

Edgar Filing: CabelTel International Corp - Form 10-Q

CabelTel International Corp
Form 10-Q
August 14, 2007

=====

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 QUARTER ENDED JUNE 30, 2007

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 000-08187
CABELTEL INTERNATIONAL CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Nevada

75-2399477

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

1755 Wittington Place, Suite 340
Dallas, Texas

(Address of principal executive offices)

75234

(Zip Code)

(972) 407-8400
(Registrant's telephone number, including area code)

(Former name, former address and former
fiscal year, if changed since last report)

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. Yes . No .

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes . No .

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Edgar Filing: CabelTel International Corp - Form 10-Q

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

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

Indicate by check mark whether the Registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes . No .

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Common Stock, \$.01 par value (Class)	986,951 (Outstanding at August 7, 2007)
--	--

=====

CABELTEL INTERNATIONAL CORPORATION
Index to Quarterly Report on Form 10-Q
Period ended June 30, 2007

PART I: FINANCIAL INFORMATION.....	3
Item 1: Financial Statements.....	3
Consolidated Balance Sheets.....	3
Consolidated Statements of Operations.....	5
Consolidated Statements of Cash Flows.....	6
Notes To Consolidated Financial Statements.....	7
Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations.....	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk.....	13
Item 4. Controls and Procedures.....	14
PART II: OTHER INFORMATION.....	15
Item 1: Legal Proceedings.....	15

Edgar Filing: CabelTel International Corp - Form 10-Q

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	15
Item 6. Exhibits.....	16
Signatures.....	18

2

PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

CabelTel International Corporation
Consolidated Balance Sheets
(amounts in thousands)

Assets	June 30, 2007 (Unaudited)	December 31, 2006
	-----	-----
Current assets		
Cash and cash equivalents	\$ 233	\$ 324
Notes and interest receivable - related party	1,482	1,428
Other current assets	--	36
Assets held for sale	6,920	7,047
	-----	-----
Total current assets	8,635	8,835
Property and equipment, at cost		
Land and improvements	20	20
Buildings and improvements	169	169
Equipment and furnishings	313	290
	-----	-----
	502	479
Less accumulated depreciation	379	364
	-----	-----
	123	115

Edgar Filing: CabelTel International Corp - Form 10-Q

Deferred tax asset	491	491
Other assets	88	261
	-----	-----
Total Assets	\$9,337	\$9,702
	=====	=====

The accompanying notes are an integral part of these Consolidated Financial Statements.

3

CabelTel International Corporation
Consolidated Balance Sheets - Continued
(amounts in thousands, except share amounts)

Liabilities and Stockholders' equity	June 30, 2007 (Unaudited)	December 31, 2006
	-----	-----
Current liabilities		
Accounts payable - trade	\$ 191	\$ 439
Accrued expenses	175	124
Liabilities held for sale	6,920	6,642
	-----	-----
Total current liabilities	7,286	7,205
Other long-term liabilities	405	418
	-----	-----
Total liabilities	7,691	7,623
Stockholders' equity		
Preferred stock, Series B	1	1
Common stock \$.01 par value; authorized, 100,000,000 shares; 976,955 shares at June 30, 2006 and 986,943 shares at June 30, 2007 issued and outstanding	10	10
Additional paid-in capital	55,992	55,992
Accumulated deficit	(54,357)	(53,924)
	-----	-----

Edgar Filing: CabelTel International Corp - Form 10-Q

	1,646	2,079
	-----	-----
Total Liabilities and Equity	\$ 9,337	\$ 9,702
	=====	=====

The accompanying notes are an integral part of these Consolidated Financial Statements.

4

CabelTel International Corporation
Consolidated Statements of Operations
(amounts in thousands, except per share data)

	For The Three Month Period Ended		For The Six Month Period Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	-----	-----	-----	-----
(Unaudited) (Unaudited)				
Revenue				
Real estate operations	\$ 761	\$ 682	\$ 1,482	\$ 1,434
	-----	-----	-----	-----
Operating expenses				
Real estate operations	324	308	630	590
Lease expense	219	238	459	474
Corporate general and administrative	251	249	474	563
	-----	-----	-----	-----
	794	795	1,563	1,627
	-----	-----	-----	-----
Operating (loss)	(33)	(113)	(81)	(193)
Other income (expense)				
Interest income	27	5	111	322
Interest expense	--	(46)	--	(386)
Net gain on sale of assets	--	424	--	418
Other income net	--	1,512	10	1,509

Edgar Filing: CabelTel International Corp - Form 10-Q

	27	1,895	121	1,863
Earnings from continuing operations	(6)	1,782	40	1,670
Provision for income taxes	--	(330)	--	(330)
Net income (loss) from continuing operations	(6)	1,452	40	1,340
Discontinued Operations				
Gain (loss) from operations	--	65	--	(120)
Provision for asset impairment	--	--	(473)	--
Gain (loss) from discontinued operations	--	65	(473)	(120)
Net income (loss) applicable to common shares	\$ (6)	\$ 1,517	\$ (433)	\$ 1,220
Earnings (loss) per share - basic and diluted				
Continuing operations	\$ (0.01)	\$ 1.49	\$ 0.04	\$ 1.37
Discontinued operations	--	0.07	(0.48)	(0.12)
Net loss per share	\$ (0.01)	\$ 1.56	\$ (0.44)	\$ 1.25
Basic weighted average common shares	986	977	986	977

The accompanying notes are an integral part of these Consolidated Financial Statements.

5

CabelTel International Corporation
Consolidated Statements of Cash Flows
(amounts in thousands)

	For the Six Month Period Ended June 30,	
	2007	2006
	-----	-----
(Unaudited) (Unaudited)		
Cash flows from operating activities		
Net income from continuing operations	\$ 40	\$ 1,340
Adjustments to reconcile net income (loss) to net cash (provided by) used in operating activities		
Depreciation, depletion and amortization	25	64
(Gain) loss on sale of assets	--	(418)

Edgar Filing: CabelTel International Corp - Form 10-Q

(Gain) from affiliate	--	(1,500)
Changes in operating assets and liabilities		
Interest receivable	(54)	--
Other current and non-current assets	36	58
Other assets	163	(59)
Accounts payable, accrued and other liabilities	(210)	(163)
	-----	-----
Net cash used in operating activities	--	(1,352)
Cash flows provided by (used in) investing activities		
Repayment of notes receivable	--	300
Purchase of property and equipment, net	(23)	--
	-----	-----
Net cash provided by (used in) investing activities	(23)	300
Cash flows from discontinued operations		
Cash used by operating	(46)	(202)
Cash used by financing	(22)	(64)
	-----	-----
Net cash used in discontinued operations	(68)	(266)
Net decrease in cash and cash equivalents	(91)	(318)
Cash and cash equivalents at beginning of period	324	650
	-----	-----
Cash and cash equivalents at end of period	\$ 233	\$ 332

The accompanying notes are an integral part of these
Consolidated Financial Statements.

6

CabelTel International Corporation Notes To Consolidated Financial Statements

Note A: Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of CabelTel International Corporation and its majority-owned subsidiaries (collectively, "CIC" or the "Company"). All significant intercompany transactions and accounts have been eliminated. Certain 2006 balances have been reclassified to conform to the 2007 presentation.

The unaudited financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information.

Edgar Filing: CabelTel International Corp - Form 10-Q

All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2006. Operating results for the three and six month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for any subsequent quarter or for the fiscal year ending December 31, 2007.

Note B: Transfer of ownership of the Gainesville Outlet Mall

The Company has an agreement to transfer its ownership of the Gainesville outlet mall and 40 acres of vacant land to an independent third party. The mall, which the Company acquired in 2003, has incurred both cash and accounting losses for the past several years. The Company recorded an impairment loss of \$314,000 in the quarter ended March 31, 2007. Until the transfer is completed the third party will fund any cash shortfalls that the mall incurs. The assets and liabilities being transferred have been reflected as Assets and Liabilities Held for Sale.

Note C: Short-Term Note Receivable - Related Party

In 2006 the Company made an unsecured loan with a current principal balance of \$1,377,000 to Eurenergy Resources Corporation (a company that is 20% owned by an entity deemed to be related to CabelTel). The loan has an annual interest rate of 8% per annum with principal and interest payable within 30 days after demand. As of June 30, 2007, accrued interest was \$107,540.

In March 2007, the Company made a \$100,000 loan to an entity affiliated to the Company. This loan was repaid in May 2007.

7

Note D: Discontinued Operations

The operation of the Gainesville outlet mall has been reflected as a discontinued operation in 2007 and 2006. (See Note B: Transfer of Ownership...)

Effective June 30, 2006, the Company sold all of its membership interests in Gaywood Oil & Gas, LLC and Gaywood Oil & Gas II, LLC ("Gaywood") which owned oil and gas leases in Gregg and Rusk Counties, Texas and on which approximately 50 oil-producing wells were operating. These wells averaged two to three barrels of oil per day. The sale price of \$1,737,000 was received in cash on July 5, 2006. The Company recorded a gain on the sale of \$418,000. The operation of Gaywood has been reflected as a discontinued operation in 2006.

Note E: Segment Reporting

Business Operations

Currently, the Company operates one retirement community in King City, Oregon,

Edgar Filing: CabelTel International Corp - Form 10-Q

with a capacity of 114 residents.

Certain 2006 amounts have been reclassified to conform to the current presentation. The segment information and reconciliation to income (loss) from operations are as follows (amounts in thousands):

Three Months Ended June 30, 2007

	Corporate -----	Real Estate -----	CIC Consolidated -----
Revenue	\$ 70	\$ 691	\$ 761
Operating expenses			
Operations	--	324	324
Lease expense	17	202	219
Corporate general and administrative	251	--	222
	----- 268	----- 526	----- 765
Operating earnings (loss)	(198)	165	(33)
Interest Income	27	--	27
	----- (171)	----- 165	----- (6)
Net income (loss) applicable to common shares	\$ (171) =====	\$ 165 =====	\$ (6) =====
Total assets	\$ 8,164 =====	\$ 1,173 =====	\$ 9,337 =====

8

Six Months Ended June 30, 2007

	Corporate -----	Real Estate -----	CIC Consolidated -----	Discontinued Operations -----
Revenue	\$ 108	\$ 1,374	\$ 1,482	\$ 541
Operating expenses				
Operations	--	630	630	663
Lease expense	37	422	459	--
Corporate general and administrative	474	--	445	--
	----- 511	----- 1,052	----- 1,563	----- 663

Edgar Filing: CabelTel International Corp - Form 10-Q

Operating earnings (loss)	(403)	322	(81)	(122)
Interest Income	111	--	111	--
Interest (expense)	--	--	--	(78)
Gain (loss) on sale of assets	--	--	--	(311)
Other income	8	2	10	38
	-----	-----	-----	-----
Earnings (loss) from continuing operations	(284)	324	40	(473)
Net earnings (loss) applicable to common shares	\$ (284)	\$ 324	\$ 40	(473)
	=====	=====	=====	=====
Total assets	\$ 1,244	\$ 1,173	\$ 2,417	\$ 6,920
	=====	=====	=====	=====

Three Months Ended June 30, 2006

	Corporate	Real Estate	CIC Consolidated	Discontinued Operations
	-----	-----	-----	-----
Revenue	\$ 15	\$ 667	\$ 682	\$ 931
Operating expenses				
Operations	--	308	308	770
Lease expense	27	211	238	--
Corporate general and administrative	249	--	249	--
	-----	-----	-----	-----
	276	519	795	770
	-----	-----	-----	-----
Operating earnings (loss)	(261)	148	(113)	161
Interest Income	5	--	5	--
Interest (expense)	(46)	--	(46)	(115)
Gain on sale of assets	424	--	424	--
Other income	1,512	--	1,512	19
Earnings from continuing operations	1,634	148	1,782	65
Provision for income taxes	330	--	330	--
	=====	=====	=====	=====
Net earnings applicable to common shares	\$ 1,304	\$ 148	\$ 1,452	\$ 65
	=====	=====	=====	=====
Total assets	\$ 4,430	\$ 2,151	\$ 6,581	\$ 6,332
	=====	=====	=====	=====

Edgar Filing: CabelTel International Corp - Form 10-Q

Six Months Ended June 30, 2006

	Corporate -----	Real Estate -----	CIC Consolidated -----	Discontinued Operations -----
Revenue	\$ 99	\$ 1,335	\$ 1,434	\$ 1,783
Operating expenses				
Operations	41	549	590	1,697
Lease expense	52	422	474	--
Corporate general and administrative	563	--	563	--
	----- 656	----- 971	----- 1,627	----- 1,697
Operating earnings (loss)	(557)	364	(193)	86
Interest Income	322	--	322	--
Interest (expense)	(386)	--	(386)	(229)
Gain (loss) on sale of assets	418	--	418	--
Other income	1,507	2	1,509	23
Earnings (loss) from continuing operations	1,304	366	1,670	(120)
	-----	-----	-----	-----
Provision for income taxes	330	--	330	--
	=====	=====	=====	=====
Net earnings (loss) applicable to common shares	\$ 974	\$ 366	\$ 1,340	(120)
	=====	=====	=====	=====
Total assets	\$ 4,430	\$ 2,151	\$ 6,581	\$ 6,332
	=====	=====	=====	=====

Note F: Contingencies

Chesapeake Exploration Limited Partnership and Chesapeake Operating Inc ("Chesapeake")

In January 2006 the Company entered into a joint operating agreement evidencing its acquisition of a 5% interest in two gas wells being drilled and ultimately operated by Chesapeake. The Company relied on the cost projections provided by Chesapeake to make its investment decision. Subsequent to its investment the Company received an invoice from Chesapeake for \$556,217 which, according to Chesapeake, represents the Company's 5% share of additional costs incurred by Chesapeake in drilling the wells. The Company believes that these additional costs far exceed any reasonable expense that should have been incurred in drilling the two wells and were incurred without notifying the Company of such expenses. The Company has requested an accounting of the additional expenses and a reconciliation of the final costs to the cost estimates previously presented. In April 2007 Chesapeake filed a lawsuit against the Company and others in State District Court in Tarrant County, Texas.

Management intends to vigorously defend this action. However, should the Company not prevail, Eurenergy Arkansas, LLC, an entity affiliated with the Company, has

Edgar Filing: CabelTel International Corp - Form 10-Q

agreed to fully indemnify the Company for any losses it might incur in this matter.

Litigation

The Company is involved in various lawsuits arising in the ordinary course of business. Management is of the opinion that the outcome of these lawsuits will have no material impact on the Company's financial condition, results of operation or liquidity.

10

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain of the Company's accounting policies require the application of judgment in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments and estimates are based upon the Company's historical experience, current trends and information available from other sources that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies are more significant to the judgments and estimates used in the preparation of its consolidated financial statements. Revisions in such estimates are recorded in the period in which the facts that give rise to the revisions become known.

The Company's allowance for doubtful accounts receivable and notes receivable is based on an analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past due accounts. Management considers such information as the nature and age of the receivable, the payment history of the tenant, customer or other debtor and the financial condition of the tenant or other debtor. Management's estimate of the required allowance, which is reviewed on a quarterly basis, is subject to revision as these factors change.

Deferred Tax Assets

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The future recoverability of the Company's net deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of the loss carry forwards. The Company believes that it will generate future taxable income to fully utilize the net deferred tax assets.

Edgar Filing: CabelTel International Corp - Form 10-Q

Liquidity and Capital Resources

At June 30, 2007, the Company had current assets, exclusive of Assets Held for Sale, of \$1.7 million and current liabilities, exclusive of Liabilities Held for Sale, of \$366,000.

Cash and cash equivalents at June 30, 2007 were \$233,000, as compared to \$324,000 at December 31, 2006.

Net cash used by operating activities was \$-0- for the six months ended June 30, 2007. During the six month period the Company had a net income from continuing operations of \$40,000.

Net cash used in investing activities was \$23,000 for the six months ended June 30, 2007.

11

No cash flows were provided by or used in financing activities in the six months ended June 30, 2007.

Net cash used in discontinued operations was \$68,000 in 2007, which represents the net cash expenditures at the Gainesville outlet mall for the three months ended March 31, 2007.

Results of Operations

The Company reported a net loss of \$6,000 and \$433,000 for the three and six months ended June 30, 2007, as compared to net income of \$1.5 million and \$1.2 million for the three and six months ended June 30, 2006.

For the three and six months ended June 30, 2007, the Company recorded revenues of \$761,000 and \$1.5 million for its real estate operations, as compared to \$682,000 and \$1.4 million for the three and six months ended June 30, 2006. The increases in revenue represent rate increases at the Company's retirement property, which is fully occupied and anticipated to remain so during 2007.

For the three and six months ended June 30, 2007, real estate operating expenses were \$324,000 and \$630,000, as compared to \$308,000 and \$590,000 for the three and six months ended June 30, 2006. The increase in real estate operations at the retirement center of \$16,000 and \$40,000 for the and six months ended June 30, 2007 was due to an overall increase in operating expenses.

General and administrative expenses for the three and six months ended June 30, 2007 were \$251,000 and \$474,000 compared to \$249,000 and \$563,000 for the same periods in 2006. 2007 includes \$29,000 for prior year income taxes. In 2006 the Company incurred approximately \$80,000 in payroll and consulting fees not incurred in 2007. In general there was an overall reduction in administrative costs in the latter part of 2006 which has had the effect of lower administrative costs in 2007.

For the three and six months ended June 30, 2007, interest income was \$27,000 and \$111,000, as compared to \$5,000 and \$322,000 for the three and six months ended June 30, 2006. During the first quarter of 2006 the Company recorded interest income on loans for funds that were transferred to CableTEL AD for operating expenses. The balance of the interest income is from current and former notes receivable held by the Company.

There was no interest expense for the three and six months ended June 30, 2007,

Edgar Filing: CabelTel International Corp - Form 10-Q

as compared to \$46,000 and \$386,000 for the three and six months ended June 30, 2006. During the first quarter of 2006 the Company recorded interest expense on loans it made to acquire funds which were provided to CableTEL AD for operating expenses. The interest expense equaled the interest income.

Other income was \$-0- and \$10,000 for the three and six months ended June 30, 2007, compared to \$1.5 million for both the three and six month periods ended June 30, 2006. The income in 2006 was due almost entirely to the Company's rescinding its acquisition of CableTEL AD for which it received and recorded a break up fee of \$1.5 million net of expenses and the sale of Gaywood.

12

Forward Looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: A number of the matters and subject areas discussed in this filing that are not historical or current facts deal with potential future circumstances, operations and prospects. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from the Company's actual future experience involving any one or more of such matters and subject areas relating to interest rate fluctuations, ability to obtain adequate debt and equity financing, demand, pricing, competition, construction, licensing, permitting, construction delays on new developments, contractual and licensure, and other delays on the disposition, transition, or restructuring of currently or previously owned, leased or managed properties in the Company's portfolio, and the ability of the Company to continue managing its costs and cash flow while maintaining high occupancy rates and market rate charges in its retirement community. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experience and results to differ from the Company's current expectations regarding the relevant matter of subject area. These and other risks and uncertainties are detailed in the Company's reports filed with the Securities and Exchange Commission ("SEC"), including the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Inflation

The Company's principal source of revenue is from rents in a retirement community and fees for services rendered. The real estate operation is affected by rental rates that are highly dependent upon market conditions and the competitive environment in the areas where the property is located. Compensation to employees and maintenance are the principal cost elements relative to the operation of this property. Although the Company has not historically experienced any adverse effects of inflation on salaries or other operating expenses, there can be no assurance that such trends will continue or that, should inflationary pressures arise, the Company will be able to offset such costs by increasing rental rates in its real estate operation.

Environmental Matters

The Company has conducted environmental assessments on most of its existing owned or leased properties. These assessments have not revealed any environmental liability that the Company believes would have a material adverse affect on the Company's business, assets or results of operations. The Company is not aware of any such environmental liability. The Company believes that all of its properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products. The Company has not been notified by any

Edgar Filing: CabelTel International Corp - Form 10-Q

governmental authority and is not otherwise aware of any material non-compliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of its communities.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Nearly all of the Company's debt is financed at fixed rates of interest. Therefore, we have minimal risk from exposure to changes in interest rates.

13

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13(a)-15(b), the Company's management, including the principal executive officer, chief financial officer and principal accounting officer, conducted an evaluation as of the end of the period covered by this Report, of the effectiveness of the Company's disclosure controls and procedures as defined in Exchange Act Rule 13(a)-15(e). Based on that evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report. As required by Rule 13(a)-15(d), the Company's management, including the chief executive officer, chief financial officer and principal accounting officer, also conducted an evaluation of the Company's internal controls over financial reporting to determine whether any changes occurred in the first fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Based on that evaluation, there has been no such change during the first fiscal quarter.

It should be noted that any system of controls, however well designed and operated, can only provide reasonable and not absolute assurance that the objectives of the system will be met. In addition, the design of any control system is based, in part, on certain assumptions about the likelihood of future events.

14

Edgar Filing: CabelTel International Corp - Form 10-Q

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

On April 24, 2007, Chesapeake Exploration Limited Partnership and Chesapeake Operating, Inc. instituted an action in the 342nd Judicial District Court of Tarrant County, Texas against the Company and another entity alleging breach of contract and suit on account seeking the sum of \$556,217.28 with prejudgment interest, attorney's fees and cost of suit in connection with the drilling and completion of two wells in Arkansas. The action is styled Chesapeake Exploration Limited Partnership and Chesapeake Operating, Inc. v. CabelTel International Corporation, et al, Cause No. 342-223696-07, which is pending in the 342nd Judicial District Court of Tarrant County, Texas. In January 2006, CabelTel International Corporation (the "Company") entered into a Joint Operating Agreement to evidence its acquisition of a five percent interest in two gas wells then being drilled and ultimately operated by Chesapeake Exploration Limited Partnership and Chesapeake Operating, Inc.. The Company relied on cost projections provided by Chesapeake to make its investment decision and subsequent to its investment, the Company received an invoice from Chesapeake for \$556,217.28 which according to Chesapeake represents the Company's five percent share of additional cost incurred by Chesapeake in drilling the wells. The Company believes the alleged additional cost far exceed any reasonable expense that should have been incurred in the drilling of the two wells and in any event were incurred without notification to the Company of any such expenses. The Company requested an accounting of the additional expenses and a reconciliation of the final costs to cost estimates originally presented. Rather than provide the information to the Company, in April 2007, Chesapeake simply instituted the lawsuit. Management intends to vigorously defend the action, but should it not prevail, Eurenenergy Arkansas, LLC, an entity affiliated with the Company has agreed to fully indemnify the Company for any losses the Company might incur in this matter.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period of time covered by this Report, CabelTel International Corporation did not repurchase any of its equity securities under any formal repurchase plan. The following table sets forth a summary for the quarter, indicating no repurchases were made under a formal program and that, at the end of the period covered by this Report, no specified number of shares may be yet be repurchased under any program in place.

Period -----	Total Number of Shares Purchased -----	Average Price Paid per Share -----	Total Number of Shares Purchased as Part of Publicly Announced Program -----	Maximum Number of Shares that May Yet be Purchased Under the Program(a) -----
Balance as of March 31, 2007	--	\$--	--	--
April 1-30, 2007	--	--	--	--
May 1-31, 2007	10	4.45	--	--
June 1-30, 2007	--	--	--	--
	-----	-----	-----	-----

Edgar Filing: CabelTel International Corp - Form 10-Q

Total	10 =====	\$4.45 =====	-- =====	-- =====
-------	-------------	-----------------	-------------	-------------

- (a) As a courtesy to stockholders of less than 100 shares and to relieve such stockholders of having to pay a broker's commission, the Company, although not obligated to do so, has periodically repurchased its common stock at the then most recent closing price of the Company's common stock on the last trading day before the stock certificate(s) is (are) actually received by the Company from the stockholder. The number of such shares purchased in any period of time has been minimal. Ten shares were purchased during the quarter ended June 30, 2007.

15

ITEM 6. EXHIBITS

The following exhibits are filed herewith or incorporated by reference as indicated below.

Exhibit Designation	Exhibit Description
3.1	Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.2	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.5 to Registrant's Form 8-K dated April 1, 1993)
3.3	Restated Articles of Incorporation of Greenbriar Corporation (incorporated by reference to Exhibit 3.1.1 to Registrant's Form 10-K dated December 31, 1995)
3.4	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit to Registrant's PRES 14-C dated February 27, 1996)
3.5	Bylaws of Registrant (incorporated by reference to Exhibit 3.2 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.6	Amendment to Section 3.1 of Bylaws of Registrant adopted October 9, 2003 (incorporated by reference to Exhibit 3.2.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.7	Certificate of Decrease in Authorized and Issued Shares effective November 30, 2001 (incorporated by reference to Exhibit 2.1.7 to Registrant's Form 10-K dated December 31, 2002)
3.8	Certificate of Designations, Preferences and Rights of Preferred Stock dated May 7, 1993 relating to Registrant's Series B Preferred Stock (incorporated by reference to

Edgar Filing: CabelTel International Corp - Form 10-Q

Exhibit 4.1.2 to Registrant's Form S-3 Registration Statement No. 333-64840 dated June 22, 1993)

- 3.9 Certificate of Voting Powers, Designations, Preferences and Rights of Registrant's Series F Senior Convertible Preferred Stock dated December 31, 1997 (incorporated by reference to Exhibit 2.2.2 of Registrant's Form 10-KSB for the fiscal year ended December 31, 1997)
- 3.10 Certificate of Voting Powers, Designations, Preferences and Rights of Registrant's Series G Senior Non-Voting Convertible Preferred Stock dated December 31, 1997 (incorporated by reference to Exhibit 2.2.3 of Registrant's Form 10-KSB for the fiscal year ended December 31, 1997)

16

- 3.11 Certificate of Designations dated October 12, 2004 as filed with the Secretary of State of Nevada on October 13, 2004 (incorporated by reference to Exhibit 3.4 of Registrant's Current Report on Form 8-K for event occurring October 12, 2004)
- 3.12 Certificate of Amendment to Articles of Incorporation effective February 8, 2005 (incorporated by reference to Exhibit 3.5 of Registrant's Current Report on Form 8-K for event occurring February 8, 2005)
- 31.1* Certification pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended, of Principal Executive Officer and Chief Financial Officer
- 32.1* Certification of Principal Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. ss. 1350

*Filed herewith.

17

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CabelTel International Corporation

Edgar Filing: CabelTel International Corp - Form 10-Q

Date: August 14, 2007

By: /s/ Gene S. Bertcher

President and
Chief Financial Officer