settlement of asset retirement obligations	7,112	(100)%	-
Salvage of refinery equipment	-	(100+)%	(9,500)
Interest and investment income, net	<u>(6,663)</u>	<u>(163)%</u>	<u>(17,543)</u>
Total costs and expenses	<u>\$ 167,905</u>	<u>(33)%</u>	<u>\$ 112,493</u>

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 and normal costs of maintaining the asphalt facility.

The decrease in costs of sales for the three months ended May 31, 2007 compared to the three months ended May 31, 2006 consisted entirely of a \$30,000 decrease in natural gas production costs. The decrease in natural gas production costs consisted of a \$1,000 decrease in New Mexico natural gas production costs and a \$29,000 reduction in costs associated with the Kansas natural gas producing properties, which were sold on February 28, 2007. Well pump, production tubing and surface equipment failures occur randomly and the timing and cost of repairs cannot be accurately predicted. During the three months ended May 31, 2007, Intermountain incurred approximately \$18,000 in costs associated with repair claims made by the purchaser of the Kansas properties in accordance with provisions of the sale agreement. Intermountain may incur some additional costs associated with such repair claims in the next several months. However, such additional costs are not expected to be significant.

The decrease in costs of sales for the three months ended May 31, 2006 compared to the three months ended May 31, 2005 consisted almost entirely of an \$8,000 reduction in oil and natural gas production costs. The reduction in oil and natural gas production costs consisted of a \$7,000 reduction in Kansas production costs, and the elimination of \$5,000 in crude oil production costs due to the November 2005 sale of the Nebraska properties, offset by a \$5,000 increase in New Mexico natural gas production costs. The decrease in Kansas production costs was mainly attributed to a decrease in well equipment repairs. The increase in New Mexico production costs was primarily attributed to an increase in operating materials and well equipment repairs.

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.

There was no significant change in general and administrative expenses during the three months ended May 31, 2007 compared to the three months ended May 31, 2006.

There was no significant change in general and administrative expenses during the three months ended May 31, 2006 compared to the three months ended May 31, 2005.

Depreciation and Depletion:

The decrease in depreciation and depletion expense for the three months ended May 31, 2007 compared to the three months ended May 31, 2006 was attributed primarily reductions in depletion expense, including a \$2,000 decrease in New Mexico depletion and a \$4,000 decrease in Kansas depletion. The Kansas natural gas properties were sold on February 28, 2007.

The decrease in depreciation and depletion expense for the three months ended May 31, 2006 compared to the three months ended May 31, 2005 was attributed to a slight decrease in natural gas production and the elimination of \$600 in depletion from the November, 2005 sale of the Nebraska crude oil producing properties.

Bad debt expense:

During the three months ended May 31, 2007, Intermountain wrote off, as uncollectible, \$11,000 associated with a past due account which arose from the prior salvage of portions of the equipment and metals salvaged from the Fredonia refinery facility. The subject account was not related to on-going operations.

Loss on settlement of asset retirement obligations:

During the three months ended May 31, 2006, we recognized a \$7,100 loss on the settlement of asset retirement obligations associated with the plugging and abandonment of one of our Kansas natural gas wells. At the time of plugging, the present value of the well's estimated asset retirement obligation was \$2,700. The actual plugging cost for the well was \$9,800.

Salvage of refinery equipment:

During the three months ended May 31, 2007, Intermountain sold, for cash, a piece of unused refinery equipment that was originally part of the now dismantled refinery facility. The original cost of the equipment, net of accumulated depreciation, had previously been fully impaired.

Interest and investment income (net):

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

The increase in interest and investment income during the three months ended May 31, 2007 compared to the three months ended May 31, 2006 consisted of an \$11,500 increase in interest earned on cash balances offset by a \$600 decrease in investment earnings (net of depletion on investments in oil and gas royalty trusts). Intermountain paid no interest expense during either of the three month periods.

The increase in interest and investment income during the three months ended May 31, 2006 compared to the three months ended May 31, 2005 consisted of a \$2,800 increase in interest earned on cash balances offset by a \$200 decrease in investment earnings (net of depletion on investments in oil and gas royalty trusts). Intermountain paid no interest expense during either of the three month periods.

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.

Critical Accounting Estimates:

Certain accounting estimates are important to the presentation of our financial condition and results of operations and require management's subjective or complex judgments. Such estimates are subject to change based on future conditions and events that may have a material effect on our financial condition and results of operations. There have been no significant changes in our assumptions or underlying factors that may adversely affect our previous accounting estimates.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures:

Disclosure controls and procedures are designed and implemented to ensure that all material information relating to a company is made known to its chief operating officer, chief financial officer, and such other persons who are responsible for preparing and filing periodic reports with the Securities and Exchange Commission. William N. Hagler and Rick L. Hurt, representing all of the officers and directors of Intermountain, have evaluated our disclosure controls and procedures and concluded that such controls were effective as of May 31, 2007.

Changes in Internal Controls:

There have been no significant changes in Intermountain's internal controls or in other factors that could significantly affect these controls subsequent to the date of Management's last evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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, 2007 through the solicitation of proxies or otherwise.

Intermountain Refining Co., Inc.

Index to Financial Statements

	Page
Balance Sheet as of May 31, 2007	9
Statements of Operations and Comprehensive Income (Loss) for the three month periods ended May 31, 2006 and May 31, 2007	10
Statements of Cash Flows for the three month periods ended May 31, 2006 and May 31, 2007	11
Notes to financial statements	12

Intermountain Refining Co., Inc.**Balance Sheet – Unaudited****May 31, 2007****Assets****Current Assets**

Cash and cash equivalents	\$ 2,166,538
Accounts receivable	14,417
Notes receivable	893
Accrued interest receivable	2
Income tax refund receivable	18,964
Prepaid expenses	<u>6,570</u>
Total Current Assets	2,207,384

Property, Plant and Equipment, net of valuation allowances

Land, buildings and improvements	354,409
Equipment	45,990
Asphalt equipment	581,919
Natural gas properties, (successful efforts method) - Note B	<u>620,148</u>
	1,602,466
Less accumulated depletion and depreciation	<u>(1,031,480)</u>
	570,986

Other Assets

Available-for-sale investments	128,721
Other assets	<u>275</u>
	128,996
Total Assets	<u>\$ 2,907,366</u>

Liabilities and Stockholders' Equity**Current Liabilities**

Accounts payable	\$ 139,310
Taxes other than income taxes	2,646
Income taxes payable	<u>100</u>
Total Current Liabilities	142,056

Deferred Taxes 19,716

Asset Retirement Obligations 6,874

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	1,246,791
Accumulated other comprehensive income	<u>36,615</u>
	<u>2,738,720</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,907,366</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,	May 31,
	<u>2006</u>	<u>2007</u>
	(Unaudited)	(Unaudited)
Revenues		
Natural gas production revenues	\$ 201,886	\$ 38,521
Asphalt equipment rental and throughput fees	14,365	28,382
Real estate rental income	6,343	4,260
Other income	<u>750</u>	<u>750</u>
	223,344	71,913
Costs, Expenses Investment Income and Other Gains and Losses		
Cost of sales	72,645	43,060
General and administrative	82,745	79,572
Depletion, depreciation and amortization	11,533	5,490
Accretion of discount on asset retirement obligations	533	104
Bad debt expense	-	11,310
Salvage of refinery equipment	-	(9,500)
Loss on settlement of asset retirement obligations	7,112	-
Interest and investment income, net	<u>(6,663)</u>	<u>(17,543)</u>
	<u>167,905</u>	<u>112,493</u>
Income (Loss) From Operations Before Income Taxes	55,439	(40,580)
Provision for income taxes		
Current	-	(14,329)
Deferred	<u>-</u>	<u>-</u>
	<u>-</u>	<u>(14,326)</u>
Net Income (Loss)	55,439	(26,251)
Other Comprehensive Loss, net of tax:		
Unrealized holding gain/(loss) on investments available for sale (net of income tax (expense)/benefit of \$1,372 for the three months ended May 31, 2006 and \$(1,189) for the three months ended May 31, 2007)	<u>(2,549)</u>	<u>2,209</u>
Comprehensive Income (Loss)	\$ 52,890	\$ (24,042)
	=====	=====
Weighted Average Number of Shares Outstanding	1,155,609	1,155,609
Basic and Fully Diluted Earnings Per Share		
Net income (loss)	\$ 0.05	\$ (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>2006</u>	May 31, <u>2007</u>
	(Unaudited)	(Unaudited)
Cash Flows From Operating Activities		
Net income (loss)	\$ 55,439	\$ (26,251)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	11,533	5,490
Accretion of discount on asset retirement obligations	533	104
Loss on settlement of asset retirement obligations	7,112	-
Increase in asbestos abatement obligation	-	-
Depletion on investments in royalty trusts	682	579
Changes in operating assets and liabilities:		
Decrease in accounts receivable	87,008	83,997
Decrease in accrued interest receivable	398	20
Increase in income tax refund receivable	-	(18,964)
Increase in prepaid expenses	(6,710)	(5,725)
Increase in accounts payable and accrued expenses	793	100,398
Decrease in income taxes accrued/receivable	<u>(226)</u>	<u>(186,965)</u>
Net Cash Flow Provided (Used) by Operating Activities	156,562	(47,317)
Cash Flows From Investing Activities		
Settlement of asset retirement obligations	(9,785)	-
Purchases of available for sale investments	(1,895)	(1,186)
Purchase of electric generation equipment improvements	(2,364)	-
Collection of notes receivable	5,485	3,913
Natural gas development costs - Note B	<u>-</u>	<u>(180,174)</u>
Net Cash Flow Used by Investing Activities	<u>(8,559)</u>	<u>(177,447)</u>
Increase (Decrease) in Cash and Cash Equivalents	148,003	(224,764)
Cash and Cash Equivalents at Beginning of Year	<u>851,102</u>	<u>2,391,302</u>
Cash and Cash Equivalents at End of Period	<u>\$ 999,105</u>	<u>\$ 2,166,538</u>
	=====	=====

Intermountain paid interest of \$0 during the three month period ended May 31, 2006.

Intermountain paid interest of \$0 during the three month period ended May 31, 2007.

Intermountain paid income taxes of \$226 during the three month period ended May 31, 2006.

Intermountain paid income taxes of \$191,000 during the three month period ended May 31, 2007.

Supplemental Schedule of Noncash Investing Activities:

During the three month period ended May 31, 2006, Intermountain's available for sale investments decreased in value by \$2,549, net of deferred tax credits of \$1,372.

During the three month period ended May 31, 2007, Intermountain's available for sale investments increased in value by \$3,398, net of deferred taxes of \$1,189.

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

Intermountain Refining Co., Inc.

Notes to Financial Statements

May 31, 2007 (Unaudited)

Note A - Interim Financial Statements (Unaudited)

The accompanying balance sheet as of May 31, 2007 and the statements of operations for the three month periods ended May 31, 2006 and May 31, 2007, and the statements of cash flows for the three month periods ended May 31, 2006 and May 31, 2007 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, 2007, 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, 2007. The results of operations for the three months ended May 31, 2007 are not necessarily indicative of the operating results for the full year.

Note B - Kansas Natural Gas Producing Properties

Intermountain sold all of its interests in its Kansas natural gas producing properties on February 28, 2007. As part of the sale agreement, Intermountain is entitled to receive an additional \$370,000 contingent upon restoration of production from one gas unit that, due to a significant casing failure, was not producing natural gas as of the date of sale. Intermountain attempted additional repair efforts subsequent to February 28, 2007 and ultimately decided to drill a replacement well on the unit. The replacement well has been drilled and cased, but final completion is pending availability of a completion rig. During the three month period ended May 31, 2007, Intermountain capitalized approximately \$180,000 in costs associated with its efforts to restore production from the gas unit. It is estimated that Intermountain will incur an additional \$40,000 to complete the replacement well. Management believes there is a reasonable probability that production from the unit can be restored, however, there is no assurance that the replacement well will be successful.

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, 2007.

Exhibits:

Exhibit	Description
3.1	Amended and Restated Articles of Incorporation (1)
3.2	Bylaws (1)
10.1	Paramount Petroleum Agreement (1)
14.1	Code of Ethics (2)
31.1	Certification under Rule 13a-14(a)/15d-14(a) of Rick L. Hurt, Secretary, Treasurer, Director
31.2	Certification under Rule 13a-14(a)/15d-14(a) of William N. Hagler, President, Director
99.1	Certification of Chief Executive Officer under Sec. 906 of Sarbanes-Oxley Act of 2002
99.2	Certification of Chief Financial Officer under Sec. 906 of Sarbanes-Oxley Act of 2002

(1) Incorporated herein by reference to Intermountain's registration statement filed on Form S-1 dated April 9, 2001.

(2) Incorporated herein by reference to Intermountain's Form 10-KSB for the year ended February 28, 2006, as filed with the Commission on May 17, 2006.

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 10, 2007.

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 10, 2007
William N. Hagler, Chairman of the Board of
Directors, and President

/s/ Rick L. Hurt Date: July 10, 2007
Rick L. Hurt, Secretary, Treasurer, Director