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CKX Lands Inc
Form 10-K
March 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

Annual Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2009

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 1-31905
CKX Lands, Inc.
(Exact name of registrant as specified in its Charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0144530
(I.R.S. Employer Identification Number)

700 Pujo Street
Lake Charles, LA
(Address of principal executive offices)

70601
(Zip Code)

Registrant's telephone number, including area code: (337) 493-2399

Securities registered pursuant to Section 12(b) of the Act:

Common Stock with no par value
Title of each class

NYSE Amex
Name of each exchange on which registered

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not 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-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

YES NO

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2009 was \$19,938,533 based on the last reported sales price of the Common Stock on June 30, 2009 on the NYSE Amex.

The number of shares of the registrant's Common Stock outstanding as of March 18, 2010, was 1,942,495.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement prepared in connection with the 2010 Annual Meeting of Stockholders are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

Transitional Small Business Disclosure Format Yes No

PART I

Item 1. BUSINESS

General Description

CKX Lands, Inc. is a Louisiana corporation organized in 1930 as Calcasieu Real Estate & Oil Co., Inc., to receive non-producing mineral royalties spun off by a Southwest Louisiana bank. Over the years, as some of the royalties yielded oil and gas income, the Company used the proceeds to purchase land. On May 17, 2005, the Company changed its name from Calcasieu Real Estate & Oil Co., Inc. to CKX Lands, Inc. The primary reason for the change was to help make clear that the Company is not directly involved in oil and gas exploration or operations. As used herein, the “Company” or “CKX” refers to CKX Lands, Inc.

The Company’s shares are listed on the NYSE Amex (previously known as American Stock Exchange), under the symbol CKX. As of March 18, 2010, there were 1,942,495 shares outstanding. The Company had a common equity public float of less than \$75 million as of the last business day of the second fiscal quarter. Consequently, the Company is a small reporting company under the Securities Exchange Commission regulations.

As a reporting company, CKX is subject to the informational requirements of the Securities Exchange Act of 1934 (the “Exchange Act”) and accordingly files its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other information with the Securities and Exchange Commission (the “SEC”). The public may read and copy any materials filed with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at (800) SEC-0330 for further information on the Public Reference Room. As an electronic filer, CKX’s public filings are maintained on the SEC’s Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

The Company owns land and mineral interests, all of which are located in Southwest Louisiana. The Company collects income from this land in the form of oil and gas royalties, agriculture rentals and timber sales. The Company is not involved in the exploration or production of oil and gas nor does it actively farm its lands. These activities are performed by others for royalties or rentals. Parts of the Company’s land are owned in indivision with other owners. The Company’s ownership share in most of this acreage is one-sixth. For convenience the owners jointly operate an entity known as Walker Louisiana Properties (“WLP”) to manage this acreage. Neither the Company nor Walker Louisiana Properties consider themselves to be in oil and gas producing activities inasmuch as: (1) they do not search for crude oil or natural gas in their natural states; (2) they do not acquire property for the purpose of exploration or the removing of oil and gas; and (3) they are not involved in construction, drilling and/or production activities necessary to retrieve oil and gas.

Oil and gas royalties are paid by the operators who own the wells. Timber income is paid by the highest bidder of the timber. There are several mills in the immediate area that compete for timber. All of the agriculture income comes from tenants who pay annual cash rents. The prices paid for oil, gas and timber depend on national and international market conditions. Oil and gas revenues were 89.5% of the Company’s total revenues in 2009 and 95.8% in 2008.

The source of all raw materials for the Company is the land itself. Timber income and agriculture income are renewable resources. All oil and gas income will eventually deplete, but we have no access to this data.

The Company does not spend any money on Research and Development.

The Company does not need government approval of its principal products or services except that the State of Louisiana must approve the size & location of all oil and gas producing units.

Employees

The Company has four employees, all of whom are part-time. There are three officers, and one clerical person. The Company is subject to no union contracts nor does the Company have any hospitalization, pension,

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profit sharing, option or deferred compensation programs. WLP has five full-time employees, and two of these employees are part-time employees of the Company. One employee of WLP is devoted full-time to agriculture, and one employee of WLP is devoted full-time to timber.

Customers

The Company's customers are those who have mineral leases on the Company's property or purchase the timber in competitive bids or execute farming leases. The largest customers are the oil and gas operators under the mineral leases. During 2009, the Company received approximately 30.7% of its total revenues from Swift Energy, 12.3% from Riceland Petroleum, 7.8% from Cox and Perkins, and 6.1% from Kaiser-Francis Oil. Termination of cash receipts from any of these customers or underlying production would have a material adverse effect on the Company.

Environmental and Other Governmental Regulations

The operators of the wells are responsible for complying with environmental and other governmental regulations. However, should an operator abandon a well located on Company land without following prescribed procedure, the land owners could possibly be held responsible. The Company does not believe this would have a material effect on its financial condition.

Item 2.

PROPERTIES

The Company owns a total of 10,941 net acres in the Louisiana Parishes of Allen, Beauregard, Calcasieu, Cameron, Jefferson Davis, LaFourche, Sabine, St. Landry and Vermilion. Most of the acreage is in Southwest Louisiana. Much of this land is owned in indivision. Ownership is as follows:

		2009
100%	Ownership	4,152 acres
40%	Ownership of 1,620 acres with Walker Louisiana Properties	648 acres
50%	Ownership of 440 acres with Prairie Land Company	220 acres
16.667%	Ownership of 35,528 acres comprising Walker Louisiana Properties	5,921 acres

Of the total 10,941 net acres owned by CKX, timberland comprises 6,942 acres, 3,014 acres are agricultural land, 740 acres are marsh land and 245 acres are future subdivision land.

The table below shows, for the years ended December 31, 2009, and December 31, 2008, the Company's net gas produced in thousands of cubic feet (MCF), net oil produced in barrels (Bbl), and average sales prices relating to oil and gas attributable to the royalty interests of the Company.

	Year Ended 12/31/09	Year Ended 12/31/08
Net gas produced (MCF)	98,489	113,150
Average gas sales price (per MCF)(1)	\$ 5.06	\$ 9.92
Net oil produced (Bbl)(2)	15,429	17,114
Average oil sales price (per Bbl)(1,2)	\$ 58.30	\$ 105.20

Notes to above schedule:

- (1) Before deduction of production and severance taxes.
- (2) Excludes plant products.

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Item 3.

LEGAL PROCEEDINGS

The Company was not involved in any legal proceedings as of December 31, 2009.

Item 4.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the three months ended December 31, 2009.

PART II

Item MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock is traded on the NYSE Amex (previously known as American Stock Exchange) under the trading symbol CKX since its listing on December 8, 2003. Prior to the listing there was no established public trading market for the Common Stock, and there had been only limited and sporadic trading in the Common Stock, principally among its shareholders. On February 12, 2010, there were approximately 550 stockholders of record. The Company believes that there are approximately 1,000 beneficial owners of its Common Stock. There were no sales of unregistered securities of the Company and no purchases of equity securities of the Company during 2009 by the Company. The following table sets forth the high and low sales prices as reported in the Wall Street Journal for the Common Stock by quarter during 2009 and 2008.

			First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common stock price per share						
2009	high	\$	13.55	14.99	12.84	12.56
	low	\$	10.95	11.25	11.22	11.25
Common stock price per share						
2008	high	\$	16.50	14.50	13.29	14.05
	low	\$	12.63	12.90	10.58	10.76

The Company has paid cash dividends since 1990. The Company is currently paying a quarterly dividend of 7¢ per share and intends to maintain quarterly dividends. From time to time, the Company may elect to pay an extra dividend. In determining if an extra dividend will be declared, the Board of Directors will take into consideration the Company's current liquidity and capital resources and the availability of suitable timberland that has mineral potential. In 2009, the Company did not pay an extra dividend to shareholders. In 2008, The Company paid an extra dividend of 50¢ per share to shareholders of record at December 15, 2008. A summary of cash dividends is set forth in the table below.

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Total
Cash Dividend per Share						
2009	\$	0.07	0.07	0.07	0.07	0.28
2008	\$	0.07	0.07	0.07	0.57	0.78

Pursuant to a dividend reversion clause in the Company's Articles of Incorporation, dividends not claimed within one year after a dividend becomes payable will expire and revert in full ownership to the Company and the Company's obligation to pay such dividend will cease. During 2009 and 2008, the Company received \$10,070 and none, respectively, in dividend reversions.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

CKX Lands, Inc. began operations in 1930 under the name Calcasieu Real Estate & Oil Co., Inc. It was originally organized as a spin-off by a bank operating in Southwest Louisiana. The purpose of the spin-off was to form an entity to hold non-producing minerals which regulatory authorities required the bank to charge off. Over the years, as some of the mineral interests began producing, the Company used part of the proceeds to acquire land. In 1990, the Company made its largest acquisition when it was one of four purchasers who bought American Airline's fifty percent undivided interest in approximately 35,000 acres in Southwest Louisiana.

Today most of the Company's income is derived from mineral production on the land acquired over the years. CKX receives income from seismic permits, mineral leases and the landowner's portion of any oil and gas production. CKX also receives income from agriculture rents and timber sales. The Company's activities are passive in that it doesn't explore for oil and gas, operate wells or farm land. All timber activities, including planting and harvesting, are contracted.

The Company's income fluctuates as new oil and gas production is discovered on Company land and as wells deplete. Oil and gas activity has decreased from prior year due to lower prices and technology developments used in the Haynesville shale located in northwest Louisiana have pulled drilling resources from our area of operation.

CKX has small interests in 40 different oil and gas fields. The size of the interest is determined by the Company's net ownership in the acreage unit for the well. CKX's interests range from 0.0033% for the smallest to 4.167% for the largest. As the Company does not own or operate the wells, it does not have access to any reserve information.

Eventually, the oil and gas under the Company's current land holdings will be depleted. The Company is constantly looking for additional land to be purchased in southwest Louisiana. Preferably, we search for timberland that has mineral potential.

Results of Operations

Fiscal Year 2009 Compared to Fiscal Year 2008

Revenues for 2009 were \$1,722,132, a decrease of 48.4% when compared with 2008 revenues of \$3,335,874.

Oil and gas revenues decreased by \$1,653,048, or 51.7%, to \$1,541,359 in 2009. Oil and gas revenues consist of royalty, lease rental and geophysical revenue. Royalty revenue decreased by \$1,578,493 or 52.4%, and lease rentals decreased by \$70,925 or 40.4%, from 2008. Geophysical revenues decreased by \$3,630, or 46.4%, from 2008.

Gas production decreased by 14,671 MCF, and the average gas sales price per MCF decreased by 49.4% resulting in a decrease in gas revenue of \$632,206. Revenue from oil production decreased by \$946,287, due to an decrease of 38.1% in the average barrel sales price and a decrease in production of approximately 4,824 barrels.

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The following eight fields produced 76.0% and 78.26% of the Company's oil and gas revenues in 2009 and 2008, respectively. This following schedule shows the number of barrels of oil (Bbl Oil) and MCF of gas (MCF Gas) produced in 2009 and 2008.

Field	Bbl Oil		MCF Gas	
	2009	2008	2009	2008
South Bear Head Creek	6,577	4,318	15,432	11,456
South Jennings	1,612	1,162	26,452	26,502
South Gordon	2,241	4,285	2,745	5,623
South Lake Charles	983	—		