

CALCASIEU REAL ESTATE & OIL CO INC
Form 10QSB
August 02, 2004
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2004

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

For the transition period from _____ to _____

Commission file Number 0-9669

CALCASIEU REAL ESTATE & OIL CO., INC.

(Exact name of small business issuer as specified in its charter)

Louisiana
(state or other jurisdiction of

72-0144530
(I.R.S. Employer

Edgar Filing: CALCASIEU REAL ESTATE & OIL CO INC - Form 10QSB

incorporation or organization)

Identification No.)

One Lakeside Plaza, Lake Charles, Louisiana
(Address of principal executive offices)

70601
(Zip Code)

Issuer's telephone number 337-494-4256

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

The number of shares outstanding of the issuer's No Par Value common stock as of June 30, 2004 was 1,942,495.

Transitional Small Business Disclosure Format. Yes No

Table of Contents

Calcasieu Real Estate & Oil Co., Inc.

Form 10-QSB

For the Quarter Ended June 30, 2004

INDEX

	Page
Part I. <u>Financial Information</u>	
Item 1. <u>Financial Statements</u>	
a. <u>Balance Sheet as of June 30, 2004</u>	1-2
b. <u>Income Statements for the six months ended June 30, 2003 and 2004</u>	3
c. <u>Cash Flow Statements for the six months ended June 30, 2003 and 2004</u>	4
d. <u>Stockholder s Equity Statement for the six months ended June 30, 2004</u>	5
e. <u>Notes to Financial Statements</u>	6
Item 2. <u>Management s Discussion and Analysis of Financial Condition and Results of Operations</u>	7
Item 4. <u>Controls and Procedures</u>	8
Part II. <u>Other Information</u>	
Item 6. <u>Exhibits and Reports on Form 8-K</u>	8
Signatures	9

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

Calcasieu Real Estate & Oil Co., Inc.

Balance Sheet

June 30, 2004

Assets

Current Assets	
Cash and cash equivalents	\$ 1,415,665
Accounts receivables	367,868
	<hr/>
Total Current Assets	1,783,533
	<hr/>
Securities Available for Sale	1,193,266
	<hr/>
Property and Equipment (less accumulated depreciation of \$69,137)	10,767
Timber (less accumulated depletion of \$347,141)	504,817
Land	3,887,776
	<hr/>
	4,403,360
	<hr/>
	\$ 7,380,159
	<hr/>

See accompanying notes

Table of Contents**Calcasieu Real Estate & Oil Co., Inc.****Balance Sheet****June 30, 2004****Liabilities & Stockholders Equity**

Current Liabilities	
Trade payables and accrued expenses	\$ 4,202
Income taxes payable:	
Current	34,427
Deferred	28,208
	<hr/>
Total Current Liabilities	66,837
	<hr/>
Stockholders Equity	
Common stock, no par value: 3,000,000 shares authorized; 2,100,000 shares issued	\$ 72,256
Retained earnings	7,597,167
Accumulated other comprehensive income	19,415
	<hr/>
	7,688,838
Less cost of treasury stock (157,505 shares)	375,516
	<hr/>
	7,313,322
	<hr/>
	\$ 7,380,159
	<hr/>

See accompanying notes

Table of Contents**Calcasieu Real Estate & Oil Co., Inc.****Statements of Income**

	<u>Quarter Ended</u> <u>June 30, 2004</u>	<u>Quarter Ended</u> <u>June 30, 2003</u>	<u>Six Months Ended</u> <u>June 30, 2004</u>	<u>Six Months Ended</u> <u>June 30, 2003</u>
Revenues	\$ 615,085	\$ 363,087	\$ 1,142,822	\$ 813,293
Costs and expenses:				
Oil and gas production	32,562	16,276	67,421	35,621
Agriculture	1,016	1,001	2,548	3,837
Timber	6,914	4,549	8,613	12,356
General and administrative	76,641	63,535	182,551	130,810
Depreciation and depletion	3,755	2,330	5,596	4,376
	<u>120,888</u>	<u>87,691</u>	<u>266,729</u>	<u>187,000</u>
Income from operations	494,197	275,396	876,093	626,293
Other income(expense):				
Gain-Sale of land			1,426	
Interest income	19,944	3,879	24,009	8,486
Dividends on stock	5,371	7,916	13,319	15,833
Gain-Sale of Securities	86,458		86,458	
	<u>111,773</u>	<u>11,795</u>	<u>125,212</u>	<u>24,319</u>
Income before income taxes	605,970	287,191	1,001,305	650,612
Federal and state income taxes:				
Current	193,877	88,508	314,167	200,152
Deferred				
	<u>193,877</u>	<u>88,508</u>	<u>314,167</u>	<u>200,152</u>
Net Income	\$ 412,093	\$ 198,683	\$ 687,138	\$ 450,460
Per common stock (2004; 1,942,495 shares; 2003; 1,952,294 shares)	\$.21	\$.10	\$.35	\$.23
Dividends per share	\$.07	\$.10	\$.14	\$.15

See accompanying notes

Table of Contents**Calcasieu Real Estate & Oil Co., Inc.****Statement of Changes in Cash Flows**

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Cash Flows From Operating Activities		
Net Income	\$ 687,138	\$ 450,460
Noncash (income) expenses included in net income:		
Depreciation and depletion	5,596	4,376
(Gain) on sale of assets	(87,884)	
(Increase) decrease in current assets	(96,718)	21,115
Increase (decrease) in current liabilities	(135,158)	6,446
Net cash provided by operating activities	372,974	482,397
Cash Flows From Investing Activities		
Proceeds from sale of land	5,454	
Purchase of available for sale securities	(1,060,770)	(798,905)
Sale of available for sale securities	1,840,342	701,657
Purchase of property and equipment	(9,719)	(20,265)
Net cash provided by (used in) investing activities	775,307	(117,513)
Cash Flows From Financing Activities		
Dividends paid net of refunds	(259,835)	(489,019)
Purchase of treasury stock		(26,380)
Net cash (used in) investing activities	(259,835)	(515,399)
Net increase (decrease) in cash and cash equivalents	888,446	(150,515)
Cash and cash equivalents:		
Beginning	527,219	583,327
Ending	\$ 1,415,665	\$ 432,812

See accompanying notes

Table of Contents**Calcasieu Real Estate & Oil Co., Inc.****Statement of Changes in Stockholders' Equity****Six Months Ended June 30, 2004**

	<u>Comprehensive Income</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Capital Stock Issued</u>	<u>Treasury Stock</u>
Balance, December 2003		\$ 7,169,864	\$ 55,905	\$ 72,256	\$ 375,516
Comprehensive income:					
Net income first quarter	\$ 275,045	275,045			
Other comprehensive income:					
Unrealized gains of securities available for sale:					
Unrealized holdings gains occurring during quarter net of taxes of \$619	1,027		1,027		
Total comprehensive income	<u>\$ 276,072</u>				
Dividends		(123,861)			
Balance, March 31, 2004		<u>\$ 7,321,048</u>	<u>\$ 56,932</u>	<u>\$ 72,256</u>	<u>\$ 375,516</u>
Comprehensive income:					
Net income second quarter	\$ 412,093	412,093			
Other comprehensive income:					
Realized gains on securities sold					
Net of taxes of \$30,535	(55,923)		(55,923)		
Unrealized holdings gains occurring during quarter net of taxes of \$12,271	18,406		18,406		
Total comprehensive income	<u>\$ 374,576</u>				
Dividends		(135,974)			
Balance, June 30, 2004		<u>\$ 7,597,167</u>	<u>\$ 19,415</u>	<u>\$ 72,256</u>	<u>\$ 375,516</u>

See accompanying notes

Table of Contents

Calcasieu Real Estate & Oil Co., Inc.

Notes to Financial Statements

June 30, 2004

(Unaudited)

Note 1. Basis of Presentation

In the opinion of management, the accompanying balance sheet and related interim statements of income, cash flows, and stockholders' equity include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in accordance with generally accepted accounting principles of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-QSB should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the Calcasieu Real Estate & Oil Co., Inc. 2003 Form 10-K.

Note 2. Earnings Per Share

Net income per share of common stock for the interim periods is based on the weighted average number of shares outstanding for each period.

Note 3. Contingencies

There are no material contingencies known to management. The Company does not participate in off balance sheet arrangements.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Revenue

Revenue for the six months ended June 30, 2004, was \$1,142,822, an increase of \$329,529 or 40.5% over the first six months of 2003. Revenue for the quarter ended June 30, 2004, was \$615,085, an increase of \$251,998 or 69.4% over the second quarter of 2003. Virtually all of this increased revenue was from oil and gas income. Both agriculture income and timber income which together totaled \$148,192 were up for the six months ended June 30, 2004, a total of \$13,642, or 10.1%, over the six months ended June 30, 2004. New production for 2004 from the Castor Creek field produced revenue of \$352,301 for the quarter ended June 30, 2004, and \$391,622 for the six months ended June 30, 2004. This accounted for more than the total increase in oil and gas revenues for 2004 over 2003. The income from the North Gordon field was up 9.5% due to higher oil prices. Oil and gas revenue from the Castor Creek field and the North Gordon field represented 67.4% of all revenues for the six months ended June 30, 2004. Other oil and gas production decreased in the current year compared to the prior year while average prices increased.

Operating Expenses

Total operating expenses increased \$79,729, or 42.6% for the six months ended June 30, 2004, over the six months ended June 30, 2003. Of this amount \$31,800 represented higher oil and gas severance taxes due to greater oil and gas production. General and administrative expenses increased \$51,741 in 2004 over 2003. The largest increases represented in this amount were the American Stock Exchange annual fee of \$15,000, an increase in insurance of \$12,590 and an increase in directors expenses of \$8,575. All of the increase in general and administrative expenses for the second quarter of 2004 over the second quarter of 2003 is due to the American Stock Exchange annual fee.

Financial Condition

Current assets plus securities available for sale totaled \$2,976,799 on June 30, 2004, compared to \$2,128,341 on June 30, 2003. During June, 2004, \$1,000,000 of U.S. Securities matured and this amount was not reinvested in U.S. Securities until July, 2004. Current liabilities, which were also total liabilities were \$66,837 on June 30, 2004, compared to \$44,996 on June 30, 2003.

During the quarter ended June 30, 2004, the Company sold preferred stocks from securities available for sale yielding proceeds of \$366,194. These securities were sold because their dividends did not qualify for the federal income tax exclusion and because they would be more adversely affected by interest rate increases. The Company replaced them with common stocks costing \$512,974 whose dividends qualified for the exclusion.

Table of Contents

Management believes existing cash and short-term investments together with funds generated from operations should be sufficient to meet operating requirements and provide funds for strategic acquisitions.

Issues and Uncertainties

This Quarterly Report contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Actual results could differ materially because of issues and uncertainties such as those listed below, which, among others, should be considered in evaluating the Company's financial outlook.

Revenues from oil and gas provide most of the Company's income. All of these revenues come from wells operated by other companies from property belonging to Calcasieu Real Estate & Oil Co., Inc. Consequently, these revenues fluctuate due to changes in oil and gas prices and changes in the operations of the other companies.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) within 90 days of the filing date of this quarterly report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

31.1 Certifications

31.2 Certifications

32.1 Certification Pursuant to 18 U.S.C. Section 1850 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to 18 U.S.C. Section 1850 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(B) Report of Form 8-K

None filed.

Items 1, 2, 3, 4 and 5 are not applicable and have been omitted.

Table of Contents

Signature

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.

Calcasieu Real Estate & Oil Co., Inc.

/s/ William D. Blake

William D. Blake
Vice-President and Treasurer
Chief Financial Officer

/s/ Arthur Hollins, III

Arthur Hollins, III
President and
Chief Executive Officer

Date: July 26, 2004