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RANGER INDUSTRIES INC  
Form 10QSB  
November 14, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER: 1-5673

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RANGER INDUSTRIES, INC.

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Exact name of Registrant as specified in its charter

Connecticut

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State or other jurisdiction of incorporation or organization

06-0768904

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I.R.S. Employer Identification No.

3400 82nd Way North, St. Petersburg, FL

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Address of principal executive offices

33710

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Zip Code

Registrant's telephone number, including area code: (727) 381-4904

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

Indicate by check mark whether Ranger (1) has filed all annual, quarterly and other reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Ranger was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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The number of shares outstanding of each of the issuer's classes of common stock, as of November 14, 2001, were 15,610,463 shares, \$0.01 par value.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED CONSOLIDATED BALANCE SHEETS

PART I. FINANCIAL INFORMATION

ASSETS

	September 30, 2001 (Unaudited)	December 31, 2000	Ranger I Dec As p pres For In Purp
	-----	-----	-----
Current assets:			
Cash and cash equivalents	\$ 20,415	\$ 85	\$ 1
Restricted cash and cash equivalents	56,000		
Prepaid expenses and other current assets	25,625	2,000	
Refundable income taxes	--	--	
Accrued interest receivable	14,345	--	
	-----	-----	-----
Total current assets	116,385	2,085	1
Property and equipment	8,236	--	
Restricted cash and cash equivalents	8,500,000	--	
Investment in oil and gas properties	675,097	161,316	
	-----	-----	-----
	\$ 9,299,718	\$ 163,401	\$ 1
	=====	=====	=====

LIABILITES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$ 103,871	\$ --	\$
Accrued expenses, related party	--	50,000	
Accrued expenses, other	--	3,718	
Syndication fees payable	--	149,316	
	-----	-----	-----
Total current liabilities	103,871	203,034	
	-----	-----	-----
Note payable, bank	8,500,000	--	
	-----	-----	-----
Due to affiliates:			
Syndication fee	149,316	--	
Accruals deferred	59,646		
Notes	22,000	--	
	-----	-----	-----
	230,962		
Minority interest	12,000	12,000	
	-----	-----	-----

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Stockholders' equity:

Common stock	199,986*	14,720*	
Capital in excess of par	9,441,859	--	1
Deficit accumulated during development stage	(412,598)	(66,353)	(
Less treasury stock (4,388,181 shares at cost)	(8,776,362)	--	
	-----	-----	-----
	452,885	(51,633)	1
	-----	-----	-----
	\$ 9,299,718	\$ 163,401	\$ 1
	=====	=====	=====

(\*) \$.01 par value 20,000,000 shares authorized; 2001, 19,998,644 shares issued, 15,610,463 shares outstanding; 2000, 14,720,000 shares issued and outstanding

See notes to condensed consolidated financial statements.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended	Nine Months Ended	Three and Nine Months Ended	From In (March 1 thro Sept. 3
	----- Sept. 30, 2001 -----	----- Sept. 30, 2001 -----	----- Sept. 30, 2000 -----	----- Sept. 30, 2000 -----
Revenues	\$ --	\$ --	\$ --	\$ --
Operating costs and expenses:				
Administrative	4,756	15,280	--	
Salaries and wages	31,700	91,945	20,000	1
Stock based compensation	--	--	14,719	
Consulting and professional fees	12,525	162,728	--	1
	-----	-----	-----	-----
Total operating expenses	48,981	269,953	34,719	3
	-----	-----	-----	-----
Interest expense, net of interest income	71,896	76,293	--	
	-----	-----	-----	-----
Loss before income taxes		346,246	--	4
Income taxes:				
Current	--	--	--	
Deferred	--	--	--	
	-----	-----	-----	-----
Net loss	(\$ 120,877)	(\$ 346,246)	(\$ 34,719)	(\$ 4
	=====	=====	=====	=====
Basic loss per share	(\$ .01)	(\$ .02)	(\$ 34.72)	(\$
	=====	=====	=====	=====

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Weighted average shares outstanding	15,610,463	15,464,751	1,000	4,9
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Nine Months Ended September 30,		From Inception (March 18, 1998 through Sept. 30, 2001
	2001	2000	
	-----	-----	-----
Cash flows from operating activities:			
Net loss	(\$ 346,245)	(\$ 34,719)	(\$ 412,598)
	-----	-----	-----
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	--	14,719	14,719
Change in assets and liabilities:			
Prepaid expenses and other assets	11,395	--	31,395
Accrued interest receivable	(14,345)	--	(14,345)
Accounts payable and accrued expenses	(539,220)	20,000	(495,501)
	-----	-----	-----
Total adjustments	(542,170)	34,719	(463,732)
	-----	-----	-----
Net cash used in operating activities	(888,415)	--	(876,330)
	-----	-----	-----
Cash flows from investing activities:			
Acquisition of property and equipment	(8,236)	--	(8,236)
Advances to related parties	(45,471)	--	(45,471)
Collection of advances	45,471	--	45,471
Acquisition of oil and gas properties	(513,781)	--	(525,781)
Cash acquired in business combination	10,233,478	--	10,233,478
Deposits to restricted cash	(8,556,000)	--	(8,556,000)
	-----	-----	-----
Net cash provided by investing activities	1,155,461	--	1,143,461
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from notes payable	8,500,000	--	8,500,000
Acquisition of treasury shares	(8,776,362)	--	(8,776,362)
Borrowings from affiliate	31,646	--	31,646
Repayment of related party debt	(2,000)	--	(2,000)
	-----	-----	-----
Net cash used in financing activities	(246,716)	--	(246,716)
	-----	-----	-----
Net increase in cash and cash equivalents	20,330	--	20,415

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Cash and cash equivalents at beginning of period	85	--	--
	-----	-----	-----
Cash and cash equivalents at end of period (exclusive of restricted cash of \$8,500,000)	\$ 20,415	\$ --	\$ 20,415
	=====	=====	=====
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$ 344,673	\$ --	\$ 344,623
	=====	=====	=====

See notes to condensed consolidated financial statements.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000  
AND FROM INCEPTION (MARCH 18, 1998) THROUGH SEPTEMBER 30, 2001  
(UNAUDITED)

1. Nature of business, basis of presentation and summary of significant accounting policies:

Interim financial statements:

The interim financial statements of Ranger Industries, Inc. and Subsidiaries which are included herein are unaudited and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. In the option of management, these interim financial statements include all the necessary adjustments to fairly present the results of the interim periods, and all such adjustments are of a normal recurring nature. The interim results reflected in the accompanying financial statements are not necessarily indicative of the results of operations for a full fiscal year.

Nature of business and basis of presentation:

Bumgarner Enterprises, Inc. ("Bumgarner" or the "Company") was incorporated under the laws of the State of Florida in March 1998. There was no significant business activity from inception through October 2000. In October 2000, the Company acquired assets in the oil and gas industry through a joint venture investment and has subsequently pursued exploration and development of those and other similar properties.

In February 2001, Bumgarner merged with Ranger Industries, Inc.'s ("Ranger" or the "Registrant") subsidiary (BEI Acquisition Corporation) in consideration of Ranger's issuance of 14,720,000 shares for 100% of Bumgarner's issued and outstanding stock. This transaction was accounted for in accordance with reverse acquisition accounting principles as though it were a re-capitalization of Bumgarner and a sale of shares by Bumgarner in exchange for the net assets of Ranger. In February 2001, Bumgarner completed a tender offer for 4,225,000 shares of Ranger common stock at \$2.00 per share. Simultaneously, Bumgarner acquired an additional 163,181 shares pursuant to the terms of a related merger and acquisition agreement.

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The acquisition was financed through a bank loan in the amount of \$8,500,000, which is collateralized by an equivalent amount in cash and cash equivalents.

As a result, and following the completion, of the merger:

- o Charles G. Masters, the principal shareholder of Bumgarner, acquired 11,401,000 shares of Ranger common stock (including 400,000 shares held through a trust of which he is the trustee); and
- o The directors of the Registrant resigned and appointed Mr. Masters, Robert Sherman Jent, and Henry C. Shults, Jr., to the Registrant's board of directors.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000  
AND FROM INCEPTION (MARCH 18, 1998) THROUGH SEPTEMBER 30, 2001  
(UNAUDITED)

1. Nature of business, basis of presentation and summary of significant accounting policies (continued):

Nature of business and basis of presentation (continued):

Since Bumgarner is considered the acquiror for accounting and financial reporting purposes, the accompanying December 31, 2000 balance sheet has been restated to reflect the financial position of Bumgarner as of that date. The accompanying statements of operations for the nine months ended September 30, 2001 and 2000 include the results of operations and cash flows of Bumgarner for those periods and the results of operations and cash flows of Ranger from the date of acquisition (February 6, 2001) through September 30, 2001. The December 31, 2000 balance sheet of Ranger as previously presented in its December 31, 2000 annual report on Form 10KSB has been presented in the accompanying financial statement for informational purposes only.

Background on Ranger:

In July 1988, Ranger (then known as Coleco Industries, Inc.) filed a voluntary petition in United States Bankruptcy Court under Chapter 11 of the Federal Bankruptcy Code. Effective February 28, 1990, the bankruptcy court approved a plan of reorganization (the "Plan"), pursuant to which all then outstanding debt and equity securities of Ranger were canceled, and 4,000,000 shares of Ranger's new \$0.01 par value common stock (the "Common Stock") were distributed to the unsecured creditors. On the Effective Date of the Plan, Ranger retained \$950,000 in cash for working capital purposes and was expected to engage in the business of acquiring income producing properties or businesses.

The Plan provided for the creation of a Reorganization Trust in order to liquidate the Registrant's remaining assets (other than the \$950,000 in cash retained by Ranger) and effectuate distributions thereof to Ranger's creditors. The Reorganization Trust completed the distribution of its assets in May 1996 and was terminated by order of the bankruptcy court on August 27, 1996.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(UNAUDITED)

1. Nature of business, basis of presentation and summary of significant accounting policies (continued):

Background on Ranger (continued):

The Plan also provided for the creation of a Product Liability Trust in order to settle certain personal injury claims (including claims arising thereafter) against Ranger. Pursuant to the terms of the Product Liability Trust Agreement, residual funds, if any, would revert to Ranger, as grantor of the trust, upon the earlier of (a) February 28, 2020, or (b) approval by the bankruptcy court of earlier termination of the Product Liability Trust. As of September 30, 2001, the Product Liability Trust continues to process and liquidate certain product liability claims after the Bankruptcy Court's approval of a distribution of the majority of its assets to Ranger as described below.

On May 8, 2000, an order of the United States Bankruptcy Court for the Southern District of New York was docketed pursuant to which the trustee of the Product Liability Trust was authorized (i) to obtain insurance covering all claims made against the Product Liability Trust where the injury giving rise to the claim occurred between May 15, 1990 and May 15, 2020, and (ii) after paying \$1,156,000 for the insurance premiums, to make a cash distribution to Ranger of all of the remaining funds in the Product Liability Trust other than \$600,000 which shall remain in the Product Liability Trust to pay for the administrative expenses of the Product Liability Trust. The amount of the net distribution to Ranger, which was made in May 2000, was \$11,002,632.

Oil and gas properties:

The Company uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves and to drill and equip development wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties will be expensed.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000  
AND FROM INCEPTION (MARCH 18, 1998) THROUGH SEPTEMBER 30, 2001  
(UNAUDITED)

1. Nature of business, basis of presentation and summary of significant accounting policies (continued):

Oil and gas properties (continued):

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss, if any, will be recognized at the time of impairment by providing an impairment allowance. Other unproved properties will be amortized based on the Company's experience of successful drilling and average holding period. Capitalized costs of producing oil and gas properties, after considering estimated dismantlement and abandonment costs and estimated salvage values, will be depreciated and depleted by the unit-of-production method. Support equipment and other property and equipment will be depreciated over their estimated useful lives.

The carrying values of the oil and gas properties as reflected in the accompanying balance sheet do not reflect the underlying fair values of such properties.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes:

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits such as net operating loss carryforwards, to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax assets are reviewed periodically for recoverability and valuation allowances are provided, as necessary.

RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(UNAUDITED)



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1. Nature of business, basis of presentation and summary of significant accounting policies (continued):

### Principles of consolidation:

The accompanying consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and the Company's 74.415% interest in Joint Venture Henryetta. All significant intercompany accounts and transactions have been eliminated in consolidation.

2. Business combinations:

As discussed on Note 1, on February 6, 2001, Ranger merged with Bumgarner, acquiring 100% of the outstanding shares in exchange for the issuance of 14,200,000 shares of Ranger's stock. As the transaction has been accounted for as a reverse acquisition (recapitalization of Bumgarner), results of operations for Ranger are included in the accompanying financial statements from February 6 through September 30, 2001.

Assets acquired and liabilities assumed from Ranger are as follows:

Cash	\$ 10,233,478
Other current assets	2,275
Refundable income taxes	32,755
Accounts payable and accrued expenses	(641,373)
	-----
Net assets acquired	\$ 9,627,125
	=====

As also indicated in Note 1, Bumgarner acquired a 74.415% interest in Joint Venture - Henryetta in October 2000. Consideration for this equity interest was in the form of a \$2,073,728 promissory note payable to Henryetta, which bears interest at 6% and is payable in full by October 10, 2002. The Company will forfeit its interest in Henryetta (pro-rata with any unpaid balance) if the note is not paid by the due date or unless the date is extended. Since the note is payable to an entity included in the consolidated financial statements, the note payable, net of a \$467,000 principal repayment and related interest, have been eliminated in consolidation.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
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(UNAUDITED)

2. Business combinations (continued):

Pro-forma results of operations for the nine months ended September 30, 2001 and 2000 as if these combinations had occurred on January 1, 2000 are as follows:

Nine Months Ended Sept. 30,  
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	2001	2000
	-----	-----
Net sales	\$     --	\$     --
Net loss	(\$ 785,877)	(\$ 1,698,986)
Net loss per share	(\$     .05)	(\$     .11)
	=====	=====

### 3. Oil and gas properties:

In October 2000, the Company acquired a 74.415% working interest in Joint Venture - Henryetta, ("Henryetta" or "Joint Venture") which was formed as a general partnership under Oklahoma law and owns four leasehold interests in Okfuskee and Coal counties, Oklahoma. The properties at present have no producing oil or gas wells, although the first well is complete and is expected to begin production in the fourth quarter of 2001. The Company expects to drill at least three additional exploratory wells at a total cost of \$1,800,000. The Joint Venture automatically terminates, unless renewed, in 2010.

The Company has begun the development of a second joint venture also in Central Oklahoma. The new properties are known collectively as the OkMac JV. In the aggregate, the OkMac properties are believed to contain oil and gas reserves of the same order of magnitude as those being developed in the Henryetta JV. As with the Henryetta JV, the company's OkMac joint venture partner is InterOil and Gas Group, Inc. InterOil and Gas Group, Inc. is an Oklahoma based oil services company controlled by Mr. Henry Shults, a member of the Ranger Board of Directors. Ranger owns an 80% after payout, working interest in the OkMac JV. Prior to payout, the company receives 100% of the net revenue. (See Note 4 for additional related party transactions).

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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### 3. Oil and gas properties (continued):

Supplemental information with respect to oil and gas properties is as follows:

Capitalized costs relating to oil and gas exploration and development activities at September 30, 2001:

Unproved oil and gas properties	\$151,480
Proved oil and gas properties	543,617
	-----
	\$695,097
	=====

Costs incurred in oil and gas exploration and development activities for the nine months ended September 30, 2001:

Property acquisition costs:

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Proved	\$ 43,200
Unproved	88,105
Exploration costs	--
Development costs	402,476
	-----
	\$533,781
	=====

Note: Substantially all oil and gas costs incurred are attributable to the majority interest in the joint venture.

### Reserve Information:

The following estimates of proved and proved developed reserve quantities and related standardized measure of discounted net cash flow are estimates only, and do not purport to reflect realizable values or fair market values of the Company's reserves. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available. All of the Company's reserves are located in Oklahoma.

Proved reserves are estimated reserves of crude oil (including condensate and natural gas liquids) and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those expected to be recovered through existing wells, equipment, and operating methods.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000  
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### 3. Oil and gas properties (continued):

The standardized measure of discounted future net cash flows is computed by applying prices of oil and gas (\$25/bbl and \$3.50/mcf, respectively, with no escalation) to the estimated future production of proved oil and gas reserves, less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, less estimated future income tax expenses (based on year-end statutory tax rates, with consideration of future tax rates already legislated) to be incurred on pretax net cash flows less tax basis of the properties and available credits, and assuming continuation of existing economic conditions. The estimated future net cash flows are then discounted using a rate of 10% a year to reflect the estimated timing of the future cash flows.

	Oil (MBbls)	Gas (MMcf)
	-----	-----
Beginning of year and period:		
Proved, developed reserves	--	--
Proved, undeveloped reserves	89	596
	=====	=====

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Total beginning of year and period	89	596
	=====	=====
End of period:		
Proved, developed reserves	26	401
Proved, undeveloped reserves	206	2400
	=====	=====
Total end of period	232	2801
	=====	=====
Standardized measure of discounted future net cash flows at September 30, 2001:		
Future cash inflows	\$ 6,726,826	
Future production costs	(217,500)	
Future development costs	(284,810)	
Future income tax expenses	(2,457,900)	
	-----	
Future net cash flows	3,766,616	
10% annual discount for estimated timing of cash flows	(790,989)	
	-----	
Standardized measures of discounted future net cash flows relating to proved oil and gas reserves at beginning and end of period	\$ 2,975,627	
	=====	
Ranger share at 74.415% (net after taxes)	\$ 2,214,313	
	=====	

As noted in Footnote 1 the carrying values of the oil and gas properties as reflected in the accompanying balance sheet do not reflect the underlying fair values of such properties.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE ENTERPRISE)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000  
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4. Related party transactions:

Syndication and other fees:

The Company has agreed to pay one of the partners in the Joint Venture-Henryetta (Inter-Oil & Gas, Inc. - "Interoil") a syndication fee aggregating \$149,316 in connection with the Company's investment in Henryetta, which is payable by Interoil to an unrelated third party pro-rata upon satisfaction of the note discussed in Note 2 (October 2002). This amount is recorded as a liability in the accompanying consolidated balance sheet. The OkMac JV has no syndication fee.

Inter-Oil also manages the joint ventures and is reimbursed for any costs

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it incurs in that regard. Finally, in addition to the aforementioned fees, that same partner will earn \$25,000 as an operating fee in connection with the deep wells to be drilled in Coal County and \$12,000 for the shallower wells to be drilled in Okfuskee County.

Due to/from affiliates:

The Company had previously loaned an affiliate funds aggregating \$41,000. Repayment of this amount with interest at 12%, was received in the third quarter of 2001. Subsequently, the Company received advances from an affiliate during the quarter ended September 30, 2001. Repayment of these advances has been deferred and will bear interest at 8%. Furthermore, the officer of the Company deferred receipt of certain payroll amounts during the third quarter, which are included in accruals due affiliates in the accompanying balance sheet.

5. Partnership agreements:

Under the terms of the Joint Venture - Henryetta agreement, and subject to satisfaction of the promissory note, the Company is responsible for approximately 93% of expenses and is entitled to 93% of all distributions until such time as its investment has been recovered. The other partners will collectively share in the remaining 7%. Thereafter, profits, losses and distributions shall be allocated 74.415% to the Company, 20% to Inter-Oil and 5.585% to others.

Under the terms of the OkMac joint venture agreement, the Company expects to provide 100% of the exploration and development expenses and is entitled to 100% of all distributions until such time as its investment has been recovered. Thereafter, profits, losses and distributions will be allocated 80% to the Company, and 20% to InterOil and Gas Group, Inc., the joint venture partner and project manager.

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RANGER INDUSTRIES, INC. AND SUBSIDIARIES  
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(UNAUDITED)

6. Note payable, bank

Note payable, bank consists of an \$8,500,000 note collateralized by a restricted certificate of deposit and certain cash equivalents. The loan bears interest at 6.4% and matures January 2003.

7. Income taxes:

Income taxes consist of the following:

Deferred tax benefit of operating loss carryforward	\$ 140,000
Increase in valuation allowance	(140,000)
	-----
Income tax expense	\$ --
	=====

Income tax expense differs from that which would result from applying

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statutory tax rates to pre-tax loss due to the increase in the valuation allowance.

Deferred tax assets consist of the deferred tax benefit from the operating loss carryforward of \$140,000, reduced by a \$140,000 valuation allowance since management cannot presently determine that it is more likely than not that such deferred tax assets will be realized. The operating loss carryforward of approximately \$400,000 will expire in 2015.

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### ITEM 2. Management's Discussion and Analysis or Plan of Operation

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#### General Discussion.

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The following discussion should be read in conjunction with Item 1 above, and the Financial Statements, including the Notes thereto. The following discussion should also be read in conjunction with the financial statements and the Plan of Operations contained in the report on Form 10-KSB Ranger Industries, Inc. ("Ranger") filed with the Securities and Exchange Commission for the year ended December 31, 2000.

Ranger is a Connecticut corporation organized in 1961. Ranger is the successor to the Connecticut Leather Company, which was founded in 1932. From 1961 through 1990, Ranger was known as "Coleco Industries, Inc." In 1988, Ranger, then known as Coleco Industries, Inc., filed a voluntary petition in bankruptcy. In 1990, Ranger's plan of reorganization (the "Plan") was approved by the bankruptcy court and became effective as of February 28, 1990, and Ranger emerged from Chapter 11. From 1990 to 2000, Ranger did not engage in significant business activities. These events are more fully described in Note 1 to the Financial Statements included herein and in the Form 10-KSB referenced above.

In December 2000, Ranger entered into an Agreement and Plan of Merger and Reorganization with Bumgarner Enterprises, Inc., a Florida corporation ("Bumgarner"), and BEI Acquisition Corporation, a Florida corporation and wholly-owned subsidiary of Ranger (the "Merger"). Pursuant to the Merger Agreement, Bumgarner commenced a cash Tender Offer on December 29, 2000 and Merger was completed in February 2001. The acquisition was financed through a bank loan in the amount of \$8,500,000, which is collateralized by an equivalent amount in cash and cash equivalents. The loan bears interest at 6.4% and matures January 2003. The Merger and the Tender Offer and the terms thereof are more fully described in Notes 1 and 2 to the Financial Statements included herein and in the Form 10-KSB referenced above.

Currently Ranger's activities are being conducted through the Henryetta Joint Venture, 74.415% of which is owned by Bumgarner, now a wholly-owned subsidiary of Ranger. The Joint Venture is currently drilling one well (the Joshua #1) on the Joint Venture's property in Oklahoma. If this well finds oil and gas in commercial quantities and can be successfully completed for production, the revenues from this well (together with available working capital) will be adequate to continue the required drilling activities. However, if the Joint Venture's drilling and development activities are not successful or are abandoned, the funds currently available to Ranger and Bumgarner will not be sufficient to fund additional drilling activities on either the Henryetta or OkMac properties.

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Note of Caution Regarding Forward-looking Statements: This report on Form 10-QSB, including the information incorporated by reference herein, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in this report using the term "may", "expects to", and other terms denoting future possibilities, are forward looking statements. These statements include, but are not limited to, those statements relating to development of new products, the financial condition of Ranger (including its lack of working capital and negative cash flow). The accuracy of these statements cannot be guaranteed as they are subject to a variety of risks that are beyond Ranger's ability to predict or control and which may cause actual results to differ materially from the projections or estimates contained herein. The business and economic risks faced by Ranger and Ranger's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors as described herein.

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### Business Activities.

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The following discussion should be read in conjunction with Item 1 above, and the Financial Statements, including the Notes thereto.

The business activities of Ranger have changed since February 2001 as a result of completion of the Merger described above and in the Form 10-KSB referenced above. As a result of the Merger, Ranger acquired a 74.415% interest in the Henryetta Joint Venture, a joint venture that owns assets in the oil and gas industry and is committed to drill for oil and natural gas and assumed a liability to the Henryetta Joint Venture of \$2,073,728. For the foreseeable future, Ranger intends to participate in the oil and gas industry in the continental United States directly and through the Henryetta Joint Venture.

### Third Quarter 2001 Compared With Third Quarter 2000

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Results of operations during the third quarter of 2001 are not comparable to those of the third quarter 2000. Expenses for third quarter of 2000 were limited to minimal salary and stock based compensation. Results for 2001 reflect general and administrative expenses sufficient to support the drilling activities which commenced subsequent to the aforementioned merger.

Unrestricted Cash and Working Capital. As a result of the Merger and the related Tender Offer, Ranger had approximately \$650,000 remaining in unrestricted cash. At September 30, 2001, Ranger had approximately \$20,000 in cash and cash equivalents. Ranger has used this cash for expenses incurred in completing the Merger and the Tender Offer, and in contributions to the Henryetta Joint Venture for drilling expenses.

Exploration and development operations. The Company has completed drilling of the Joshua #1 well, the first element in its program to develop the Henryetta JV properties. Because of technical difficulties encountered in the drilling process, the Joshua #1 well was completed only to a depth of 2600 feet. At this level and above, six pay zones were confirmed. Based on data from the well, an independent engineering evaluation report places the aggregate proven, developed and non-developed reserves in these pay zones to be in excess of 2.2 billion cubic feet of natural gas and 143,000 barrels of oil. Production from the Joshua 31 well is expected to begin in the fourth quarter of 2001.

The Company expects to confirm significant additional reserves in this

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field with the drilling of at least three additional wells to a depth of approximately 5200 feet. The Henryetta JV prospect group is comprised four separate sites designated as Leases A, B, C and D. The Joshua #1 well is located on a 480 acre prospect site known as Lease B. Both Lease A and Lease B, the two smaller development sites in the Henryetta group, are expected to be served by wells drilled to depths of 6000 feet or less. Wells on the Henryetta sites known as Lease C and Lease D are scheduled to be drilled to a minimum depth of up to 7000 feet.

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At September 30, 2001, Ranger's working capital (current assets less current liabilities) was approximately \$12,000.

Working capital does not include \$8,500,000 in restricted cash which is not available to Ranger for general use, but which collateralizes Ranger's obligation to repay an \$8,500,000 loan obtained in connection with completing the Tender Offer.

The Company is actively seeking additional funding in order to accelerate its drilling program to keep pace with its aggressive exploration program. As of the date of this report, several possible funding sources have been identified, but no firm commitment has been negotiated.

It should be noted that the company faces an extremely tight market in regard to drilling rig availability. There is no lack of equipment, but there is an acute shortage of experienced competent crews. The company is in daily contact with drilling contractors seeking to develop an optimum solution for this ongoing problem.

Obligation to the Henryetta Joint Venture. Ranger's interest in the Henryetta Joint Venture derives from Bumgarner. Bumgarner had purchased its interest in the Joint Venture for \$2,073,728, represented entirely by a promissory note bearing interest at 6% per annum. Ranger has paid \$467,000 against the principal amount of this note, and the balance is now due in full on October 10, 2002. The promissory note requires certain incremental payments to be made before maturity, including the payments that Ranger has already made. The Joint Venture consists of three members in addition to Bumgarner and Inter-Oil & Gas Group. Inter-Oil & Gas Group is the manager of the Joint Venture and owns a 20% after-payout interest in the Joint Venture. Henry Shults, the owner of Inter-Oil & Gas Group is also a director of Ranger. At the time Bumgarner negotiated to acquire the interest in the Henryetta Joint Venture, there was no affiliation between Mr. Shults and Bumgarner and the transaction was an arms'-length transaction.

Ranger intends to use its working capital and to raise additional debt and equity capital to make any future payments required to the Henryetta Joint Venture. If the Joshua #1 well is successfully completed, Ranger anticipates that revenues from that well will augment its working capital.

Future Drilling Obligations. The Joshua #1 well is the first of four exploratory wells the Henryetta Joint Venture expects to drill on its four leasehold interests. Based on current expectations, the Henryetta Joint Venture now expects to commence drilling of its second well in the first and second quarter of 2002, depending on availability of funds.

General and Administrative Obligations. Ranger will also have to fund its interest and general and administrative expenses during the final two quarters of the current fiscal year, which Ranger estimates to be approximately \$75,000 in addition to the amounts already spent.



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Other Business Objectives. Even though it does not currently have the necessary capital available to it, Ranger is also investigating other oil and gas drilling activities that, if acquired, will require the expenditure of funds (which expenditure may be significant). Ranger's ability to fund its future operations will be dependent upon achieving profitability, generating positive cash flow from operations or by raising additional debt or equity. As noted above, Ranger is currently considering alternatives to the raising of debt and equity capital to provide additional financing for drilling activities during the current fiscal year and beyond. At the present time, although it has had positive discussions, no person has committed to provide any portion such capital. Although Ranger believes that its existing capital resources are sufficient for the 2001 fiscal year, Ranger may face working capital shortages thereafter, if its is unable to accomplish profitability from the Joint Venture's activities, generate positive cash flow from operations, or raise additional debt or equity.

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### PART II - OTHER INFORMATION

#### Item 1. Legal Proceedings.

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There are no material pending legal or regulatory proceedings against Ranger, and it is not aware of any that are known to be contemplated.

#### Item 2. Changes in Securities and Use of Proceeds.

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None.

#### Item 3. Defaults Upon Senior Securities.

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None.

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

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No matter was submitted during the first quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

#### Item 5. Other Information.

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None.

#### ITEM 6. Exhibits and Reports on Form 8-K

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##### (a) Exhibits:

15. Letter from Aidman Piser & Company, P.A. dated November 14, 2001 on Interim Unaudited Financial Information

##### (b) Reports on Form 8-K:

Ranger's Current Report on Form 8-K reporting events of:

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February 14, 2001, as amended on April 16, 2001 reporting events under Item 1 - Change in Control and Item 2 - Acquisition and Disposition of Assets

April 17, 2001 reporting an event under Item 4 - Change In Accountants

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Ranger Industries, Inc. has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 14, 2001

/s/ Charles G. Masters

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Charles G. Masters, President,  
Principal Executive Officer and  
Principal Financial and Accounting  
Officer

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