

MARINE PETROLEUM TRUST
Form 10-Q
February 14, 2018
Table of Contents

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

Form 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2017

OR

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

For the transition period from _____ to _____.

Commission file number 000-08565

Marine Petroleum Trust

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction
of incorporation or organization)

75-6008017
(I.R.S. Employer
Identification No.)

c/o The Corporate Trustee:

Southwest Bank

2911 Turtle Creek Blvd.

Dallas, Texas 75219

(Address of principal executive offices)

(Zip Code)

(855) 588-7839

(Registrant's telephone number, including area code)

None

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

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

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act. (Check one):

Edgar Filing: MARINE PETROLEUM TRUST - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of units of beneficial interest outstanding as of the latest practicable date:

As of February 1, 2018, Marine Petroleum Trust had 2,000,000 units of beneficial interest outstanding.

Table of Contents

MARINE PETROLEUM TRUST

INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	1
<u>Condensed Consolidated Statements of Assets, Liabilities and Trust Corpus as of December 31, 2017 (Unaudited) and June 30, 2017</u>	1
<u>Condensed Consolidated Statements of Distributable Income for the Three and Six Months Ended December 31, 2017 and 2016 (Unaudited)</u>	2
<u>Condensed Consolidated Statements of Changes in Trust Corpus for the Six Months Ended December 31, 2017 and 2016 (Unaudited)</u>	3
<u>Notes to Condensed Consolidated Financial Statements</u>	4
<u>Item 2. Trustees Discussion and Analysis of Financial Condition and Results of Operations</u>	5
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	11
<u>Item 4. Controls and Procedures</u>	11
PART II. OTHER INFORMATION	
<u>Item 1A. Risk Factors</u>	12
<u>Item 6. Exhibits</u>	12

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****MARINE PETROLEUM TRUST AND SUBSIDIARY****CONDENSED CONSOLIDATED STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS****As of December 31, 2017 and June 30, 2017****ASSETS**

	December 31, 2017 (Unaudited)	June 30, 2017
Current assets:		
Cash and cash equivalents	\$ 937,631	\$ 1,016,681
Federal income tax refundable	2,800	2,800
Producing oil and natural gas properties	7	7
Total assets	\$ 940,438	\$ 1,019,488

LIABILITIES AND TRUST CORPUS

Current liabilities:		
Federal income tax payable	\$	\$
Total current liabilities	\$	\$
Trust corpus 2,000,000 units of beneficial interest authorized, 2,000,000 units issued at nominal value	\$ 940,438	\$ 1,019,488
	\$ 940,438	\$ 1,019,488

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MARINE PETROLEUM TRUST AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF DISTRIBUTABLE INCOME

For the Three and Six Months Ended December 31, 2017 and 2016

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Income:				
Oil and natural gas royalties	\$ 172,613	\$ 211,593	\$ 380,862	\$ 400,139
Oil and natural gas royalties from Affiliate	\$	\$ 106	\$	\$ 174
Interest income	\$ 1,977	\$ 92	\$ 3,234	\$ 170
Total income	174,590	211,791	384,096	400,483
Expenses:				
General and administrative	\$ 81,528	\$ 77,001	\$ 104,102	\$ 94,314
Distributable income before federal income taxes	\$ 93,062	\$ 134,790	\$ 279,994	\$ 306,169
Federal income taxes of subsidiary				
Distributable income	\$ 93,062	\$ 134,790	\$ 279,994	\$ 306,169
Distributable income per unit	\$.05	\$ 0.07	\$.14	\$ 0.15
Distributions per unit	\$.05	\$ 0.09	\$.18	\$ 0.13
Units outstanding	2,000,000	2,000,000	2,000,000	2,000,000

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MARINE PETROLEUM TRUST AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TRUST CORPUS

For the Six Months Ended December 31, 2017 and 2016

(Unaudited)

	Six Months Ended December 31,	
	2017	2016
Trust corpus, beginning of period	\$ 1,019,488	\$ 820,188
Distributable income	\$ 279,994	\$ 306,169
Distributions to unitholders	\$ (359,044)	\$ (269,188)
Trust corpus, end of period	\$ 940,438	\$ 857,169

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MARINE PETROLEUM TRUST AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

(Unaudited)

Note 1. Accounting Policies

The financial statements herein include the financial statements of Marine Petroleum Trust (the Trust) and its wholly owned subsidiary, Marine Petroleum Corporation (MPC), and collectively with the Trust, Marine. The financial statements are condensed and consolidated and should be read in conjunction with Marine's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. The financial statements included herein are unaudited, but in the opinion of Southwest Bank (the Trustee), the Trustee of the Trust, they include all adjustments necessary for a fair presentation of the results of operations for the periods presented. Operating results for the interim periods reported herein are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2018.

Note 2. Basis of Accounting

The financial statements of Marine are prepared on the modified cash basis method and are not intended to present Marine's financial position and results of operations in conformity with generally accepted accounting principles in the United States (GAAP). Under the modified cash basis method the financial statements of Marine differ from financial statements prepared in conformity with GAAP because of the following:

Royalty income is recognized in the month when received by Marine rather than in the month of production.

Marine's expenses (including accounting, legal, other professional fees, trustees' fees and out-of-pocket expenses) are recorded on an actual paid basis in the month paid rather than in the month incurred. Reserves for liabilities that are contingent or uncertain in amount may also be established if considered necessary, which would not be recorded under GAAP.

At the time the Trust was established, no determinable market value was available for the assets transferred to the Trust; consequently, nominal values were assigned. Accordingly, no allowance for depletion has been included. All income from oil and natural gas royalties relate to proved developed oil and natural gas reserves.

The modified cash basis method of accounting corresponds to the accounting principles permitted for royalty trusts by the U.S. Securities and Exchange Commission (the SEC), as specified by Staff Accounting Bulletin Topic 12:E, *Financial Statements of Royalty Trusts*.

Note 3. Distributable Income

The Trust's Indenture (the Indenture) provides that the Trustee is to distribute all cash in the Trust, less an amount reserved for payment of accrued liabilities and estimated future expenses, to unitholders of record on the 28th day of

Edgar Filing: MARINE PETROLEUM TRUST - Form 10-Q

March, June, September and December of each year. If the 28th day falls on a Saturday, Sunday or legal holiday, the payments are to be made on the immediately succeeding business day. Total estimated reserve for future expenses deducted from calculated distributable income for the three months ended December 31, 2017 was \$96,500.

As stated under Note 1. Accounting Policies above, the financial statements in this Quarterly Report on Form 10-Q are the condensed and consolidated financial statements of the Trust and MPC. However, distributable income is paid from the account balances of the Trust. Distributable income is comprised of (i) royalties from offshore Texas leases owned directly by the Trust, (ii) 98% of the royalties received from offshore Louisiana leases owned by MPC, which are retained by and delivered to the Trust on a quarterly basis, (iii) cash distributions from

Table of Contents

the Trust's interest in Tidelands Royalty Trust B (Tidelands), a separate publicly traded royalty trust, (iv) dividends paid by MPC, less (v) administrative expenses incurred by the Trust. Distributions fluctuate from quarter to quarter primarily due to changes in oil and natural gas prices and production quantities and expenses incurred.

Note 4. Investment in Affiliate Tidelands Royalty Trust B

At December 31, 2017 and 2016, the Trust owned 32.6% of the outstanding units of beneficial interest in Tidelands.

The following summary financial statements have been derived from the unaudited condensed consolidated financial statements of Tidelands:

TIDELANDS CONDENSED CONSOLIDATED STATEMENTS OF DISTRIBUTABLE INCOME

	Three Months Ended September 30, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2016
Income	\$ 28,711	\$ 62,493	\$ 114,377
Expenses	\$ 28,228	\$ 35,755	\$ 54,411
Distributable income before Federal income taxes	\$ 483	\$ 28,738	\$ 59,966
Federal income taxes of Tidelands subsidiary	\$	\$	\$ 250
Distributable income	\$ 483	\$ 28,738	\$ 59,716

Tidelands is a reporting company under the Securities Exchange Act of 1934, as amended, that has filed its Annual Report on Form 10-K for the fiscal year ended December 31, 2016. Tideland has not yet filed its financial statements for the fiscal year ended December 31, 2017 with the SEC. Therefore, the Condensed Consolidated Statements of Distributable Income of Tideland have been taken from Tideland's Quarterly Report on Form 10-Q for the period ended September 30, 2017 and Annual Report on Form 10-K for its fiscal year ended December 31, 2016, the latest periods for which such information is publicly available. Reference should be made to Tideland's public filings for current information concerning Tideland's financial position and results of operations.

Item 2. Trustee's Discussion and Analysis of Financial Condition and Results of Operations**Organization**

Marine Petroleum Trust (the Trust) is a royalty trust that was created in 1956 under the laws of the State of Texas. Southwest Bank, an independent state bank chartered under the laws of the State of Texas and headquartered in Fort Worth, Texas, serves as corporate trustee (the Trustee). The Trust's Indenture (the Indenture) provides that the term of the Trust will expire on June 1, 2021, unless extended by the vote of the holders of a majority of the outstanding units of beneficial interest. The Trust is not permitted to engage in any business activity because it was organized for the sole purpose of providing an efficient, orderly and practical means for the administration and liquidation of rights to

Edgar Filing: MARINE PETROLEUM TRUST - Form 10-Q

payments from certain oil and natural gas leases in the Gulf of Mexico, pursuant to license agreements and amendments between the Trust's predecessors and Gulf Oil Corporation (Gulf). As a result of various transactions that have occurred since 1956, these interests now are held by Chevron Corporation (Chevron) and its assignees. The Trust holds title to interests in properties that are situated offshore of Texas.

Table of Contents

The Trust's wholly owned subsidiary, Marine Petroleum Corporation (MPC, and collectively with the Trust, Marine), holds title to interests in properties that are situated offshore of Louisiana because at the time the Trust was created, trusts could not hold these interests under Louisiana law. MPC is prohibited from engaging in a trade or business and only takes those actions that are necessary for the administration and liquidation of its properties.

Marine's rights are generally referred to as overriding royalty interests in the oil and natural gas industry. An overriding royalty interest is created by an assignment by the owner of a working interest in an oil or natural gas lease. The royalty rights associated with an overriding royalty interest terminate when the underlying lease terminates. All production and marketing functions are conducted by the working interest owners of the leases. Income from overriding royalties is paid to Marine either (i) on the basis of the selling price of oil, natural gas and other minerals produced, saved or sold, or (ii) at the value at the wellhead as determined by industry standards, when the selling price does not reflect the value at the wellhead.

The Trustee assumes that some units of beneficial interest are held by middlemen, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners and brokers holding an interest for a customer in street name). Therefore, the Trustee considers the Trust to be a widely held fixed investment trust (WHFIT) for U.S. federal income tax purposes. Accordingly, the Trust will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. The Trustee will provide the required information and the contact information for the Trustee is below:

Southwest Bank

2911 Turtle Creek Blvd., Suite 850

Dallas, Texas 75219

Telephone number: (855) 588-7839

Each unitholder should consult its own tax advisor for compliance with U.S. federal income tax laws and regulations.

Liquidity and Capital Resources

As stated in the Indenture, there is no requirement for capital due to the limited purpose of the Trust. The Trust's only obligation is to distribute the distributable income that is actually collected to unitholders. As an administrator of oil and natural gas royalty interests, the Trust collects royalties monthly, pays administrative expenses and disburses all net royalties that are collected to its unitholders each quarter, subject to the availability of distributable income on the distribution date after the payment of expenses.

The Indenture (and MPC's charter and by-laws) expressly prohibits the operation of any kind of trade or business. The Trust's oil and natural gas properties are depleting assets that are not being replaced due to the prohibition against investments. These restrictions, along with other factors, allow the Trust to be treated as a grantor trust. As a grantor trust, all income and deductions for state and U.S. federal income tax purposes generally flow through to each individual unitholder. The State of Texas imposes a franchise tax, but the Trust does not believe that it is subject to the franchise tax because at least 90% of its income is from passive sources. Please see Marine's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 for further information. MPC is a taxable entity that pays state and U.S. federal income taxes and state franchise taxes. However, MPC's income specifically excludes 98% of the oil and natural gas royalties collected by MPC, which are retained by and delivered to the Trust because of the Trust's net profits interest.

The Leases

Marine relies on public records for information regarding drilling and workover operations. The public records available up to the date of this report indicate that there were no new well completions made during the three months ended December 31, 2017 on leases in which Marine has an interest. As of February 1, 2018, public records also indicated that there were no wells in the process of being drilled or recompleted on other leases in which Marine has an interest.

Table of Contents

Marine holds an overriding royalty interest that is equal to three-fourths of one percent of the working interest and is calculated on the value at the well of any oil, natural gas or other minerals produced and sold from 55 leases covering 199,868 gross acres located in the Gulf of Mexico. Marine's overriding royalty interest applies only to existing leases and does not apply to any new leases that Chevron may acquire. The Trust also owns a 32.6% interest in Tidelands Royalty Trust B (Tidelands). Tidelands has an overriding royalty interest in four oil and natural gas leases covering 17,188 gross acres in the Gulf of Mexico. As a result of this ownership, the Trust receives periodic distributions from Tidelands.

Critical Accounting Policies and Estimates

In accordance with the Staff Accounting Bulletin Topic 12:E, *Financial Statements of Royalty Trusts*, Marine uses the modified cash basis method of accounting. Under this accounting method, royalty income is recorded when received, and distributions to unitholders are recorded when declared by the Trustee of the Trust. Expenses of Marine (including accounting, legal, other professional fees, trustees' fees and out-of-pocket expenses) are recorded on an actual paid basis. Marine also reports distributable income instead of net income under the modified cash basis method of accounting. Cash reserves are permitted to be established by the Trustee for certain contingencies that would not be recorded under generally accepted accounting principles in the United States.

Marine did not have any changes in its critical accounting policies or estimates during the three months ended December 31, 2017. Please see Marine's Annual Report on Form 10-K for the fiscal year ended June 30, 2017 for a detailed discussion of its critical accounting policies.

New Accounting Pronouncements

Since the Trust financial statements are prepared on a modified-cash basis, most accounting pronouncements are not applicable to the Trust. No new accounting pronouncements have been adopted or issued that would have a significant impact on Marine's financial statements.

General

Marine's royalty income is derived from the oil and natural gas production activities of third parties. Marine's royalty income fluctuates from period to period based upon factors beyond Marine's control, including, without limitation, the number of productive wells drilled and maintained on leases that are subject to Marine's interest, the level of production over time from such wells and the prices at which the oil and natural gas from such wells are sold.

Important aspects of Marine's operations are conducted by third parties. Marine's royalty income is dependent on the operations of the working interest owners of the leases on which Marine has an overriding royalty interest. The oil and natural gas companies that lease tracts subject to Marine's interests are responsible for the production and sale of oil and natural gas and the calculation of royalty payments to Marine. The only obligation of the working interest owners to Marine is to make monthly overriding royalty payments that reflect Marine's interest in the oil and natural gas sold. Marine's distributions are processed and paid by its transfer agent, American Stock Transfer & Trust Company, LLC.

The volume of oil and natural gas produced and the selling prices of such oil and natural gas are the primary factors in calculating overriding royalty payments. Production is affected by the natural production decline of the producing wells, the number of new wells drilled and the number of existing wells that are re-worked and placed back in production on the leases. Production from existing wells is anticipated to decrease in the future due to normal well depletion. The operators do not provide Marine with information regarding future drilling or re-working operations that could impact the oil and natural gas production from the leases for which Marine has an overriding royalty

interest.

Summary of Operating Results

During the six months ended December 31, 2017, excluding the Trust's interest in Tidelands, the Trust realized approximately 93% of its royalty income from the sale of oil and approximately 7% of its royalty income

Table of Contents

from the sale of natural gas. During the six months ended December 31, 2016, excluding the Trust's interest in Tidelands, the Trust realized approximately 92% of its royalty income from the sale of oil and approximately 8% of its royalty income from the sale of natural gas. Royalty income includes royalties from oil and natural gas received from producers.

Distributable income per unit for the six months ended December 31, 2017 was \$0.14 as compared to \$0.15 for the comparable period in 2016. Distributions per unit amounted to \$0.18 per unit for the six months ended December 31, 2017, an increase from distributions of \$0.13 per unit for the comparable period in 2016. During the six months ended December 31, 2017, the difference between distributable income per unit and distributions per unit resulted from timing differences between the closing of the financial statements and the determination date of the distribution amount to unitholders.

For the six months ended December 31, 2017, excluding the Trust's interest in Tidelands, oil production decreased to 7,513 barrels (bbls) from 8,333 bbls and natural gas production decreased to 10,052 thousand cubic feet (mcf) from 17,856 mcf as compared to the comparable period in 2016. For the six months ended December 31, 2017, excluding the Trust's interest in Tidelands, the average price realized for oil increased to \$47.18 per bbl as compared to the price of \$44.27 realized for the comparable period in 2016 and the average price realized for natural gas (net of expenses) increased to \$2.61 per mcf as compared to the average price of \$1.75 realized for the comparable period in 2016.

The following table presents the net production quantities of oil and natural gas and distributable income and distributions per unit for the last six quarters.

Quarter Ended	Net Production Quantities ⁽¹⁾		Distributable Income Per Unit	Distributions Per Unit
	Oil (bbls)	Natural Gas (mcf)		
September 30, 2016	3,941	9,087	\$ 0.08	\$ 0.04
December 31, 2016	4,392	8,769	\$ 0.07	\$ 0.09
March 31, 2017	3,735	7,692	\$ 0.07	\$ 0.05
June 30, 2017	6,371	15,319	\$ 0.15	\$ 0.10
September 30, 2017	4,062	5,566	\$ 0.09	\$ 0.13
December 31, 2017	3,451	4,486	\$ 0.05	\$ 0.05

(1) Excludes the Trust's interest in Tidelands.

Results of Operations Three Months Ended December 31, 2017 Compared to the Three Months Ended December 31, 2016

Income from oil and natural gas royalties, excluding the Trust's interest in Tidelands, decreased to \$172,613 during the three months ended December 31, 2017 from \$211,593 realized for the comparable period in 2016. Royalties decreased for the three months ended December 31, 2017 as compared to the comparable period in 2016 primarily due to a decrease in production of oil and natural gas, offset in part by an increase in the price of oil and natural gas.

Distributable income decreased to \$93,062 for the three months ended December 31, 2017 from \$134,790 realized for the comparable period in 2016.

Income from oil royalties, excluding the Trust's interest in Tidelands, for the three months ended December 31, 2017 decreased to \$159,113 from \$194,171 realized for the comparable period in 2016. The volume of oil sold in the three

months ended December 31, 2017 decreased to 3,451 bbls from 4,392 bbls realized for the comparable

Table of Contents

period in 2016, and the average price realized for oil increased to \$46.11 per bbl for the three months ended December 31, 2017 from \$44.21 per bbl realized for the comparable period in 2016.

Income from natural gas royalties (net of expenses), excluding the Trust's interest in Tidelands, for the three months ended December 31, 2017 decreased to \$13,500 from \$17,422 for the comparable period in 2016. The volume of natural gas sold in the three months ended December 31, 2017 decreased to 4,486 mcf from 8,769 mcf realized for the comparable period in 2016, and the average price realized for natural gas (net of expenses) increased to \$3.00 per mcf for the three months ended December 31, 2017 from \$1.99 per mcf realized for the comparable period in 2016.

Income from distributions received from Tidelands for the three months ended December 31, 2017 decreased to \$0.00 from \$106 for the comparable period in 2016. The decrease in distributions from Tidelands was the result of a decrease in production of oil and natural gas despite an increase in the price of both oil and natural gas.

The following table presents the quantities of oil and natural gas sold and the average price realized for the three months ended December 31, 2017, and those realized for the comparable period in 2016, excluding the Trust's interest in Tidelands.

	Three Months Ended December 31,	
	2017	2016
	(unaudited)	
Oil		
Bbls sold	3,451	4,392
Average price	\$ 46.11	\$ 44.21
Natural gas		
Mcf sold	4,486	8,769
Average price, net of expenses	\$ 3.00	\$ 1.99

General and administrative expenses increased to \$81,528 for the three months ended December 31, 2017 from \$77,001 for the comparable period of 2016, primarily due to an increase in professional fees and printing expenses.

Results of Operations Six Months Ended December 31, 2017 Compared to the Six Months Ended December 31, 2016

Income from oil and natural gas royalties, excluding the Trust's interest in Tidelands, decreased to \$380,862 during the six months ended December 31, 2017 from \$400,139 realized for the comparable period in 2016. Royalties decreased for the six months ended December 31, 2017 primarily due to a decrease in production of oil and natural gas, offset in part by an increase in the price of oil and natural gas, as compared to the comparable period in 2016.

Distributable income decreased to \$279,994 for the six months ended December 31, 2017 from \$306,169 realized for the comparable period in 2016.

Income from oil royalties, excluding the Trust's interest in Tidelands, for the six months ended December 31, 2017 decreased to \$354,463 from \$368,902 realized for the comparable period in 2016. The volume of oil sold in the six months ended December 31, 2017 decreased to 7,513 bbls from 8,333 bbls realized for the comparable period in 2016, and the average price realized for oil increased to \$47.18 per bbl for the six months ended December 31, 2017 from \$44.27 per bbl realized for the comparable period in 2016.

Edgar Filing: MARINE PETROLEUM TRUST - Form 10-Q

Income from natural gas royalties (net of expenses), excluding the Trust's interest in Tidelands, for the six months ended December 31, 2017 decreased to \$26,399 from \$31,237 for the comparable period in 2016. The volume of natural gas sold in the six months ended December 31, 2017 decreased to 10,052 mcf from 17,856 mcf realized for the comparable period in 2016, and the average price realized for natural gas (net of expenses) increased

Table of Contents

to \$2.61 per mcf for the six months ended December 31, 2017 from \$1.75 per mcf realized for the comparable period in 2016.

Income from distributions received from Tidelands for the six months ended December 31, 2017 decreased to \$0 from \$174 for the comparable period in 2016. The decrease in distributions from Tidelands was the result of a decrease in production of oil and natural gas, offset in part by an increase in the price of oil and natural gas.

The following table presents the quantities of oil and natural gas sold and the average price realized for the six months ended December 31, 2017, and those realized for the comparable period in 2016, excluding the Trust's interest in Tidelands.

	Six Months Ended December 31,	
	2017	2016
	(unaudited)	
Oil		
Bbls sold	7,513	8,333
Average price	\$ 47.18	\$ 44.27
Natural gas		
Mcf sold	10,052	17,856
Average price, net of expenses	\$ 2.61	\$ 1.75

General and administrative expenses increased to \$104,102 for the six months ended December 31, 2017 from \$94,314 for the comparable period of 2016, primarily due to an increase in professional fees and operation data expenses.

Forward-Looking Statements

The statements discussed in this Quarterly Report on Form 10-Q regarding Marine's future financial performance and results, and other statements that are not historical facts, are forward-looking statements as defined in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Exchange Act. This report uses the words anticipate, believe, budget, continue, estimate, expect, intend, may, plan, or other similar words to identify forward-looking statements. You should read statements that contain these words carefully because they discuss future expectations, contain projections of Marine's financial condition, and/or state other forward-looking information. Actual results may differ from expected results because of: reductions in price or demand for oil and natural gas, which might then lead to decreased production or impair Marine's ability to make distributions; reductions in production due to the depletion of existing wells or disruptions in service, which may be caused by storm damage to production facilities, blowouts or other production accidents, or geological changes such as cratering of productive formations; changes in regulations; general economic conditions; actions and policies of petroleum-producing nations; other changes in domestic and international energy markets; the resignation of the Trustee; and the expiration, termination or release of leases subject to Marine's interests. Additional risks are set forth in Marine's Annual Report on Form 10-K for the fiscal year ended June 30, 2017. Events may occur in the future that Marine is unable to accurately predict or over which it has no control. If one or more of these uncertainties materialize, or if underlying assumptions prove incorrect, actual outcomes may vary materially from those forward-looking statements included in this Quarterly Report on Form 10-Q. Except as required by applicable securities laws, Marine does not undertake any obligation to update or revise any forward-looking statements.

Website

Edgar Filing: MARINE PETROLEUM TRUST - Form 10-Q

Marine makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to such reports at its website at www.marps-marine.com. Each of these reports will be posted on this website as soon as reasonably practicable after such report is electronically filed with, or furnished, to the SEC.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change from the information provided in Marine's Annual Report on Form 10-K, Item 7A: Quantitative and Qualitative Disclosures About Market Risk, for the fiscal year ended June 30, 2017.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Southwest Bank, as Trustee of the Trust, is responsible for establishing and maintaining Marine's disclosure controls and procedures. Marine's disclosure controls and procedures include controls and other procedures that are designed to ensure that information required to be disclosed by Marine in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Marine in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Trustee as appropriate to allow timely decisions regarding required disclosure.

As of December 31, 2017, the Trustee carried out an evaluation of the effectiveness of the design and operation of Marine's disclosure controls and procedures pursuant to Rules 13a-15(b) and 15d-15(b) of the Exchange Act. Based upon that evaluation, the Trustee concluded that Marine's disclosure controls and procedures were effective as of December 31, 2017.

Changes in Internal Control Over Financial Reporting

There have not been any changes in Marine's internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, Marine's internal control over financial reporting.

Table of Contents

PART II. OTHER INFORMATION

Item 1A. Risk Factors

As of the date of this filing, there have been no material changes from the risk factors previously disclosed in the Risk Factors in Marine's Annual Report filed on Form 10-K for the fiscal year ended June 30, 2017.

Item 6. Exhibits

The following exhibits are included herein:

31.1 Certification of the Corporate Trustee pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Corporate Trustee pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

SIGNATURES

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

MARINE PETROLEUM TRUST

Southwest Bank, trustee of Marine Petroleum Trust and not in its individual capacity or otherwise

February 14, 2018

By: /s/ Ron E. Hooper
Ron E. Hooper
Senior Vice President