

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

ASPEN EXPLORATION CORP
Form 10KSB
September 26, 2003

=====

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

FORM 10-KSB

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the fiscal year ended June 30, 2003

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

For the transition period from _____ to _____

Commission file number: 001-12531

ASPEN EXPLORATION CORPORATION

(Name of small business issuer in its charter)

Delaware

84-0811316

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

2050 S. Oneida St., Suite 208
Denver, Colorado

80224-2426

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number: (303) 639-9860

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.005 par value

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. Yes X No

Aspen's revenues for the fiscal year ended June 30, 2003 were \$1,323,673.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

At September 22, 2003, the aggregate market value of the shares held by non-affiliates was approximately \$2,269,314. The aggregate market value was calculated by multiplying the mean of the closing bid and asked prices (\$0.60) of the common stock of Aspen on the Over-the-Counter Bulletin Board listing for that date, by the number of shares of stock held by non-affiliates of Aspen (3,782,190).

At September 22, 2003, there were 5,863,828 shares of common stock (Aspen's only class of voting stock) outstanding.

Transitional Small Business Disclosure Format (check one): Yes No X

=====

PART I

ITEM 1. BUSINESS

Because we want to provide you with more meaningful and useful information, this Annual Report on Form 10-KSB contains certain "forward-looking statements" (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). These statements reflect our current expectations regarding our possible future results of operations, performance, and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Wherever possible, we have tried to identify these forward-looking statements by using words such as "anticipate," "believe," "estimate," "expect," "plan," "intend," and similar expressions. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties and contingencies include, without limitation, the factors set forth under "Item 6. Management's Discussion and Analysis of Financial Conditions or Plan of Operation - Factors that may affect future operating results." We have no obligation to update or revise any such forward-looking statements that may be made to reflect events or circumstances after the date of this Form 10-KSB.

Summary of Our Business

Aspen was incorporated under the laws of the State of Delaware on February 28, 1980 for the primary purpose of acquiring, exploring and developing oil and gas and other mineral properties. Our principal executive offices are located at 2050 S. Oneida St., Suite 208, Denver, Colorado 80224-2426. Our telephone number is (303) 639-9860, and our facsimile number is 303-639-9863. Our websites are WWW.ASPENEXPLORATION.COM and WWW.ASPNX.COM and our email address is AECORP2@QWEST.NET. We are currently engaged primarily in the exploration and development of oil and gas properties in California. We also had a 25% interest in Aspen Power Systems, LLC, a company we incorporated to investigate, finance, and construct electrical power generation projects. Effective December 31, 2002, Aspen Power Systems, LLC wound up its affairs and ceased operations. We have also acquired some acreage in Colorado for a possible coalbed methane project.

Oil and Gas Exploration and Development. Our major emphasis has been

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

participation in the oil and gas segment, acquiring interests in producing oil or gas properties and participating in drilling operations. We engage in a broad range of activities associated with the oil and gas business in an effort to develop oil and gas reserves. With the assistance of our management, independent contractors retained from time to time by Aspen, and, to a lesser extent, unsolicited submissions, we have identified and will continue to identify prospects that we believe are suitable for drilling and acquisition.

Currently, our primary area of interest is in the state of California. We have acquired a number of interests in oil and gas properties in California, as described below in more detail. In addition, we also act as operator for most of our producing wells and receive management fees for these services.

Aspen has information on hand which indicates coal deposits exist under the approximate 2,074 acres of leases which Aspen has obtained in Arapahoe and Elbert Counties, Colorado. We do not know if it is possible or economically feasible to produce any coalbed methane which may exist on these leases. The leases are paid-up oil and gas leases (which include coalbed methane) with a three year term and are renewable for an additional two years. We do not intend to proceed with exploration and development of these properties on our own, rather, we intend to farm out the project to another party. To date, we have had no interest in a farmout of this project by industry partners, and we intend to let these leases expire on their own terms at the end of their primary term.

Power Generation. In 1999, we formed a subsidiary named Aspen Power Systems, LLC ("APS"), a Colorado limited liability company to provide an opportunity for Aspen to participate in the growing demand for electrical power generated by turbines. Our objectives for APS were to seek opportunities or situations where our analysis indicated that a gas turbine generation plant could be constructed and operate profitably. Any plant construction would require a significant amount of capital for property acquisition, permitting, engineering and design, and construction. Neither Aspen nor the other owners of APS were able to provide this required capital. Consequently, any such activities would have required the availability of funds from third parties, and we were unable to obtain these funds. Aspen owned a 25% interest in APS.

2

Although APS attempted to undertake projects with other power producers (and received reimbursement of \$246,000 in fees and expenses relating to our Solano, California, project from a third party), APS was unable to initiate any economic projects. On December 31, 2002 APS ceased operations and filed its final tax returns. See Item 12 for more information regarding APS.

Company Strategy:

At the present time, we cannot finance our oil and gas acquisitions and drilling activities solely through our own resources. Consequently, we identify prospects or production to acquire and drill prospects, and seek other industry investors who are willing to participate in these activities with us. We frequently retain a promotional interest in these prospects, but generally we have to finance a portion (and sometimes a significant portion) of the acquisition and drilling costs. We have in the past acquired interests in producing properties by issuing shares of our common stock, but because of the current low price of our stock, it has become more difficult and expensive to do so.

Where we acquire an interest in acreage on which exploration or development drilling is planned, we will seldom assume the entire risk of acquisition or

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

drilling. Rather, we prefer to assess the relative potential and risks of each prospect and determine the degree to which we will participate in the exploration or development drilling. Generally, we have determined that it is more beneficial to invite industry participants to share the risk and the reward of the prospect by financing some or all of the costs of drilling contemplated wells. In such cases, we may retain a carried working interest, a reversionary interest, or may be required to finance all or a portion of our proportional interest in the prospect. Although this approach reduces our potential return should the drilling operations prove successful, it also reduces our risk and financial commitment to a particular prospect.

Conversely, we may from time to time participate in drilling prospects offered by other persons if we believe that the potential benefit from the drilling operations outweighs the risk and the cost of the proposed operations. This approach allows us to diversify into a larger number of prospects at a lower cost per prospect, but these operations (commonly known as "farm-ins") are generally more expensive than operations where we offer the participation to others (known as "farm-outs"). As of this writing, we have participated in the drilling of two farm-in wells.

Principal Products Produced and Services Rendered. Our principal products during fiscal 2003 were crude oil and natural gas. Crude oil and natural gas are generally sold to various entities, including pipeline companies, which usually service the area in which our producing wells are located. In the fiscal year ended June 30, 2003, crude oil and natural gas sales and revenues from operating oil and gas properties accounted for \$1,313,821, or 99% of our total revenues; while \$9,852, or 1%, was from interest and other income.

Distribution Methods of the Products or Services. We are not involved in the distribution aspect of the oil and gas industry.

Status of any Publicly Announced New Products or Services. We do not have a new product or service that would require the investment of a material amount of our assets or which we believe is material to our business. Therefore, we have not made a public announcement of nor have we made information otherwise public about any such product or service.

Competitive Business Conditions: The exploration for, and development, production and acquisition of, oil, gas, precious metals and other minerals are subject to intense competition, as is the production and sale of electrical power. The principal methods of compensation for the acquisition of oil and gas and other mineral properties are the payment of:

- (i) cash bonuses at the time of the acquisition of leases;
- (ii) delay rentals and the amount of annual rental payments;
- (iii) advance royalties and the use of differential royalty rates; and
- (iv) the stipulations requiring exploration and production commitments by the lessee.

Some of our current competitors, and many of our potential competitors in the oil and gas industry have vast experience, are larger and have significantly greater financial resources, existing staff and labor forces, equipment, and other resources than we do. Consequently, these competitors may be in a better position to compete for oil and gas projects.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

In addition, the availability of a ready market for oil and gas will depend upon numerous factors beyond our control, including the extent of domestic production and imports of oil and gas, proximity and capacity of pipelines, and the effect of federal and state regulation of oil and gas sales, as well as environmental restrictions on exploration and usage of oil and gas. Further, we expect that competition for leasing of oil and gas prospects will become even more intense in the future. We have a minimal competitive position in the oil and gas industry.

Sources and Availability of Raw Materials: To conduct business, we depend on such items as drilling rigs and other equipment, casing pipe, drilling mud and other supplies, core drilling equipment, and other equipment necessary for our operations. Such items have been commonly available from a number of sources. Although we foresee no short supply or difficulty in acquiring any equipment relevant to the conduct of business, we cannot offer any assurances that these items will be available or that we will be able to acquire the items on economically feasible terms.

Dependence Upon One or a Few Major Customers: We generally sell our oil and gas production to a limited number of companies. In fiscal 2003 we obtained more than 10% of our revenues from sales to Calpine Corporation and Enserco Energy, Inc.; in 2002 more than 10% of our revenues derived from ConocoPhillips, Calpine Corporation and Slawson Corporation. We do not believe the loss of these customers would adversely impact our revenues because we believe that oil and gas sales are primarily market driven and are not dependent on particular purchasers. Consequently, we believe that substitute purchasers would be available based on the widespread uses of and the need for oil and gas.

Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements or Labor Contracts (Including Duration). We do not own any patents, licenses, franchises, or concessions except oil, gas and other mineral interests granted by governmental authorities and private landowners. We received a trademark registration (serial no. 74-396,919 registered on March 1, 1994) for our corporate logo. The registration is for a term of ten years. To maintain the registration for its entire term we filed an affidavit of commercial use on February 21, 2000.

Need for Governmental Approval of Principal Products or Services. We do not need to seek government approval of our principal products.

Effect of Existing or Probable Governmental Regulation. Oil and gas exploration and production are open to significant governmental regulation including worker health and safety laws, employment regulations and environmental regulations. Operations that occur on public lands may be subject to further regulation by the Bureau of Land Management, the U.S. Army Corps of Engineers, or the U.S. Forest Service as well as other federal and state agencies.

Estimate of Amounts Spent on Research and Development Activities. We have not engaged in any material research and development activities since our inception.

Costs and Effects of Compliance with Environmental Laws (federal, state and local). Because we are engaged in extracting natural resources, our business is subject to various federal, state and local provisions regarding environmental and ecological matters. Therefore, compliance with environmental laws may necessitate significant capital outlays, affect our earnings potential, and cause material changes in our current and proposed business activities.

At the present time, however, the environmental laws do not materially

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

hinder nor adversely affect our business. Capital expenditures relating to environmental control facilities have not been material to our operations since our inception.

Employees.

At June 30, 2003, we employed two full-time persons. We also employ independent contractors and other consultants, as needed.

4

ITEM 2. PROPERTIES

General Information:

We have a significant amount of information regarding the proven developed and undeveloped oil and gas reserves which can be found in below in this Item 2 as well as in the notes to our financial statements.

Drilling and Acquisition Activity:

During the fiscal year ended June 30, 2003 we participated in the drilling of 8 gross (1.45 net) wells, of which 7 gross (1.22 net) were completed as gas wells and 1 was a dry hole. Of the 8 wells drilled, 3 operated wells (1 dry hole and 2 gas wells) were drilled in the Sour Grass Prospect, 1 operated gas well was drilled in the Millar Field, 2 operated gas wells were drilled in the Kirk Buckeye Field, 1 non-operated gas well was drilled in the South Dixon Field and 1 non-operated gas well was drilled in the West Grimes Field.

In addition to the drilling activity, 9 operated gas wells were acquired in the West Grimes Field in Colusa County, California and 1 shut-in gas well was acquired in Sutter County, California.

West Grimes Field, Colusa County, California

Aspen acquired nine shut-in gas wells located in the West Grimes Field, Colusa County, California, approximately 100 miles northeast of Sacramento. All of these shut-in gas wells were tested; nine of them have proven productive and one tested gas at sub-commercial rates and was plugged and abandoned. The nine productive wells have been equipped and hooked up via 5 miles of newly constructed pipeline facilities. Gas sales from these wells commenced in late March and are currently 800 MCFPD. Several of these wells have additional gas potential in behind-pipe zones, which have not yet been perforated. Aspen has also acquired in excess of 5,000 acres in this area which includes highly prospective lands for additional exploratory and development drilling. Prior to selection of the drill sites, an extensive 3-D seismic program will be acquired in October-November 2003 to better define drilling targets. Quality targets will be identified and prepared for the 2004 drilling season. Aspen has a 21.0% operated working interest in this prospect

Millar Field, Yolo County, California

The Pope Bypass #1-5 well located in Yolo County, California, approximately 50 miles southwest of Sacramento, was drilled to a depth of 7,800 feet and encountered approximately 70 feet of potential net gas pay in several intervals of the Winters formation. The Winters sands in this area are extremely porous

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

and permeable, and exhibit excellent electric log characteristics. One 2 foot interval (top of a 6 foot sand) was perforated and tested at a stabilized rate of 2,161 MCFPD of natural gas with a flowing tubing pressure of 2,780 psig and a flowing casing pressure of 2,800 psig. The shut in pressures were approximately 2,810 psig, indicating a very high permeability reservoir with slight pressure drawdown during the flow period. Aspen has a 27.75% operated working interest in this well. Gas sales commenced on June 20th and the well is currently flowing at a stable rate of 950 MCFPD with a flowing tubing pressure of 2,450 psig and a flowing casing pressure of 2,700 psig.

Feather River Prospect, Sutter County,

Aspen recently completed a 12 1/2 square mile 3-D seismic survey over leased acreage in Sutter County, California. This data is currently being processed and will be interpreted over the next few months. It is hopeful that analysis of the data will yield several exciting shallow gas targets (2,500 feet) although initial indications show only a few small gas anomalies. On a positive note, Aspen has acquired 2 gas wells located on this property. One of these wells tested at 3,000 MCFPD and will probably commence gas sales in November 2003 at a rate of 500 MCFPD after pipeline construction is completed. The other well commenced gas sales in mid-August and is producing a steady 200 MCFPD with no pressure decline. Aspen has a 20.0% operated working interest in this project.

Kirk-Buckeye Field, Colusa County, California

Aspen has drilled 4 gas wells out of 4 attempts in this field during the last 2 fiscal years. These wells produce from multiple horizons in the Forbes formation from depths ranging from 7,500 feet to 9,500 feet. Aspen will commence drilling on its Sac Outing Farms #31-3 well in October 2003. This well will be drilled to a depth of 9,400 feet to test multiple Forbes objectives. Aspen has operated working interests in these wells ranging from approximately 15% to 36%.

5

Sour Grass Prospect, Tehama County, California

The Sour Grass prospect area is a 2,800 acre play located in southern Tehama County. In this project, for which a 7.5 square mile area 3-D seismic survey has been acquired, Aspen has a 23.33% operated working interest. There is also abundant well data for the area as well as previous 2-D seismic survey information. Five to ten prospective locations have been identified through an analysis of the data, with numerous pay zones from 2,000 to 6,000 feet in depth. Drilling of the first five wells in this project resulted in four producers and one dry hole. We may drill additional wells in this area next year.

Denverton Creek Field, Solano County, California.

For the past three years, we have been the recipient of the California Division of Oil, Gas, and Geothermal Resources (CDOGGR) "Outstanding Lease Maintenance Award" for our operations in the Denverton Creek gas field. CDOGGR gives this award to operators who not only meet, but exceed, the requirements for producing well operations set by CDOGGR.

Aspen did not drill any wells in this field during the 2003 fiscal year.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Aspen has drilled a total of 12 productive gas wells out of 15 attempts, an 80% success rate. Cumulative gross production from the field is in excess of 9.5 BCF of natural gas. The field is productive from 10 separate horizons ranging in depth from 9,000 feet to 12,000 feet. Aspen has extended the former field limits by 2 miles to the northeast and discovered new pay horizons. Current gross production is in excess of 700 MCFPD of high quality natural gas (1085 BTU) with numerous behind-pipe zones in many of the wells.

Drilling Activity:

The following table sets forth the results of our drilling activities during the fiscal years ended June 30, 2001, 2002 and 2003:

Year	Gross Wells			Net Wells		
	Total	Producing	Dry	Total	Producing	Dry
2001 Exploratory	10	6	4	1.22	.58	.64
2002 Exploratory	6	4	2	1.32	.98	.34
2003 Exploratory	8	7	1	1.45	1.22	.23

6

Production Information:

Net Production, Average Sales Price and Average Production Costs (Lifting).

The table below sets forth the net quantities of oil and gas production (net of all royalties, overriding royalties and production due to others) attributable to Aspen for the fiscal years ended June 30, 2003, 2002, and 2001, and the average sales prices, average production costs and direct lifting costs per unit of production.

	Years Ended June 30,		
	2003	2002	2001
Net Production			
Oil (Bbls)	768	3,055	5,206
Gas (MMcf)	248	227	377
Average Sales Prices			
Oil (per Bbl)	\$ 26.13	\$ 20.20	\$ 26.64
Gas (per Mcf)	\$ 4.23	\$ 2.78	\$ 9.20
Average Production Cost			
Per equivalent Bbl of oil	\$ 12.83	\$ 11.21	\$ 7.53

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Average Lifting Costs²

Per equivalent

Bbl of oil	\$ 3.61	\$ 2.86	\$ 1.65
------------	---------	---------	---------

1 Production costs include all operating expenses, depreciation, depletion and amortization, lease operating expenses and all associated taxes.

2 Direct lifting costs do not include impairment expense, ceiling write-down, or depreciation, depletion and amortization.

7

Productive Wells and Acreage:

Gross and Net Productive Gas Wells, Developed Acres, and Overriding Royalty

Interests.

Leasehold Interests - Productive Wells and Developed Acres: The tables below sets forth Aspen's leasehold interests in productive and shut-in gas wells, and in developed acres, at June 30, 2003:

Producing and Shut-In Wells

Prospect -----	Gross ----- Gas ---	Net ¹ ----- Gas ---
California:		
Armstrong 17-4	1	0.36000
Balsdon 3-21	1	0.05983
Balsdon 6	1	0.04134
Cygnus 2	1	0.05125
Deane 1	1	0.12938
Dragon 1	1	0.28350
Eastby 36-2	1	0.07770
Elektra 1	1	0.07560
Emigh 34-1	1	0.28800
Emigh 35-1	1	0.28525
Emigh 35-2	1	0.32800
Emigh 35-3	1	0.11900
Firestone 1-10	1	0.03850
Gay Unit	2	0.42000
Grey Wolf 1	1	0.18000
HSRCC 1	1	0.01857
Houghton 25-1	1	0.07770
Johnson Unit	4	0.84000
Kuppenbender 20-2	1	0.19950
Kuppenbender 20-3	1	0.15200
Leal 22-1	1	0.23334
McCullough 36-1	1	0.19750
NL&F 26-1	1	0.23334
Pinheiro 1-10	1	0.01890

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Pinheiro 2-10	1	0.01890
Pope Bypass 1-5	1	0.27750
Porter 26-2	1	0.23334
Quarre 30-2	1	0.23334
Sanborn 3-3	1	0.12762
Sanborn 4-10	1	0.02979
Sciortino 1-7	1	0.03000
Tiahart 1-4	1	0.03617
Verona Farms 1	1	0.20000
West Grimes Unit 14	2	0.42000
West Grimes Unit 15	3	0.63000
West Grimes Unit 16	2	0.42000
Strain Ranches 16-3	1	0.21000
Strain Ranches 17-1	1	0.21000
Zimmerman 1-24	1	0.23334
TOTAL	47	8.01826

1 A net well is deemed to exist when the sum of fractional ownership working interests in gross wells equals one. The number of net wells is the sum of the fractional working interests owned in gross wells expressed as whole numbers and fractions thereof.

8

Developed Acreage Table

Prospect -----	Aspen's Developed Acres ¹	
	Gross ² -----	Net ³ ---
California:		
Denverton Creek	1,271	207
Feather River	320	64
Firestone 1-10	160	6
Grey Wolf 1	120	22
Kirk Buckeye	800	229
Malton Black		
Butte Field	2,023	321
McCullough 36-1	583	115
Phillips Acquisition	1,280	71
Pope Bypass 1-5	120	33
Sour Grass	1,184	276
West Grimes	1,920	403
	-----	-----
TOTAL	9,781	747
	=====	=====

1 Consists of acres spaced or assignable to productive wells.

2 A gross acre is an acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.

3 A net acre is deemed to exist when the sum of fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Royalty Interests in Productive Wells and Developed Acreage: The following tables set forth Aspen's royalty interest in productive gas wells and developed acres at June 30, 2003:

Overriding Royalty Interests

Prospect -----	Interest (%) -----	Productive Wells Gas ---	Gross Acreage ¹ -----
California:			
Denverton Creek	1.142816	1	80
Malton Black Butte	7.500000	2	645
Grimes Gas	0.101590	1	615
		---	-----
TOTAL		4 ===	1,340 =====

1 Consists of acres spaced or assignable to productive wells.

9

Undeveloped Acreage:

Leasehold Interests Undeveloped Acreage: The following table sets forth Aspen's leasehold interest in undeveloped acreage at June 30, 2003:

	Undeveloped Acreage -----	
	Gross -----	Net ---
California:		
Denverton Creek	514	69
Orion	1,677	335
Sacreiter	245	245
Sour Grass	1,376	321
West Grimes	3,273	670
	-----	-----
Sub Total	7,085	1,640
Colorado:		
Coalbed Methane Prospect	2,074	2,074
	-----	-----
TOTAL	9,159 =====	3,714 =====

Delivery Commitments:

We are not obligated to provide a fixed and determinable quantity of oil and gas in the future under existing contracts and agreements.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Drilling Commitments:

At June 30, 2003, we were committed to the following drilling, development and seismic projects in California:

Project -----	Aspen Cost -----
Mengali-Durst #22-1	\$ 40,000
Sac Outing Farms #31-3	44,000
West Grimes 3-D	100,000
Verona Pipeline	70,000 -----
 Total	 \$ 254,000 -----

Reserve Information - Oil and Gas Reserves:

Cecil Engineering, Inc. evaluated our oil and gas reserves attributable to our properties at June 30, 2003. Reserve calculations by independent petroleum engineers involve the estimation of future net recoverable reserves of oil and gas and the timing and amount of future net revenues to be received therefrom. Those estimates are based in numerous factors, many of which are variable and uncertain. Reserve estimators are required to make numerous judgments based upon professional training, experience and educational background. The extent and significance of the judgments in them are sufficient to render reserve estimates of future events, actual production determinations involve estimates inherently imprecise, since reserve revenues and operating expenses may not occur as estimated. Accordingly, it is common for the actual production and revenues later received to vary from earlier estimates. Estimates made in the first few years of production from a property are generally not as reliable as later estimates based on a longer production history. Reserve estimates based upon volumetric analysis are inherently less reliable than those based on lengthy production history. Also, potentially productive gas wells may not generate revenue immediately due to lack of pipeline connections and potential development wells may have to be abandoned due to unsuccessful completion techniques. Hence, reserve estimates may vary from year to year.

10

Estimated Proved Reserves/ Developed and Undeveloped Reserves: The following tables set forth the estimated proved developed and proved undeveloped oil and gas reserves of Aspen for the years ended June 30, 2003 and 2002. See Note 9 to the Consolidated Financial Statements and the above discussion.

Estimated Proved Reserves

Proved Reserves -----	Oil (Bbls) -----	Gas (Mcf) -----
Estimated quantity, June 30, 2001	13,000 -----	2,243,000 -----
Revisions of previous estimates	2,000	(115,000)
Discoveries	0	258,000

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Production	(3,000)	(227,000)
Purchased reserves	0	51,000
Sold reserves	(1,000)	0
	-----	-----
Estimated quantity, June 30, 2002	11,000	2,210,000
Revisions of previous estimates	(1,000)	(184,000)
Discoveries	0	481,000
Production	(1,000)	(248,000)
Purchased reserves	0	221,000
Sold reserves	(6,000)	0
	-----	-----
Estimated quantity, June 30, 2003	3,000	2,480,000
	=====	=====

Developed and Undeveloped Reserves

	Developed -----	Undeveloped -----	Total -----
Oil (Bbls)			
June 30, 2002	7,000	4,000	11,000
June 30, 2003	-	3,000	3,000
Gas (Mcf)			
June 30, 2002	482,000	1,728,000	2,210,000
June 30, 2003	655,000	1,825,000	2,480,000

For information concerning the standardized measure of discounted future net cash flows, estimated future net cash flows and present values of such cash flows attributable to our proved oil and gas reserves as well as other reserve information, see Note 9 to the Consolidated Financial Statements.

Oil and Gas Reserves Reported to Other Agencies: We did not file any estimates of total proved net oil or gas reserves with, or include such information in reports to, any federal authority or agency since the beginning of the fiscal year ended June 30, 2003.

Title Examinations: Oil and Gas: As is customary in the oil and gas industry, we perform only a perfunctory title examination at the time of acquisition of undeveloped properties. Prior to the commencement of drilling, in most cases, and in any event where we are the Operator, a thorough title examination is conducted and significant defects remedied before proceeding with operations. We believe that the title to our properties is generally acceptable to a reasonably prudent operator in the oil and gas industry. The properties we own are subject to royalty, overriding royalty and other interests customary in the industry, liens incidental to operating agreements, current taxes and other burdens, minor encumbrances, easements and restrictions. We do not believe that any of these burdens materially detract from the value of the properties or will materially interfere with our business.

We have purchased producing properties on which no updated title opinion was prepared. In such cases, we have retained third party certified petroleum landmen to review title.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Office Facilities:

Our principal office is located in Denver, Colorado. We also have an office located in Bakersfield, California. The Denver office consists of approximately 1,108 square feet with an additional 750 square feet of basement storage. We entered into a one-year lease agreement to December 31, 2003 for a lease rate of \$1,261 per month.

We also subleased from R.V. Bailey, our vice president, a portion of an office building owned by Mr. Bailey in Castle Rock, Colorado on a month-to-month basis for \$500 per month. This sublease terminated on April 30, 2003 per the revised employment agreement with Mr. Bailey. See Item 10, R. V. Bailey Employment Contract.

We pay \$730 per month for the Bakersfield, California office, which consists of approximately 546 square feet. The Bakersfield, California lease expires February 8, 2006.

ITEM 3. LEGAL PROCEEDINGS

We are not subject to any pending or, to our knowledge, threatened, legal proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were presented to security holders for a vote during the year ended June 30, 2003, or any subsequent period.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information:

Our common stock is quoted on the Over-the-Counter Bulletin Board ("OTCBB") under the symbol "ASPN". The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not reflect actual transactions.

The OTCBB adopted new rules that result in companies not current in their reporting requirements under the Securities Exchange Act of 1934 being removed from the quotation service. At June 30, 2002 and 2003, we believe that we were in full compliance with these rules.

		Quarter Ended			
		Sept.,	Dec.,	March,	June 30,
		2002	2002	2003	2003
		----	----	----	----
Common Stock ("ASPN")					
	High	\$.58	\$.38	\$.52	\$.86
	Low	\$.21	\$.31	\$.34	\$.40

		Quarter Ended			
		Sept.,	Dec.,	March,	June 30,
		2001	2001	2002	2002
		----	----	----	----
Common Stock ("ASPN")					

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

High	\$1.35	\$1.00	\$.73	\$.73
Low	\$0.77	\$0.63	\$.54	\$.55

12

Holder's:

As of June 30, 2002 and 2003, there were approximately 1,197 and 1,182 holders of record of our Common Stock, respectively. This does not include an indeterminate number of persons who hold our Common Stock in brokerage accounts and otherwise in 'street name.'

13

Dividends:

We have never declared or paid a cash dividend on our Common Stock. We presently intend to retain our earnings to fund development and growth of our business. Decisions concerning dividend payments in the future will depend on income and cash requirements.

Holder's of common stock are entitled to receive such dividends as may be declared by Aspen's Board of Directors. There were no dividends declared by the Board of Directors during the fiscal year ended June 30, 2003, or subsequently, and we have paid no cash dividends on its common stock since inception. There are no contractual restrictions on our ability to pay dividends to our shareholders.

Securities authorized for issuance under equity compensation plans.

The following is provided with respect to compensation plans (including individual compensation arrangements) under which equity securities are authorized for issuance as of the fiscal year ending June 30, 2003.

Equity Compensation Plan Information (1)

Plan Category and Description	Number of Securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	-0-	\$-0-	-0-

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Equity compensation plans not approved by security holders	676,000	\$0.57	NA

Total	676,000	\$0.57	NA

(1) This does not include options held by management and directors that were not granted as compensation. In each case, the disclosure refers to options or warrants unless otherwise specifically stated.

14

Recent Sales of Unregistered Securities -- Item 701 Disclosure.

The following sets forth information regarding sales of unregistered securities within the past two years as required by Item 701 of Regulation S-B.

Name and Principal Position	Date	Number of Common Shares Sold (#)	Offering Price (\$)	Registration Exemption	Option Exercise Price Per Share (\$)
R. F. Sheldon, director, options exercised	12/17/2001	80,000	20,800	Rule 144	.26
Total		80,000	20,800		.26

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION OR PLAN OF OPERATION

Overview:

Founded in 1980, Aspen Exploration Corporation is an oil and gas company, which participates in the oil and gas segment by acquiring interest in producing oil and gas properties, and participating in drilling operations. Historically we have also participated in exploration for precious minerals and, in uranium exploration.

In fiscal 2000, we expanded our business scope to include a goal of participating in the electric power segment. We are not currently actively pursuing either precious minerals exploration or participation in the electric power segment (although we had a 25% interest in APS as described above). As of December 31, 2002, APS ceased operations and went out of business. We have also acquired an interest in leases for approximately 2,074 acres which we believe contain coalbed methane gas deposits.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Critical Accounting Policies and Estimates:

We believe the following critical accounting policies affect our most significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Reserve Estimates:

Our estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected therefrom may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of our oil and gas properties and/or the rate of depletion of the oil and gas properties. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

15

Many factors will affect actual future net cash flows, including:

- the amount and timing of actual production;
- supply and demand for natural gas;
- curtailments or increases in consumption by natural gas purchasers; and
- changes in governmental regulations or taxation.

Property, Equipment and Depreciation:

We follow the full-cost method of accounting for oil and gas properties. Under this method, all productive and nonproductive costs incurred in connection with the exploration for and development of oil and gas reserves are capitalized. Such capitalized costs include lease acquisition, geological and geophysical work, delay rentals, drilling, completing and equipping oil and gas wells, including salaries, benefits and other internal salary related costs directly attributable to these activities. Costs associated with production and general corporate activities are expensed in the period incurred. Interest costs related to unproved properties and properties under development are also capitalized to oil and gas properties. If the net investment in oil and gas properties exceeds an amount equal to the sum of (1) the standardized measure of discounted future net cash flows from proved reserves, and (2) the lower of cost

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

or fair market value of properties in process of development and unexplored acreage, the excess is charged to expense as additional depletion. Normal dispositions of oil and gas properties are accounted for as adjustments of capitalized costs, with no gain or loss recognized.

We apply SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Under SFAS No. 144, long-lived assets and certain intangibles are reported at the lower of the carrying amount or their estimated recoverable amounts. Long-lived assets subject to the requirements of SFAS No. 144 are evaluated for possible impairment through review of undiscounted expected future cash flows. If the sum of undiscounted expected future cash flows is less than the carrying amount of the asset or if changes in facts and circumstances indicate, an impairment loss is recognized.

Asset retirement obligations:

Effective July 1, 2002, we recognize the future cost to plug and abandon gas wells over the estimated useful life of the wells in accordance with the provision of SFAS No. 143. SFAS No. 143 requires that we record a liability for the present value of the asset retirement obligation with a corresponding increase to the carrying value of the related long-lived asset. We amortize the amount added to the oil and gas properties and recognize accretion expense in connection with the discounted liability over the remaining lives of the respective gas wells. Our liability estimate is based on our historical experience in plugging and abandoning gas wells, estimated well lives based on engineering studies, external estimates as to the cost to plug and abandon wells in the future and federal and state regulatory requirements. The liability is discounted using a credit-adjusted risk-free rate of 5%. Revisions to the liability could occur due to changes in well lives, or if federal and state regulators enact new requirements on the plugging and abandonment of gas wells.

Liquidity and Capital Resources:

During prior years, we had to finance many of our oil and gas operations through short-term borrowings, which were paid back out of the funds generated from our operations. During fiscal 2003 and 2002, we were able to finance all of our oil and gas operations from funds generated from operations and through farmout agreements and other forms of third party participation. In fiscal 2003 we received cash flow from operations of approximately \$900,000. Net income before taxes and change in accounting principle was approximately \$103,000 compared to a loss of approximately \$237,000 during fiscal 2002. The net income before taxes and changes in accounting principle of \$103,000 was the result of an increase in the average price we received for natural gas sales from \$2.78 in fiscal 2002 to \$4.23 in fiscal 2003, an increase of \$1.45, or 52%. Production for the period increased 3% on a barrels of oil equivalent ("BOE") basis when comparing fiscal 2003 to 2002. We also increased our accounts payable and accrued expenses by almost \$262,000 and decreased our accounts receivable by nearly \$103,000 which had a positive impact on cash flow from operations. During fiscal 2003 we also received cash of \$239,095 from a split dollar life insurance policy held jointly with our former president and now vice president R. V. Bailey. At the end of 2002 we had working capital of approximately \$845,000. We used these funds to finance our use of cash used by investing activities (\$1,280,000) resulting in working capital of approximately \$343,000 at June 30, 2003.

We did not have sufficient cash available to assist us in financing our operations in prior years, and we may not in future years, since our ability to generate working capital depends almost entirely on the prices we receive for

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

our natural gas production. Because of our working capital surpluses through 2003, we did not need to borrow any funds for operations or investing activities. We cannot now predict whether we will be required to borrow funds or find alternative means of financing operations during the fiscal year ending June 30, 2004.

June 30, 2003 as compared to June 30, 2002

	June 30, 2003	June 30, 2002
	-----	-----
Current Assets	\$ 1,093,131	\$ 1,333,221
Current Liabilities	\$ 750,401	\$ 488,622
Working Capital	\$ 342,730	\$ 844,599
Investments in Oil & Gas Properties/Drilling Activities	\$ 1,378,356	\$ 1,195,535

Compared to fiscal 2002, there was a 59% decrease in working capital. Our investment in drilling projects and the acquisition of producing properties of approximately \$1,380,000 accounted for much of the decline in current assets. Fiscal 2003 was a successful drilling year for us, having participated in the drilling of six wells in California, five of them successful, for a 83% success ratio. During 2003 we also acquired various interests in producing properties located in California as well as increasing our working interests in three wells in the Denverton Creek field. We believe that the increased revenues derived from the late year drilling activities and acquisitions will have a positive effect on next year's working capital and contribute significantly to our cash flow in the year ahead provided that the average prices we receive from our natural gas production do not decrease materially. The average price we received during fiscal 2003 for our oil and gas was \$26.13 per barrel and \$4.23 per MCF compared to \$20.20 per barrel and \$2.78 per MCF for fiscal 2002. Given the current downturn of our economy and estimates of a range of \$4.00 to \$5.00 per MCF for gas in the coming 12 months, we do not see any significant improvement, other than seasonal adjustments, to natural gas prices in the short term. The price for oil has been stable to improving due to unrest in the Middle East, but we derive only a small portion of our revenue from oil sales. Our capital requirements can fluctuate over a twelve month period because our drilling activities are usually carried out during California's dry season (from late April until October) after which wet weather either precludes further activity or makes it cost prohibitive.

Investments in Oil and Gas Properties/Drilling Activities

We invested \$1,378,356 and \$1,195,535 in our oil and gas properties for the fiscal years ended June 30, 2003 and 2002. While we have not finalized drilling plans for fiscal 2004, we have committed to participate in the drilling of 2 wells through June 2004 with our share of drilling costs estimated to be approximately \$84,000, and we anticipate additional drilling will occur in fiscal 2004. 3-D seismic studies and pipeline construction will add an additional \$170,000 to our projected costs for fiscal 2004. We believe that internally generated funds will be sufficient to finance our drilling and operating expenses for the next twelve months. We have eliminated our outstanding loans in fiscal 2001 but may be required to again seek outside funding to facilitate our fiscal 2004 drilling program.

Aspen Power Systems, LLC

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

During fiscal 1999 and 2000, we dedicated certain cash resources to APS to investigate the economic possibilities of the sale, design, construction and/or operation of gas turbines to produce electricity. Through June 30, 2000, we expended approximately \$130,000 on this project, \$45,657 of which was expensed in the twelve months ended June 30, 2000. During fiscal 2001, we advanced a further \$20,000 to defray APS operating costs which were recorded as a receivable at June 30, 2001. During fiscal 2002 an additional \$5,500 was advanced to APS to retire existing obligations of APS. Both the \$20,000 and \$5,500 advances were expensed by us at June 30, 2002. The funding to APS came from our operating funds derived from oil and gas production. As discussed above, we did not assign a value to the \$130,000 note receivable due from APS and do not anticipate any significant future requirements to fund further projects of APS, because APS ceased operations effective December 31, 2002.

17

Contractual Obligations

We had contractual and other obligations that will require use of our working capital resources as of June 30, 2003. The following table lists our significant obligations at June 30, 2003:

Contractual Obligations	Payments Due By Period				Total
	Less than 1 year	2-3 years	4-5 years	After 5 years	
Employment Obligations	\$202,485	\$373,300	\$153,300	\$60,300	\$789,385
Operating leases	16,326	15,240	-0-	-0-	31,566
Total contractual cash obligations	\$218,811	\$388,540	\$153,300	\$60,300	\$820,991

At June 30, 2003, we were committed to the following drilling and development projects in California:

Project	Aspen Cost
Mengali-Durst #22-1	\$ 40,000
Sac Outing Farms #31-3	44,000
West Grimes 3-D	100,000
Verona Pipeline	70,000
Total	\$ 254,000

We maintain office space in Denver, Colorado, our principal office, and

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Bakersfield, California. The Denver office consists of approximately 1,108 square feet with an additional 750 square feet of basement storage. We entered into a one-year lease agreement through December 31, 2003 for a lease rate of \$1,261 per month. We also subleased from R. V. Bailey, our vice president, a portion of an office building owned by Mr. Bailey in Castle Rock, Colorado on a month to month basis for \$500 per month. This lease arrangement was terminated on April 30, 2003. The Bakersfield, California office has 546 square feet and a monthly rental fee of \$730 to \$770 over the term of the lease. The three year lease expires February 8, 2006. Rent expense for the years ended June 30, 2003 and 2002 were \$28,536 and \$26,663, respectively.

In addition to office leases, we are responsible for various compressor rentals located on our California producing properties. These leases are on a month to month basis and total approximately \$21,500 per year.

18

Results of Operations:

We continued to focus our operations on the production of oil and gas and the investigation for possible acquisition of producing oil and gas properties during the twelve months ended June 30, 2003.

June 30, 2003 as compared to June 30, 2002

The following table sets forth, for the periods indicated, certain statement of operations data. The table and the discussion below should be read in conjunction with the audited financial statements and the notes thereto appearing elsewhere in this report.

	Year Ended June 30 -----	
	2003 ----	2002 ----
Oil and gas revenues (a)	\$1,313,821	\$ 828,150
Oil and gas production expenses	(159,948)	(117,014)
Aspen Power Systems	-0-	(25,500)
Depreciation, depletion and amortization	(428,964)	(358,912)
Selling, general and administrative expense	(632,035)	(605,085)
	-----	-----
Income before other items and income taxes	92,874	278,361
Other income	9,852	41,372
	-----	-----
Operating income (loss)	102,726	(236,989)
Income tax (expense) recovery	(42,100)	114,904
	-----	-----
Income (loss) before cumulative effect of change in accounting principle	60,626	(122,085)
Cumulative effect of change in accounting principle, net of income taxes	(2,849)	-0-
	-----	-----
Net income (loss)	\$ 57,777 =====	\$ (122,085) =====

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

(a) Oil and gas revenues includes income from management fees

Oil and Gas Revenues

For the twelve months ended June 30, 2003, oil and gas revenues increased approximately \$486,000, a 59% increase. Revenue increases were primarily due to an increase in gas prices from \$2.78 per MMBTU in 2002 to \$4.23 per MMBTU in 2003. The average price in fiscal 2003 was impacted positively by an improving American economy and the continued high price of oil, which can be used as an alternative fuel, due to global political uncertainties. Production of oil declined 1287 barrels, or 42%, reflecting the sale of our final two producing oil wells in the first quarter of fiscal 2003. Gas production increased by 9.3% and was the result of the addition of five new exploratory wells during fiscal 2003 and the acquisition of fifteen producing gas wells in the current fiscal year. These additions were partially offset by the abandonment of five gas wells which proved to be at the end of their economic life during fiscal 2003.

Oil and Gas Production Expenses

Oil and gas production expenses increased approximately \$43,000, or 37%. We had a larger number of producing wells in fiscal 2003 and our recompletion and workover expenses increased because marginal gas wells were put on compressors and the initial costs to put acquired wells on production were substantial.

Depletion, depreciation and amortization increased \$70,052, or 19.5%, from \$358,912 in fiscal 2002 to \$428,964 in fiscal 2003. The depletable assets in the full cost pool increased by approximately \$1,296,000 in fiscal 2003, the proved, recoverable reserves of oil and gas increased from BOE 380,000 (barrel of oil equivalent) in fiscal 2002 to BOE 416,000 in fiscal 2003, a 9.5% increase. Our reserves increased 9.5% and our production rate increased by approximately 3%, thus the depletion rate held fairly constant and the increase in depletion was primarily due to an increase in the full cost pool.

Selling, general and administrative expenses increased \$26,950, or 4.5%, during fiscal 2003, due to higher salary, consulting, audit and temporary services. We anticipate lower general and administrative expenses in fiscal 2004

19

due to the new employment agreement with our former president, now vice president, R. V. Bailey. Salary, rent and insurance expense should decline in the coming year. We continue our commitment to contain costs and increase cash flow wherever possible.

As a result of our operations for the fiscal year ended June 30, 2003, we ended the year with operating income of approximately \$103,000 before income tax expense of \$42,000 and a change of accounting principle charge of approximately \$3,000, compared to an operating loss of approximately \$237,000 before recovery of income taxes of nearly \$115,000 for the year ended June 30, 2002. The improvement can be attributed, as discussed above, to a substantial increase in prices received for our oil and gas, a modest increase in our rate of production and an increase of \$110,294, or 82%, in management fees received from well operations.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Factors that may Affect Future Operating Results

In evaluating our business, readers of this report should carefully consider the following factors in addition to the other information presented in this report and in our other reports filed with the SEC that attempt to advise interested parties of the risks and factors that may affect our business. As noted elsewhere herein, the future conduct of Aspen's business, non-oil and gas exploration activities, participation in APS stock ownership, and discussions of possible future activities is dependent upon a number of factors, and there can be no assurance that Aspen will be able to conduct its operations as contemplated herein. These risks include, but are not limited to:

- (1) The possibility that the described operations, reserves, or exploration or production activities will not be completed or continued on economic terms, if at all.
- (2) The exploration and development of oil and gas, and mineral properties are enterprises attendant with high risk, including the risk of fluctuating prices for oil, natural gas and other minerals being sought.
- (3) Imports of petroleum products from other countries.
- (4) Not encountering adequate resources despite expending large sums of money.
- (5) Test results and reserve estimates may not be accurate, notwithstanding best effort precautions.
- (6) The possibility that the estimates on which we are relying are inaccurate and that unknown or unexpected future events may occur that will tend to reduce or increase our ability to operate successfully, if at all.
- (7) Our ability to participate in these projects may be dependent on the availability of adequate financing from third parties which may not be available on commercially-reasonable terms, if at all.
- (8) Although we currently do not have active operations in the mining segment, mining exploration and mining have inherent risks including the environment, low prices for commodities, competition from better financed companies and the risk of failure in either exploration or mining. There is no assurance we will be able to compete successfully in the exploration and mining business should that course of action be undertaken.
- (9) We currently do not have active operations in the power generation business. Risks involved in power generation include permitting, availability of fuel and power lines on an economical basis, a market for the product, availability of equipment, and competition from other better financed companies. There is no assurance we will be able to compete successfully in the power generation business should an opportunity be found.
- (10) Our stock price may be hurt by future sales of our shares or the perception that such sales may occur. As of the date of this Form 10-KSB, approximately 2,849,367 shares of Common Stock held by existing stockholders constitute "restricted shares" as defined in Rule 144 under the Securities Act. These shares may only be sold if they are registered under the Securities Act or sold under Rule 144 or another exemption from registration under the Securities Act. Sales

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

under Rule 144 are subject to the satisfaction of certain holding periods, volume limitations, manner of sale requirements, and the availability of current public information about us.

20

ITEM 7. FINANCIAL STATEMENTS

The information required by this item begins on page 35 of Part III of this Report on Form 10-KSB and is incorporated into this part by reference.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 8A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, within the 90 days prior to the filing date of this report, we carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our principal executive officer as well as our principal financial officer, who concluded that the Company's disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including the our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls.

There were no changes in our internal controls or in other factors that could significantly affect these internal controls subsequent to the date of their evaluation.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS, COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Identification of Directors and Executive Officers:

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

The following table sets forth the names and ages of all the Directors and Executive Officers of Aspen, and the positions held by each such person. As described below, the Board of Directors is divided into three classes which, under Delaware law, must be as nearly equal in number as possible. The members of each class are elected for three-year terms at each successive meeting of stockholders serve until their successors are duly elected and qualified; officers are appointed by, and serve at the pleasure of, the Board of Directors. We have held no annual meetings since February 25, 1994. Therefore the terms of each class of director expires at the next annual meeting of stockholders.

Name	Age	Position	Class	Director Since
----	---	-----	-----	-----
Robert A. Cohan	47	President, Chief Executive Officer, Chief Financial Officer, Treasurer and Director	I	1998
Robert F. Sheldon	80	Director	II	1981
R. V. Bailey	71	Vice President, Secretary, and Director	III	1980

21

Each of the directors will be up for reelection at the next annual meeting of stockholders and until his successor is elected and qualified or until his or her earlier death, resignation, or removal. We do not expect to hold an annual meeting during fiscal 2004.

Each officer is appointed annually and serves at the discretion of the Board of Directors until his successor is duly elected and qualified. No arrangement exists between any of the above officers and directors pursuant to which any of those persons was elected to such office or position. None of the directors are also directors of other companies filing reports under the Securities Exchange Act of 1934.

Robert A. Cohan. Mr. Cohan obtained a Bachelor of Science degree in Geology from the State University College at Oneonta, NY in 1979. He has approximately 24 years experience in oil and gas exploration and development, including employment in Denver, CO with Western Geophysical, H. K. van Poolen & Assoc., Inc., as a Reservoir Engineer and Geologist, Universal Oil & Gas, and as a principal of Rio Oil Co., Denver, CO. Mr. Cohan served as Manager, Oil & Gas Operations, Aspen Exploration Corporation, Denver, CO from 1989 to 1992. He was employed as Vice President, Oil & Gas Operations, for Tri-Valley Oil & Gas Co., Bakersfield, CA. from 1992 to April 1995, at which time Mr. Cohan rejoined Aspen Exploration Corporation as Vice President (now President), West Coast Division, opening an office in Bakersfield, CA. He is a member of the Society of Petroleum Engineers (SPE) and the American Association of Petroleum Geologists (AAPG).

Robert F. Sheldon. Mr. Sheldon obtained a Bachelor of Science degree in Geological Engineering from the University of British Columbia in 1948. He served a total of approximately 40 years at various mining companies, with his experience covering a wide range of mineral commodities including gold, silver, copper, uranium, lead, zinc, nickel, mercury, molybdenum and tungsten. He is a member of the Professional Engineers of British Columbia, the Society of Mining Engineers, the Canadian Institute of Mining and Metallurgy, and the Yukon Chamber of Mines (where he served as an officer for four years). Mr. Sheldon joined Aspen's Board of Directors in April 1981.

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

R. V. Bailey. R. V. Bailey obtained a Bachelor of Science degree in Geology from the University of Wyoming in 1956. He has approximately 41 years experience in exploration and development of mineral deposits, primarily gold, uranium, coal, and oil and gas. His experience includes basic conception and execution of mineral exploration projects. Mr. Bailey is a member of several professional societies, including the Society for Mining and Exploration, the Society of Economic Geologists and the American Association of Petroleum Geologists, and has written a number of papers concerning mineral deposits in the United States. He is the co-author of a 542-page text, published in 1977, concerning applied exploration for mineral deposits. Mr. Bailey is the founder of Aspen and has been an officer and director since its inception.

Meetings of the Board and Committees:

The Board of directors held one formal meeting during the fiscal year ended June 30, 2003. Each director attended all of the formal meetings either in person or by telephone, without exception. In addition, regular communications were maintained throughout the year among all of the officers and directors of the Company and the directors acted by unanimous consent three times during fiscal 2002 and four times subsequently through June 30, 2003.

Aspen does not have an audit committee or other committee of the board that performs similar functions. Consequently Aspen has not designated an audit committee financial expert. Aspen's board of directors has not adopted a code of ethics.

Identification of Significant Employees:

There are no significant employees who are not also directors or executive officers as described above. No arrangement exists between any of the above officers and directors pursuant to which any one of those persons was elected to such office or position.

22

Family Relationships:

As of June 30, 2003, and subsequently, there were no family relationships between any director, executive officer, or person nominated or chosen by the Company to become a director or executive officer.

Involvement in Legal Proceedings:

We are not subject to any pending or, to our knowledge, threatened, legal proceedings.

Section 16(a) Beneficial Ownership Reporting Compliance:

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires Aspen's directors and officers and any persons who own more than ten percent of Aspen's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). All directors, officers and greater than ten-percent shareholders are required by SEC regulation to furnish Aspen with copies of all Section 16(a) reports files. Based solely on our review of the copies of the reports it received from persons required to file, we believe that during the period from July 1, 1995 through September 22, 2003, all filing requirements applicable to its officers, directors and greater-than-ten-percent shareholders were complied with. However,

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

there was one untimely-filed filing (Form 4) for one director, Robert F. Sheldon.

23

ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth information regarding compensation awarded, paid to, or earned by the chief executive officer and the other principal officers of Aspen for the three years ended June 30, 2001, 2002 and 2003. No other person who is currently an executive officer of Aspen earned salary and bonus compensation exceeding \$100,000 during any of those years. This includes all compensation paid to each by Aspen and any subsidiary.

(a)	(b)	Annual compensation			Long-term Compensation Awards		
		(c)	(d)	(e)	(f)	(g)	(h)
Name and Principal Position	Fiscal Year	(\$) Salary	(\$) Bonus	(\$) Other (1)	(\$) Restricted Awards	Securities Underlying Options & SARs (#)	LTIP Payout
R. A. Cohan President and CEO	2001	101,250	0	146,400	0	0	0
	2002	123,300	0	34,850	0	0	0
	2003	127,100	0	35,600	0	0	0
R. V. Bailey, Vice President and Chairman	2001	100,000	0	143,600	0	0	0
	2002	122,900	0	34,850	0	0	0
	2003	111,700	0	33,250	0	0	0

(1) We have an "Amended Royalty and Working Interest Plan" by which we, in our discretion, are able to assign overriding royalty interests or working interests in oil and gas properties or in mineral properties. This plan is intended to provide additional compensation to Aspen's personnel involved in the acquisition, exploration and development of Aspen's oil or gas or mineral prospects.

We have a medical insurance plan for our employees and those of its subsidiaries, and a life insurance plan for our chairman and vice president, R. V. Bailey. This life insurance plan included a split-dollar insurance plan for the benefit of Mr. Bailey, which is described in Note 2 to the financial statements. In June 2003 the plan was terminated.

No additional compensation has been recognized as reimbursement to the vice president for income taxes for the years ended June 30, 2003, 2002 and 2001. Mr. Bailey's taxable amount was \$-0- for fiscal 2003, 2002 and 2001, equal to the "economic benefit" attributed to the vice president as defined by the Internal

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Revenue Code. The Company paid no premiums during fiscal 2003, 2002 and 2001.

We adopted a Profit-Sharing 401(k) Plan which took effect July 1, 1990. All employees are immediately eligible to participate in this Plan. Aspen's contribution (if any) to this plan is determined by the Board of Directors each year. At June 30, 2002 and 2001, we contributed \$-0- to the plan; during fiscal 2003 we contributed \$7,388 to the plan. When amounts are contributed to Mr. Bailey's and Mr. Cohan's accounts (which amounts are fully vested), these amounts are also included in column (e) of the tables, above.

We have furnished a vehicle to Mr. Bailey, and the compensation allocable to this vehicle, plus amounts paid for various travel and entertainment paid on behalf of Mr. Bailey and Mr. Bailey's wife when she accompanied him for business purposes, are also included in column (i) of the table. Aspen also purchased a vehicle for Mr. Cohan. This vehicle is used substantially for business purposes; therefore, no vehicle costs were charged to Mr. Cohan.

We have agreed to reimburse its officers and directors for out-of-pocket costs and expenses incurred on behalf of Aspen.

24

During fiscal 2003, we assigned to employees royalties, which accumulated during the fiscal year ended June 30, 2003, on certain wells drilled during the year. The value assigned to these overrides is considered nominal, as the assignments were made before the leases were proved. The overriding royalty interests in these California properties granted to our employees were as follows:

	R. V. Bailey -----	R. A. Cohan -----	J. L. Shelton -----
McCullough 36-1	1.683938%	1.683937%	0.641500%
Pope Bypass 1-5	1.065339%	1.566676%	0.501336%

Stock Options and Stock Appreciation Rights Granted during the Last Fiscal Year:

No stock options were granted to executive officers and directors during the fiscal year ended June 30, 2003. No stock options were exercised during the fiscal year ended June 30, 2003.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values:

One of our directors exercised stock options during the fiscal year ended June 30, 2002:

The following table sets forth information regarding the year-end value of options being held by the Chief Executive Officer and the other such named officers and persons on June 30, 2003.

	Number of securities underlying unexercised options/SARs	Va in-t
Shares		

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Name and Principal Position	acquired on exercise (#)	Value realized	at June 30, 2003 Exercisable/Unexercisable	Exer
R. V. Bailey Vice President & Chairman...	-0-	-0-	0 /150,000	
Robert A. Cohan President & CEO.....	-0-	-0-	0 /250,000	
Robert F. Sheldon Director.....	80,000	\$20,800	0 /150,000	

Long Term Incentive Plans/Awards in Last Fiscal Year:

We do not have a long-term incentive plan nor have we made any awards during the fiscal year ended June 30, 2003.

Employment contracts and termination of employment and change in control arrangements:

Mr. Bailey: Effective May 1, 2003 we entered into a new employment agreement with Chairman of the Board, R. V. Bailey. Some of the pertinent provisions include an employment period ending May 1, 2009, the title of Vice President subject to the general direction of the President, Robert A. Cohan, and the Board of Directors of Aspen. Mr. Bailey's salary will be \$45,000 per year from May 1, 2003 to December 31, 2006 and \$60,000 per year from January 1, 2007, ending May 1, 2009. Mr. Bailey will also participate in Aspen's stock options and royalty interest programs. During the term of the agreement, we have agreed to pay Mr. Bailey a monthly \$1,700 allowance to cover such items as prescriptions, medical and dental coverage for himself and his dependents and other expenses not covered in the agreement.

Mr. Bailey's keyman life insurance policy terminated in August of this year and will result in an annual savings of approximately \$6,500. The stock purchase agreement with Mr. Bailey was cancelled and replaced by his current employment agreement. The agreement had provided that we apply 75% of the \$1,000,000 keyman life insurance to purchase up to 75% of the common shares owned by him at the time of his death. Mr. Bailey will continue to use the Company vehicle and may trade the current vehicle for a similar vehicle of his choice prior to June 30, 2006. During 2007 or thereafter, Mr. Bailey may purchase the vehicle for \$500.

We may terminate this agreement upon Mr. Bailey's death by paying his estate all compensation that had or will accrue to the end of the year of his death plus \$75,000. Should Mr. Bailey become totally and permanently disabled, we will pay Mr. Bailey one half of the salary and benefits set forth in our agreement with him for the remainder of the term of the agreement.

Mr. Cohan: On April 16, 1998, we entered into an employment agreement with Robert A. Cohan, which provides for the payment of \$90,000 for the first year of employment, plus reimbursement of expenses, including health insurance. We have renewed the agreement effective April 15, 1999 to April 15, 2002 at the rate of \$95,000 per year for the year commencing April 15, 1999, \$100,000 for the year commencing April 15, 2000 and \$105,000 for the year commencing April 15, 2001. On August 1, 2001 Mr. Cohan's salary was increased to \$125,000 per year. Mr. Cohan's employment agreement expired by its own terms on April 15, 2002 and was replaced by an employment agreement dated January 1, 2003. Some of the pertinent

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

provisions include an employment period ending December 31, 2005, salary increases from \$125,000 per year to \$135,000 per year effective April 15, 2003, and a further salary increase to \$145,000 per year from April 15, 2004 through the end of the contract. Other benefits and duties will remain the same as the previous employment contract. Prior to February 2000, we and Mr. Cohan agreed to utilize a portion of Mr. Cohan's home in Bakersfield, California from which to conduct Aspen's business. Mr. Cohan did not charge Aspen any rent for the use of his home as a business office. Aspen agreed to pay for all office supplies, communication and copy equipment used by Mr. Cohan in his office, as well as the monthly telephone expense incurred by Mr. Cohan on behalf of Aspen. On February 7, 2000, we entered into a three-year lease of office space in Bakersfield, California thereby alleviating the necessity of home office reimbursement to Mr. Cohan.

Effective May 1, 2003 our Board of Directors appointed Mr. Robert A. Cohan President of Aspen Exploration Corporation, replacing Mr. Bailey.

During fiscal 2002 we entered into a rental agreement with R. V. Bailey to rent office space in Castle Rock, Colorado in an office building owned by Mr. Bailey. The rental amount was \$6,000 per year on a month to month basis. This agreement was terminated effective May 1, 2003.

See also Item 12(a) Transactions with Management and Others.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth as of September 22, 2003 the number and percentage of Aspen's shares of \$.005 par value common stock owned of record and beneficially owned by each person owning more than five percent of such common stock, and by each Director, and by all Officers and Directors as a group.

Beneficial Owner	Beneficial Ownership Number of Shares	Percent of Total
R. V. Bailey	1,444,403i	24.63%
Robert A. Cohan	790,619ii	13.48%
Robert F. Sheldon	284,783iii	4.86%
All Officers and Directors as a Group (3 persons)	2,519,805	42.97%

The address for all of the above directors and executive officers is:

2050 S. Oneida St., Suite 208, Denver, CO 80224

(i) This number includes 1,146,083 shares of stock held of record in the name of R. V. Bailey and 16,320 shares of record in the name of Mieko Nakamura Bailey, his wife. In addition, the number of shares owned includes 100,000 shares of common stock granted in a property exchange; stock options to purchase 150,000 shares of restricted common stock; and 200,000 shares of restricted common stock that were exercised on June 11, 2001. Additionally, Aspen issued 32,000 shares of common stock to the Aspen Exploration Profit Sharing Plan for the benefit of R. V. Bailey as a corporation contribution to Mr. Bailey's 401(k) account.

(ii) This number includes 300,000 shares of common stock granted; stock options to purchase 250,000 shares of restricted common stock; and stock options to purchase 200,000 shares of restricted common stock that were exercised on February 27, 2001. Additionally, Aspen issued 30,733 shares of common stock to the Aspen Exploration Profit Sharing Plan for the benefit of Robert A. Cohan as a corporation contribution to Mr. Cohan's 401(k) account.

(iii) This number includes 20,000 shares of common stock granted December 13, 1996, 20,000 shares of common stock granted November 1, 1997; stock options to purchase 150,000 shares of restricted common stock; and stock options granted for 80,000 shares of common stock that were exercised on December 17, 2001.

Except with respect to the employment agreement between Aspen and R. V. Bailey, we know of no arrangement, the operation of which may, at a subsequent date, result in change in control of Aspen.

See Item 5, above, for information regarding securities authorized for issuance under equity compensation plans in the form required by Item 201(d) of Regulation S-B.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The following sets out information regarding transactions between officers, directors and significant shareholders of Aspen during the most recent two fiscal years and during the subsequent fiscal year.

Working Interest Participation:

Some of the directors and officers of Aspen are engaged in various aspects of oil and gas and mineral exploration and development for their own account. Aspen has no policy prohibiting, nor does its Certificate of Incorporation prohibit, transactions between Aspen and its officers and directors. We plan to enter into cost-sharing arrangements with respect to the drilling of its oil and gas properties. Directors and officers may participate, from time to time, in these arrangements and such transactions may be on a non-promoted basis (actual costs), although they have participated mainly on a promoted basis, but must be approved by a majority of the disinterested directors of our Board of Directors.

R. V. Bailey, vice president and director of Aspen, Robert A. Cohan, president and director of Aspen, and Ray K. Davis, consultant to Aspen, each have working and royalty interests in certain of the California oil and gas properties operated by Aspen. The affiliates paid for their proportionate share of all costs to acquire, develop and operate these properties. As of June 30, 2003, working interests of the Company and its affiliates in certain producing California properties are set forth below:

	GROSS WELLS	NET WELLS
	GAS	GAS
	---	---
Aspen Exploration	52	7.07
R. V. Bailey	39	.87
R. A. Cohan	40	.60
R. K. Davis	46	.65
J. L. Shelton	24	.05

Amended Royalty and Working Interest Plan:

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

The allocations for royalty under Aspen's "Royalty and Working Interest Plan" for employees are based on a determination of whether there is any "room" for royalties in a particular transaction. In some specific cases an oil or gas property or project is sufficiently burdened with existing royalties so that no additional royalty burden can be allocated to our employees for that property or project. In other situations a determination may be made that there are royalty interests available for assignment to our employees. The determination of whether royalty interests are available and how much to assign to employees (usually less than 3%) is made on a case by case basis by Robert A. Cohan, president, and R. V. Bailey, vice president, both of whom may benefit from royalty interests assigned. During fiscal 2002, assignments to Mr. Cohan and Mr. Bailey have been on an equal basis, while Ms. Judy Shelton, the corporate office manager, was assigned a lesser amount. For fiscal 2003 Mr. Bailey and Ms. Shelton shared a proportionately lesser amount. A discussion of specific royalties assigned is included in Item 10 "Executive Compensation" above.

27

Aspen Power Systems, LLC:

In order to provide an opportunity for Aspen to participate in the growing demand for electrical power generated by turbines, our management established an 85% owned subsidiary named Aspen Power Systems, LLC ("APS"), a Colorado limited liability company. On March 1, 2000 our interest in APS was reduced to 25%. The transaction is more fully described in Item 1 "Aspen Power Systems, LLC".

APS organized Solano Power, LLC on December 27, 1999 for the purpose of carrying out The Solano Project. Solano Power plans to find a joint venture partner to develop a 50 MW natural gas powered electric generation plant in Solano County, California. We own a 25% interest in Solano Power, the managers; Larry Baccari, R. V. Bailey and Ray K. Davis each contributed \$5,000 to fund Solano operations and own a 25% interest each in the project. The managers are seeking an industry partner in order to financially assist Solano Power to build and operate the plant. At June 30, 2000 APS had expended approximately \$28,400 on behalf of Solano Power as well as accruing expenses for consulting fees of R. V. Bailey and Ray K. Davis of \$31,050 and \$7,462, respectively. At June 30, 2002 Solano had no outstanding obligations and was inactive for most of the year. APS has assumed the responsibilities of finding partners to fund the power plant. At June 30, 2001 Solano transferred its operations to Aspen Power Systems and APS has assumed the responsibility for pursuing this project.

On September 17, 2001, we were advised by the State of California that our 25% owned project in Solano County, California has not been selected by the California Power Commission for further negotiations. Effective December 31, 2002 APS ceased operations and went out of business.

Aspen Borrowings:

During the fiscal years ending June 30, 2002 and 2003, we had no outstanding loans or borrowing obligations.

Other Arrangements:

During the fiscal years 2003 and 2002 Aspen paid for various hospitality functions and for travel, lodging and hospitality expenses for spouses who occasionally accompanied directors when they were traveling on company business. Our president has also supplied Aspen with certain promotional items. The net effect of these items has been a cost to Aspen of less than \$5,000 for the

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

fiscal years ended June 30, 2003 and 2002, respectively. Management believes that the expenditures were to Aspen's benefit. During the years ended June 30, 2003 and 2002, Aspen provided one vehicle each to Aspen's president and vice president.

We also have entered into an employment agreement, which has expired, and a Stock Purchase Agreement, which also expired, with our vice president, as discussed in "Item 10 - Employee Compensation" and "Item 11 - Security Ownership."

We subleased a portion of our vice president's office in a building owned by him in Castle Rock, Colorado on a month to month basis for a monthly fee of \$500. This sublease terminated on April 30, 2003 per the revised employment agreement with Mr. Bailey. See Item 10, R. V. Bailey Employment Contract.

Certain Business Relationships:

None.

(1)-(5) Indebtedness of Management:

None.

Transactions with Promoters:

Not applicable.

28

Compensation Agreements:

Please refer to the prior section, Item 10. Executive Compensation, describing the employment agreements between the Company and Messrs. Bailey and Cohan.

29

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

Exhibits Pursuant to Item 601 of Regulation S-B:

Exhibit No.	Title
3.01	Certificate of Incorporation (1)
3.02	Registrant's Bylaws. (1)
3.03	Bylaws - Subsidiary (1)
3.20*	Registrant's Amended and Restated Bylaws
4.01	Specimen Common Stock Certificate. (1)
10.01	Royalty and Working Interest Plan (1)
10.02*	Employment Agreement between Aspen Exploration Corporation

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

- and Robert A. Cohan dated January 1, 2003 (10)
- 10.03* Employment Agreement between Aspen Exploration Corporation and R.V. Bailey dated May 1, 2003 (10)
- 10.08 Stock Purchase Agreement between Aspen Exploration Corporation and R.V. Bailey dated January, 1983 (7)
- 10.11 Employment Agreement between Aspen Exploration Corporation and R.V. Bailey dated November 8, 1991 (8)
- 10.13 Split-Dollar Life Insurance Plan for R.V. Bailey (8)
- 10.15 Stock Purchase Agreement between Aspen Exploration Corporation and R.V. Bailey dated June, 1993 (9)
- 22.1 Subsidiaries of Aspen Exploration Corporation
- Aspen Gold Mining Company, a Colorado corporation
- Aspen Power Systems, LLC, a Colorado limited liability company
- 31* Certification pursuant to Rule 13a-14
- 32* Certification pursuant to 18 U.S.C.ss.1350

* Filed herewith.

1 Incorporated by reference from Commission File No. 2-69324.

7 Incorporated by reference from Annual Report on Form 10-K dated June 30, 1991 (filed on September 27, 1991).

8 Incorporated by reference from Annual Report on Form 10-K dated June 30, 1992 (filed on October 3, 1992).

9 Incorporated by reference from Annual Report on Form 10-KSB dated June 30, 1993 (filed on September 27, 1993).

10 Incorporated by reference from Annual Report on form 10-KSB dated June 30, 2003 (filed on September 22, 2003).

Reports on Form 8-K.

No Report on Form 8-K was filed by the Company during the fiscal year ending June 30, 2003 or subsequently.

ITEM 14. PRINCIPAL ACCOUNTANT'S FEES AND SERVICES.

(a) Audit Fees.

Our principal accountant, Gordon Hughes & Banks LLP, billed us aggregate fees in the amount of approximately \$15,200 for the fiscal year ended June 30, 2003 and approximately \$15,500 for the fiscal year ended June 30, 2002. These amounts were billed for professional services that Gordon Hughes & Banks LLP provided for the audit of our annual financial statements, review of the financial statements included in our report on 10-QSB and other services typically provided by an accountant in connection with statutory and regulatory filings or engagements for those fiscal years.

(b) Audit-Related Fees.

Gordon Hughes & Banks LLP billed us aggregate fees in the amount of \$1,800 for the fiscal years ended June 30, 2003 and 2002 for assurance and related services that were reasonably related to the performance of the audit or review of our financial statements.

(c) Tax Fees

Gordon Hughes & Banks LLP billed us aggregate fees in the amount of approximately \$4,600 for the fiscal year ended June 30, 2003 and approximately \$4,400 for the fiscal year ended June 30, 2002, for tax compliance, tax advice, and tax planning.

(d) All Other Fees

Gordon Hughes & Banks LLP billed us aggregate fees in the amount of \$-0- for the fiscal years ended June 30, 2003 and 2002 for other fees.

(e) Audit Committee's Pre-Approval Practice

Inasmuch as Aspen does not have an audit committee, Aspen's board of directors performs the functions of its audit committee. Section 10A(i) of the Securities Exchange Act of 1934 prohibits our auditors from performing audit services for us as well as any services not considered to be "audit services" unless such services are pre-approved by the board of directors (in lieu of the audit committee) or unless the services meet certain de minimis standards.

The board of directors has adopted resolutions that provide that the board must:

Preapprove all audit services that the auditor may provide to us or any subsidiary (including, without limitation, providing comfort letters in connection with securities underwritings or statutory audits) as required by Section 10A(i)(1)(A) of the Securities Exchange Act of 1934 (as amended by the Sarbanes-Oxley Act of 2002).

Preapprove all non-audit services (other than certain de minimis services described in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 (as amended by the Sarbanes-Oxley Act of 2002) that the auditors propose to provide to us or any of its subsidiaries.

The board of directors considers at each of its meetings whether to approve any audit services or non-audit services. In some cases, management may present the request; in other cases, the auditors may present the request. The board of directors has approved Gordon Hughes & Banks LLP performing our audit for the 2003 and 2004 fiscal years, as well as tax services for the 2003 and 2004 fiscal years.

The percentage of the fees for audit, audit-related, tax and other services were as set forth in the following table:

Percentage of total fees paid to Gordon Hughes & Banks LLP

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

	Fiscal Year 2003	Fiscal Year 2002
Audit fees	70%	71%
Audit-related fees	8%	8%
Tax fees	22%	21%
All other fees	0%	0%

31

SIGNATURES

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

September 22, 2003

ASPEN EXPLORATION CORPORATION,
a Delaware Corporation

By: /s/ Robert A. Cohan

Robert A. Cohan
President, Chief Executive Officer, and
Chief Financial Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Date	Name and Title	Signature
September 22, 2003	Robert A. Cohan Principal Executive Officer, Principal Financial Officer Director	/s/ Robert A. Cohan ----- Robert A. Cohan
September 22, 2003	R. V. Bailey Chairman of the Board Director	/s/ R. V. Bailey ----- R. V. Bailey
September 22, 2003	Robert F. Sheldon Director	/s/ Robert F. Sheldon ----- Robert F. Shelton

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page

Report of Independent Auditors' Report.....	33
Financial Statements as of June 30, 2003 and June 30, 2002:	
Consolidated Balance Sheets.....	34-35
Consolidated Statements of Operations.....	36
Consolidated Statement of Stockholders' Equity.....	37
Consolidated Statements of Cash Flows.....	38
Notes to Consolidated Financial Statements.....	39-61

INDEPENDENT AUDITORS' REPORT

Board of Directors
Aspen Exploration Corporation and Subsidiary
Denver, Colorado

We have audited the consolidated balance sheets of Aspen Exploration Corporation and Subsidiary as of June 30, 2003 and 2002 and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

fairly, in all material respects, the consolidated financial position of Aspen Exploration Corporation and Subsidiary as of June 30, 2003 and 2002, and the results of their consolidated operations and cash flows for the years ended June 30, 2003 and 2002 in conformity with accounting principles generally accepted in the United States of America.

/s/ GORDON, HUGHES & BANKS, LLP

GORDON, HUGHES & BANKS, LLP

Greenwood Village, Colorado
August 14, 2003

33

Item 7. Financial Statements and Supplementary Data

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30,	
	2003	2002
Current Assets:		
Cash and cash equivalents, including \$516,365 and \$822,060 of invested cash in 2003 & 2002, respectively (Note 1)	\$ 776,566	\$ 916,001
Precious metals (Note 1)	18,823	18,823
Accounts & trade receivables	269,259	365,705
Accounts receivable - related party (Notes 1 and 7)	6,302	12,872
Prepaid expenses	22,181	19,820
	1,093,131	1,333,221
Investment in oil & gas properties, at cost (full cost method of accounting) (Note 9)	6,723,579	5,427,741

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Less accumulated depletion and valuation allowance	(2,674,469)	(2,262,649)
	-----	-----
	4,049,110	3,165,092
	-----	-----
Property and equipment, at cost:		
Furniture, fixtures & vehicles	112,562	112,562
Less accumulated depreciation	(64,178)	(45,810)
	-----	-----
	48,384	66,752
	-----	-----
Cash surrender value, life insurance (Note 2)	-0-	239,095
	-----	-----
Total assets	\$ 5,190,625	\$ 4,804,160
	=====	=====

(Statement Continues)

See Summary of Accounting Policies and Notes to Consolidated Financial Statements

34

Item 7. Financial Statements and Supplementary Data

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30,	
	2003	2002
	-----	-----
Current liabilities:		
Accounts payable and accrued expenses	\$ 581,895	\$ 236,5
Accounts payable - related party (Note 7)	17,685	21,2
Advances from joint interest owners	150,021	230,7
	-----	-----
Total current liabilities	750,401	488,6
	-----	-----
Asset retirement obligation (Note 15)	17,841	-

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Deferred income taxes (Note5)	131,350	89,2
	-----	-----
Total long term liabilities	149,191	89,2
	-----	-----
Total liabilities	899,592	577,8
	-----	-----
Stockholders' equity:		
(Notes 1 and 4):		
Common stock, \$.005 par value:		
Authorized: 50,000,000 shares		
Issued and outstanding: At June 30, 2003 and June 30, 2002:		
5,863,828	29,320	29,3
Capital in excess of par value	6,025,797	6,025,7
Accumulated deficit	(1,756,900)	(1,814,6
Deferred compensation.....	(7,184)	(14,1
	-----	-----
Total stockholders' equity	4,291,033	4,226,2
	-----	-----
Total liabilities and stockholders' equity	\$ 5,190,625	\$ 4,804,1
	=====	=====

See Summary of Accounting Policies and Notes to Consolidated Financial Statements

35

Item 7. Financial Statements and Supplementary Data

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended June 30,	
	2003	2002
	-----	-----
Revenues:		
Oil and gas (Note 9)	\$ 1,068,798	\$ 693,421
Management fees (Note 9)	245,023	134,729
Interest and other income	9,852	41,372
	-----	-----
Total revenues	1,323,673	869,522
	-----	-----

Edgar Filing: ASPEN EXPLORATION CORP - Form 10KSB

Costs and expenses:

Oil and gas production	159,948	117,014
Aspen Power Systems expense (Note 14)	-0-	25,500
Depreciation, depletion and amortization	428,964	358,912
Interest expense	-0-	479
Selling, general and administrative	632,035	604,606
	-----	-----
Total costs and expenses	1,220,947	1,106,511
	-----	-----
Operating income (loss)	102,726	(236,989)
(Provision for) recovery of income taxes	(42,100)	114,904
	-----	-----
Income (loss) before cumulative effect of change in accounting principle	60,626	(122,085)
	-----	-----
Cumulative effect of change in accounting principle, net of income taxes	(2,849)	-0-
	-----	-----
Net income (loss)	\$ 57,777	\$ (122,085)
	=====	=====
Basic earnings (loss) per common share		
Income (loss) before cumulative effect of change in accounting principle	\$.01	\$ (.02)
Cumulative effect of change in accounting principle, net of income taxes	\$ --	\$ --
	-----	-----
Net income (loss)	\$.01	\$ (.02)
	=====	=====
Diluted earnings (loss) per common share.....		
Income (loss) before cumulative effect of change in accounting principle	\$.01	\$ (.02)
Cumulative effect of change in accounting principle, net of income taxes	\$ --	\$ --
	-----	-----
Net income (loss)	\$.01	\$ (.02)
	=====	=====
Basic weighted average number of common shares outstanding	5,863,828	5,863,828
	=====	=====
Diluted weighted average number of common shares outstanding	6,083,528	5,863,828
	=====	=====

See Summary of Accounting Policies and Notes to Consolidated Financial Statements

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Shares outstanding	Common Stock (par \$.005)		Retained Earnings
		Par Value	APIC	
Balance, June 30, 2001	5,812,205	\$ 29,060	\$ 6,015,279	\$(1,692,592)
Options exercised by director	51,623	260	(260)	--
Amortization of deferred compensation	--	--	--	--
Options granted to consultant	--	--	10,778	--
Net loss				