

CALCASIEU REAL ESTATE & OIL CO INC

Form 10QSB

November 08, 2004

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 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)

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Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0144530
(IRS Employer
Identification No.)

One Lakeside Plaza, Lake Charles, Louisiana 70601

(Address of principal executive offices)

337-494-4256

(Issuer's telephone number)

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

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 1,942,495

Transitional Small Business Disclosure Format (Check one): Yes No

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Form 10-QSB

For the Quarter Ended September 30, 2004

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Part I. Financial Information

Item 1. Financial Statements

Calcasieu Real Estate & Oil Co., Inc.

Balance Sheet

September 30, 2004

Assets

| | |
|--|---------------------|
| Current Assets | |
| Cash and cash equivalents | \$ 833,959 |
| Accounts receivables | 400,008 |
| | <hr/> |
| Total Current Assets | 1,233,967 |
| | <hr/> |
| Securities Available for Sale | |
| Common stocks | 670,082 |
| U.S. Treasury notes | 1,346,401 |
| Corporate bond | 200,944 |
| | <hr/> |
| | 2,217,427 |
| | <hr/> |
| Property and Equipment (less accumulated depreciation of \$72,746) | 9,051 |
| Timber (less accumulated depletion of \$353,710) | 502,215 |
| Land | 3,887,776 |
| | <hr/> |
| | 4,399,042 |
| | <hr/> |
| | \$ 7,850,436 |
| | <hr/> |

See accompanying notes

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

| | |
|--|---------------------|
| Current Liabilities | |
| Trade payables and accrued expenses | \$ 33,965 |
| Income taxes payable: | |
| Current | 119,533 |
| Deferred | 37,876 |
| | <hr/> |
| Total Current Liabilities | 191,374 |
| | <hr/> |
| Stockholders Equity | |
| Common stock, no par value: 3,000,000 shares authorized; 2,100,000 shares issued | \$ 72,256 |
| Retained earnings | 7,928,406 |
| Accumulated other comprehensive income | 33,916 |
| | <hr/> |
| | 8,034,578 |
| Less cost of treasury stock (157,505 shares) | 375,516 |
| | <hr/> |
| | 7,659,062 |
| | <hr/> |
| | \$ 7,850,436 |
| | <hr/> |

See accompanying notes

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

| | Quarter Ended September 30, 2004 | Quarter Ended September 30, 2003 | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2003 |
|--|-------------------------------------|-------------------------------------|--|--|
| Revenues | \$ 810,111 | \$ 586,669 | \$ 1,952,933 | \$ 1,399,962 |
| Costs and expenses: | | | | |
| Oil and gas production | 34,197 | 26,256 | 101,618 | 61,877 |
| Agriculture | 2,516 | 6,552 | 5,064 | 10,389 |
| Timber | 12,350 | 13,441 | 20,963 | 25,797 |
| General and administrative | 79,881 | 70,263 | 262,432 | 201,073 |
| Depreciation and depletion | 10,178 | 2,360 | 15,774 | 6,736 |
| | 139,122 | 118,872 | 405,851 | 305,872 |
| Income from operations | 670,989 | 467,797 | 1,547,082 | 1,094,090 |
| Other income(expense): | | | | |
| Gain-Sale of land | | | 1,426 | |
| Interest income | 15,808 | 3,830 | 39,817 | 12,316 |
| Dividends on stock | 5,395 | 9,286 | 18,714 | 25,119 |
| Gain-Sale of Securities | | | 86,458 | |
| | 21,203 | 13,116 | 146,415 | 37,435 |
| Income before income taxes | 692,192 | 480,913 | 1,693,497 | 1,131,525 |
| Federal and state income taxes: | | | | |
| Current | 224,976 | 147,565 | 539,143 | 347,717 |
| Deferred | | | | |
| | 224,976 | 147,565 | 539,143 | 347,717 |
| Net Income | \$ 467,216 | \$ 333,348 | \$ 1,154,354 | \$ 783,808 |
| Per common stock (2004; 1,942,495 shares; 2003; 1,952,294 shares) | \$.24 | \$.17 | \$.59 | \$.40 |
| Dividends per share | \$.07 | \$.07 | \$.21 | \$.22 |

See accompanying notes

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

| | Nine Months Ended September 30, 2004 | Nine Months Ended September 30, 2003 |
|--|---|---|
| | <u> </u> | <u> </u> |
| Cash Flows From Operating Activities | | |
| Net Income | \$ 1,154,354 | \$ 783,808 |
| Noncash (income) expenses included in net income: | | |
| Depreciation and depletion | 15,774 | 6,736 |
| (Gain) on sale of assets | (87,884) | |
| (Increase) decrease in current assets | (128,858) | (7,122) |
| Increase (decrease) in current liabilities | 4,038 | (2,982) |
| | <u> </u> | <u> </u> |
| Net cash provided by operating activities | 957,424 | 780,440 |
| | <u> </u> | <u> </u> |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of land | 5,454 | |
| Purchase of available for sale securities | (2,060,625) | (798,905) |
| Sale of available for sale securities | 1,815,878 | 1,301,887 |
| Purchase of property, equipment and land | (15,579) | (35,780) |
| | <u> </u> | <u> </u> |
| Net cash provided by (used in) investing activities | (254,872) | 467,202 |
| | <u> </u> | <u> </u> |
| Cash Flows From Financing Activities | | |
| Dividends paid net of refunds | (395,812) | (625,415) |
| Purchase of treasury stock | | (68,687) |
| | <u> </u> | <u> </u> |
| Net cash (used in) financing activities | (395,812) | (694,102) |
| | <u> </u> | <u> </u> |
| Net increase (decrease) in cash and cash equivalents | 306,740 | 553,540 |
| Cash and cash equivalents: | | |
| Beginning | 527,219 | 583,327 |
| | <u> </u> | <u> </u> |
| Ending | \$ 833,959 | \$ 1,136,867 |
| | <u> </u> | <u> </u> |

See accompanying notes

Table of Contents**Calcasieu Real Estate & Oil Co., Inc.****Statement of Changes in Stockholders Equity****Nine Months Ended September 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 half | \$ 687,138 | 687,138 | | | |
| Other comprehensive income: | | | | | |
| Realized gains of securities sold net taxes of \$30,535 | (55,923) | | (55,923) | | |
| Unrealized holdings gains occurring during half net of taxes of \$12,890 | 19,433 | | 19,433 | | |
| Total comprehensive income | <u>\$ 650,648</u> | | | | |
| Dividends | | (259,835) | | | |
| Balance, June 30, 2004 | | <u>\$ 7,597,167</u> | <u>\$ 19,415</u> | <u>\$ 72,256</u> | <u>\$ 375,516</u> |
| Comprehensive income: | | | | | |
| Net income third quarter | \$ 467,216 | 467,216 | | | |
| Other comprehensive income: | | | | | |
| Unrealized holdings gains occurring during quarter net of taxes of \$9,667 | 14,501 | | 14,501 | | |
| Total comprehensive income - quarter | <u>\$ 481,717</u> | | | | |
| Total comprehensive income - nine months | <u>\$ 1,132,365</u> | | | | |
| Dividends | | (135,977) | | | |
| Balance, September 30, 2004 | | <u>\$ 7,928,406</u> | <u>\$ 33,916</u> | <u>\$ 72,256</u> | <u>\$ 375,516</u> |

See accompanying notes

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Calcasieu Real Estate & Oil Co., Inc.

Notes to Financial Statements

September 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.

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

Results of Operations

Revenue

Revenues for the first nine months of 2004 were \$552,971 or 39.5% over the corresponding period of 2003. Revenues for third quarter of 2004 were up \$223,442 or 38.1% over the third quarter of 2003. Comprising the \$552,971 increase in 2004 over 2003 were an increase of \$358,676 or 29.8% in oil and gas royalties, an increase of \$165,427 or 316.7% in timber sales and an increase of \$28,868 or 19.9% in agricultural income. The increase in oil and gas royalties was partially due to higher prices but primarily due to production from the Castor Creek field which began in 2004. The increase in timber sales is primarily due to timing because of the needs of mills in the immediate area. The increase in agricultural income was due to increased right of way money.

Operating Expenses

Operating expenses increased \$99,979 or 32.7% for the first nine months of 2004 compared to the first nine months of 2003. Of this amount \$39,741 was an increase in oil and gas production expense due entirely to severance taxes which are a percentage of gross oil and gas royalties. General and administrative expenses were \$61,359 higher due to \$24,263 for accrued property taxes, an increase of \$12,130 in insurance, an increase of \$10,000 in directors fees, an increase of \$8,124 in legal fees and \$6,238 higher costs to produce the annual report. Depreciation and depletion were up \$9,038 due entirely to higher timber sales.

Net Income

Net income for the nine months ended September 30, 2004 was up \$370,546 or 47.3% over the nine months ended September 30, 2003. During 2004 the Company had gain on sale of securities of \$86,458 before taxes whereas in 2003 there were none. This made the percentage increase for 2004 larger than it would have been otherwise. The quarter ended September 30, 2004, had net income \$133,868 or 40.2% larger than the quarter ended September 30, 2003.

Financial Condition

Current assets plus securities available for sale totaled \$3,451,394 on September 30, 2004, compared to \$2,254,154 on September 30, 2003. Current liabilities, which were also total liabilities were \$191,374 on September 30, 2004, compared to \$39,141 on September 30, 2003. The increase in liabilities was primarily due to an increase in current income taxes payable.

In July 2004, the Company purchased a \$1,000,000 U.S. Treasury note maturing August, 2005.

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.

Operations

In July, 2004, Mayne & Mertz, Inc. purchased mineral leases from the Company on its one-half interest in 100 acres and its one-sixth interest in 300 acres all in Jefferson Davis Parish. Said leases give Mayne & Mertz, Inc. three years to drill for oil and gas.

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.

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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.

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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.

Date: October 29, 2004

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