VISTA EXPLORATION CORP
Form 10QSB
November 19, 2001

U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

[_] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 0-27321

Vista Exploration Corporation
(Name of small business issuer in its charter)

Colorado	84-1493152
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

11952 Farley, Shawnee Mission, KS 66213
(Address of principal executive offices, including ZIP Code)

Issuer's telephone number: (913) 814-8313

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

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 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 [X] No [ ]

Transitional Small Business Disclosure Format Yes [ ] No [X]

The issuer had 5,640,000 shares of its common stock issued and outstanding as of November 16, 2001, the latest practicable date before the filing of this report.

BAIL CORPORATION

INDEX TO QUARTERLY REPORT ON FORM 10-QSB

PART I - FINANCIAL INFORMATION

Forward-Looking Statements

This report on Form 10-QSB contains forward-looking statements that concern our business. Such statements are not guarantees of future performance and actual results or developments could differ materially from those expressed or implied in such statements as a result of certain factors, including those factors set forth in Item 2 - Plan of Operation and elsewhere in this report. All statements, other than statements of historical facts, included in this report that address activities, events or developments that we expect, believe, intend or anticipate will or may occur in the future, including the following matters, are forward looking statements:

- our ability to acquire valuable properties,
- future capital costs of acquisitions and exploration,
- the size of various markets,
- market share,
- project margins,
- business strategies, and
- expansion and growth of our operations.

These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of the following:

- historical trends,
- current conditions,
- expected future developments, and
- other factors we believe are appropriate under the circumstances.

Such statements are subject to a number of assumptions including the following:

- risks and uncertainties,
- general economic and business conditions,
- the business opportunities that may be presented to and pursued by us,
- changes in laws or regulations and other factors, many of which are beyond our control, and
- ability to obtain financing on favorable conditions.

The cautionary statements contained or referred to in this report should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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Item 1. Financial Statements

VISTA EXPLORATION CORPORATION
(A Development Stage Company)

Balance Sheet (Unaudited)

September 30, 2001

ASSETS	
Current assets:	
Cash	$ 11,654
Expense advance to Officer	12,687
Total current assets	24,341
Oil and gas properties, at cost	42,508
	$ 66,849
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accrued liabilities	$ 27,094
Total current liabilities	27,094
Shareholders' equity:	
Preferred Stock, no par value, 5,000,000 shares authorized, -0- shares issued and outstanding	--
Common stock, no par value, 20,000,000 shares authorized, 5,640,000 shares issued and outstanding	170,111
Additional paid-in capital	3,600
Deficit accumulated during the development stage	(133,956)
Total shareholders' equity	39,755

$ 66,849
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See accompanying notes to financial statements

VISTA EXPLORATION CORPORATION
(A Development Stage Company)

Statements of Operations (Unaudited)

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000
Costs and expenses:		
Legal fees	$ 22,894	$ 290
Accounting fees	550	250
Travel	8,903	--
General and administrative	5,867	21
Compensation	15,000	--
Project evaluation costs	1,299	--
Rent, related party	--	300
Organizational costs	--	--
Operating loss	(54,513)	(861)
Interest income	--	--
Loss before income taxes	(54,513)	(861)
Provision for income taxes	--	--
Net loss	$ (54,513)	$ (861)
Basic and diluted loss per common share:		
Net loss	$ (0.01)	$ *
Basic and diluted weighted average common shares outstanding	5,640,000	1,230,000

* Less than $.01 per share

See accompanying notes to financial statements

VISTA EXPLORATION CORPORATION
(A Development Stage Company)

Statements of Operations (Unaudited)

	Six Months Ended September 30, 2001	Six Months Ended September 30, 2000	April 9, 1998 (Inception) Through September 30, 2001
Costs and expenses:			
Legal fees	$ 48,268	$ 778	$ 52,163
Accounting fees	3,550	1,500	9,301
Travel	14,990	--	20,329
General and administrative	8,431	42	9,430
Compensation	15,000	--	15,000
Project evaluation costs	28,902	--	28,902
Rent, related party	--	600	3,600
Organizational costs	--	--	500
Operating loss	(119,141)	(2,920)	(139,225)
Interest income	--	8	114
Loss before income taxes and extraordinary item	(119,141)	(2,912)	(139,111)
Provision for income taxes	--	--	--
Loss before extraordinary item	(119,141)	(2,912)	(139,111)
Extraordinary gain on extinguishment of debt, net of income taxes of $-0-	--	--	5,155
Net loss	$ (119,141)	$ (2,912)	$ (133,956)
Basic and diluted loss per common share:			
Before extraordinary item	$ (0.03)	$ *	
Gain on extinguishment of debt	$ --	$ *	
Net loss	$ (0.03)	$ *	
Basic and diluted weighted average common shares outstanding	4,749,071	1,230,000	

* Less than $.01 per share

See accompanying notes to financial statements

VISTA EXPLORATION CORPORATION
(A Development Stage Company)

Statements of Cash Flows (Unaudited)

	Six Months Ended September 30, 2001	Six Months Ended September 30, 2000	April 9, 1998 (Inception) Through June 30, 2001
Cash flows from operating activities:			
Net loss	$(119,141)	$ (2,912)	$(133,956)
Transactions not requiring cash:			
Common stock issued for services	--	--	500
Contributed rent	--	600	3,600
Changes in operating assets and liabilities:			
Receivables and advances	(12,687)	(8)	(12,688)
Accounts payable and accrued liabilities	18,978	1,633	27,095
Net cash used in operating activities	(112,850)	(687)	(115,449)
Cash flows from investing activities:			
Investment in oil and gas properties	(42,508)	--	(42,508)
Net cash used in investing activities	(42,508)	--	(42,508)
Cash flows from financing activities:			
Advances from officer	(10,500)	--	--
Sale of common stock	198,000	--	200,300
Offering costs incurred	(20,561)	--	(30,689)
Net cash provided by financing activities	166,939	--	169,611
Net change in cash	11,581	(687)	11,654
Cash, beginning of period	73	813	--
Cash, end of period	$ 11,654	$ 126	$ 11,654
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest	$ --	$ --	$ --
Income taxes	$ --	$ --	$ --
Non-cash financing activities:			
Extraordinary gain on the extinguishment of debt	$ --	$ --	$

See accompanying notes to financial statements

VISTA EXPLORATION CORPORATION
A Development Stage Company

NOTES TO CONDENSED FINANCIAL STATEMENTS
(Unaudited)

September 30, 2001

Note A: Basis of Presentation

The financial statements presented herein have been prepared by the Company in accordance with the accounting policies in its audited financial statements for the period ended March 31, 2001 as filed in its Form 10K-SB filed July 13, 2001 and should be read in conjunction with the notes thereto. The Company entered the development stage in accordance with Statement of Financial Accounting Standard ("SFAS") No. 7 on April 9, 1998 and its purpose was to evaluate, structure and complete a merger with, or acquisition of, a privately owned corporation. On or about March 3, 2001, a transfer of ownership of common stock was completed in order to change from an inactive company to a company active in the oil and gas business.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to provide a fair presentation of operating results for the interim period presented have been made. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the year.

Interim financial data presented herein are unaudited. The unaudited interim financial information presented herein has been prepared by the Company in accordance with the policies in its audited financial statements for the period ended March 31, 2001 and should be read in conjunction with the notes thereto.

On April 18, 2001, the Company changed its year-end from April 30 to March 31. The accompanying statements of operations and cash flows reflect the three-month and six-month periods ended September 30, 2001. The comparative figures for the three month and six month periods ended September 30, 2000 have been included in the accompanying statements of operations and cash flows for comparison on an unaudited basis.

Note B: Summary of Significant Accounting Policies

Oil and Gas Properties: The Company follows the full cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs, are capitalized. No internal overhead costs have been capitalized to date.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves, are amortized on the unit-of-production method using estimates of proved reserves. Investments in unproved properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

The capitalized costs are subject to a "ceiling test," which limits capitalized costs to the aggregate of the "estimated present value," discounted at a 10-percent interest rate, of future net revenues from proved reserves (based on current economic and operating conditions), plus the lower of cost or fair market value of unproved properties.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in income.

Abandonments of properties are accounted for as adjustments of capitalized costs with no loss recognized.

Note C: Related Party Transactions

On April 11, 1998, the Company issued an affiliate 1,000,000 shares of common stock in exchange for services related to management and organization costs of $500. The affiliate provided administrative and marketing services as needed. The affiliate, from time to time, advanced to the Company additional funds that the Company needed for operating capital and for costs in connection with searching for or completing an acquisition or merger.

On behalf of the Company, the affiliate sold 230,000 shares of the Company's common stock in a private placement for $2,300. The private placement, which closed in July 1998, also included the offering of common shares in nineteen other corporations. The costs related to the offering and certain legal fees and general and administrative fees were allocated to each of the twenty companies participating in the offering. The Company's pro rata one twentieth share of the costs and expenses were deducted from the gross proceeds from the sale of the Company's common shares. The gross proceeds of $2,300 were transferred to the Company net of offering costs of $127 and certain general and administrative costs incurred by the affiliate of $89.

On February 28, 2001, an officer advanced the Company $10,500 for working capital. The advance carried no interest rate and was payable on demand. The Company repaid the advance in April 2001.

The officer also paid travel and administrative expenses totaling $6,115 on behalf of the Company prior to March 31, 2001 and $18,403 during the six months ended September 30, 2001. He received reimbursements and advances from the Company totaling $37,102 during the six months ended September 30, 2001. The net advance of $12,687 is included in the accompanying financial statements as expense advance to officer at September 30, 2001.

Note D: Income Taxes

The Company records its income taxes in accordance with Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". The Company incurred net operating losses during the periods shown on the condensed financial statements resulting in a deferred tax asset, which was fully allowed for, therefore the net benefit and expense result in $0 income taxes.

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Item 2. Plan of Operation.

We intend to acquire and develop coal bed methane gas producing properties in the United States. This may be accomplished by way of leasing oil and gas interests and drilling the leased property to prove reserves or by acquiring working interests in production or reserves.

In June 2001 we retained a geological consultant to identify areas in southeast Kansas suitable for coal bed methane exploration and development. We are interested in properties lying in the Cherokee Basin which contain Pennsylvanian age coal beds. These coal beds are believed to be contiguous from the northern part of the basin that runs from the Bourbon Arch in the north to the state border with Oklahoma to the south.

Historically, coal bed methane gas wells have been completed in the Cherokee Basin south of Miami and Johnson Counties in Kansas and south of Jackson County in Missouri into coal seams or black shale averaging four feet in thickness. Water production from these wells generally has been less than 50 barrels per day initially, eventually dropping to below 10 barrels per day. Other wells drilled in the Cherokee Basin within the last 15 years have reported similar reservoir thickness and production in Labette, Wilson, Neosho and Cherokee Counties, Kansas.

In July 2001 we opened an office in Burlington, Kansas for $350.00 per month and started leasing land in the south half of Coffey County, Kansas and the southeast portion of Lyon County, Kansas (the "Shiloh Project") which is in the Cherokee Basin. As of November 1, 2001, we had executed 123 separate leases totaling 14,990 acres, of which approximately 13,676 acres are in Coffey County and approximately 1,314 acres are in Lyon County, which adjoins Coffey County.

We intend to continue to lease available land within the Shiloh Project to the extent that we believe such land will further our exploration and development activities. Because we believe that we can continue to successfully lease land without having our office in Burlington, Kansas, we closed that office in November 2001.

We believe that we have leased enough land to move forward with drilling activities. Our initial intent is to drill and, if commercial quantities of gas is produced, to complete the drilled wells. If this phase is successful, we may determine to perform core drilling activities to prove up reserves. If we take this action and we are able to prove up reserves that merit additional drilling activity, our management may determine to either raise additional funds to expand drilling or partner or farm out certain parcels to rapidly develop our leases.

We anticipate that each well in the Shiloh Project will cost approximately $25,000 to drill and test and an additional $15,000 to complete. We intend to hire third parties to perform our drilling activities. We will need to raise additional funds to commence drilling operations.

To date we have not commenced any drilling or other exploration activities on the properties that we have leased and thus we do not have any estimates of oil and gas reserves on such properties. Consequently we have not reported our reserve estimates to any state or federal authority.

All of the oil and gas property that we have leased to date is considered "undeveloped acreage" which the Securities and Exchange Commission defines as "lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves." We own a working interest in 14,990 gross undeveloped acres (100% of each leased acre) and 12,666.55 net undeveloped acres (84.5% of each leased acre) in southern Kansas. A "working interest" is the operating interest that gives us, as the operator, the right to drill, produce and conduct operating activities on the property and a share of production. A "net acre" (or net well) is deemed to exist when the sum of the fractional working interest owned in gross acres or gross wells equals one. The number of net acres or net wells is then expressed as a whole number and fractions thereof. A "gross acre" (or gross well) is the total acres or wells, as the case may be, in which a working interest is owned.

All of our oil and gas properties are held in the form of mineral leases which grant us the exclusive right to explore for and develop oil, gas and other hydrocarbons and minerals that may be produced from wells drilled on the leased property. Regardless of whether or not we are producing oil and gas from a leased property or acres pooled therewith, on the five-year anniversary of each lease we will be required to pay the lessor a royalty to extend the term of the mineral lease.

There are several existing gas pipelines in southern Kansas and at least one pipeline crosses acres that we have leased. We currently are exploring a hook-up to the low-pressure pipeline that supplies gas to Burlington, Kansas. We believe that the owner of this pipeline may be interested in purchasing any gas that we may produce from our operations in the Shiloh Project. Given the close proximity of various pipelines to the Shiloh Project, we do not anticipate any difficulties or any significant costs in transporting our products to existing pipelines.

The prices obtained for oil and gas are dependent on numerous factors beyond our control, including domestic and foreign production rates of oil and gas, market demand and the effect of governmental regulations and incentives. We do not have any delivery commitments with respect to any oil or gas produced from any properties that we acquire. However, due to the demand for natural gas, we do not anticipate any difficulties in selling any oil and gas that we produce, once it has been delivered to a distribution facility. Assuming we discover and prove reserves on any properties that we lease, we may decide to sell some or all of these fields if we receive an appropriate offer for them.

In addition to our activities in Kansas, in June 2001 we acquired an option for a lease on 4,560 acres in Blaine County, Montana from Geominerals Corp. for $1,400. Geominerals Corp. is controlled by George Andrews, our former president and director.

Liquidity and Capital Reserves

During the three months ended September 30, 2001, we spent approximately $97,000 pursuing oil and gas leases in the Shiloh Project, including $15,000 in compensation paid to our president and approximately $23,000 in legal and accounting fees. During the six months ended September 30, 2001, we spent approximately $162,000 on similar activities. At September 30, 2001, we had cash of $11,654, a decrease of $108,500 from June 30, 2001, and current liabilities of $27,094. We will need to raise additional funds to continue leasing land and to commence drilling operations.

As a result of our changed plan of operation, we have not yet developed a formal budget for the balance of the fiscal year. Our budget is almost entirely discretionary and therefore our inability to finance operations will slow our progress but should not cause us to cease operations. However, if we were unable to meet a required payment for land leased for our oil and gas operations or lack the resources necessary to move forward with our drilling activities, we could suffer a substantial loss of a business opportunity.

Employees

We currently have no full time employees except our president who is devoting his full-time to our activities. In July 2001 we retained two independent leasing consultants to help us lease land for our oil and gas operations.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Changes in Securities and Use of Proceeds.

At our annual shareholders meeting on August 10, 2001, our shareholders voted to amend our Articles of Incorporation to provide for a staggered Board of Directors. Under our Articles of Incorporation, as amended, our Board of Directors is evenly divided into three classes, Class A, Class B and Class C. The initial Class A director is elected for 3 years, the initial Class B director for 2 years, and the initial Class C director for 1 year. Upon the expiration of the initial staggered terms, directors will be elected for terms of three years, to succeed those whose terms have expired.

The overall effect of the staggered Board will be to render more difficult the accomplishment of certain acquisitions of control by hostile third parties. At the same time, having a staggered Board will make it more difficult to remove current management and the Board and may have other anti-takeover effects, both favorable and unfavorable, to our shareholders.

Our shareholders also approved, at the annual shareholders meeting, an amendment to our Articles of Incorporation changing our name from "Bail Corporation" to "Vista Exploration Corporation." Concurrently with the amendments to our Articles of Incorporation, our Board of Directors adopted amended and restated Bylaws which (i) provide for a staggered Board, (ii) set the annual meeting of our shareholders at 10:00 a.m. on the third Friday in the month of July in each year, (iii) provide for a shareholder quorum consisting of a majority of the outstanding shares (to be consistent with the quorum stated in our Articles of Incorporation), and (iv) reflect our new name.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

On August 10, 2001, we held our annual shareholders meeting at which our shareholders voted to elect Charles A. Ross, Sr. (our sole director) to serve a three-year term on our Board of Directors (as the Class A director), to adopt an amendment to our Articles of Incorporation changing our name to "Vista Exploration Corporation," and to adopt an amendment to our Articles of Incorporation providing for staggered terms for our Board of Directors. Of the 5,640,000 shares of our common stock outstanding and entitled to vote at the annual meeting, the holders of 3,140,000 shares (56%) were present in person or represented by proxy at the meeting. All of our shareholders hold their shares in their own name. Votes were cast as follows:

Item	Votes For	Votes Against	Votes Abstained
Election of Charles A. Ross, Sr. to Board of Director	3,140,000	0	0
Amendment to Articles of Incorporation Changing Corporate Name	3,130,000	0	10,000
Amendment to Articles of Incorporation Providing for a Staggered Board of Directors	3,125,000	0	15,000

Currently there are two vacancies on our Board of Directors.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) The following exhibits are furnished as part of this report:

None.

(b) Reports on Form 8-K.

We filed a current report on Form 8-K on August 16, 2001, to report under Item 5 the change of our name from "Bail Corporation" to "Vista Exploration Corporation" and the adoption of amendments to our articles of incorporation and bylaws.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VISTA EXPLORATION CORPORATION

Date: November 15, 2001

By: /s/ Charles A. Ross

Charles A. Ross, Sr.,
President and Chief Accounting Officer