

CKX Lands Inc
Form 10-Q
August 13, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

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

Commission File Number 1-31905

CKX Lands, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: CKX Lands Inc - Form 10-Q

Louisiana
(State or other jurisdiction of
incorporation or organization)
700 Pujo Street, Suite 200
Lake Charles, LA
(Address of principal executive offices)

72-0144530
(I.R.S. Employer
Identification No.)
70601
(Zip Code)
(337) 493-2399
(Registrant's telephone number)

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, 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

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 shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: **1,942,495**

Table of Contents

CKX Lands, Inc.

Form 10-Q

For the Quarter ended June 30, 2009

Table of Contents

	Page
Part I. Financial Information	
Item 1. Financial Statements	1
a. <u>Balance Sheets as of June 30, 2009 and December 31, 2008</u>	1
b. <u>Statements of Income for the quarter and six months ended June 30, 2009 and 2008</u>	2
c. <u>Statements of Stockholder's Equity for the six months ended June 30, 2009 and 2008</u>	3
d. <u>Statements of Cash Flows for the six months ended June 30, 2009 and 2008</u>	4
e. <u>Notes to Financial Statements</u>	5-7
Item 2. <u>Management's Discussion and Analysis</u>	8-9
Item 4T. <u>Controls and Procedures</u>	9
Part II. Other Information	
Item 6. <u>Exhibits</u>	10
<u>Signature</u>	11
Exhibits	
<u>Certification of Joseph K. Cooper, President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.</u>	
<u>Certification of Brian R. Jones, Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.</u>	
<u>Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.</u>	

Table of Contents**CKX Lands, Inc.****Part I Financial Information****Item 1. FINANCIAL STATEMENTS****CKX Lands, Inc.****Balance Sheets****June 30, 2009 and December 31, 2008**

	2009	2008
Assets		
Current Assets:		
Cash and cash equivalents	\$ 5,898,895	\$ 5,779,491
Accounts receivable	150,738	226,268
Prepaid expense and other assets	210,011	97,636
Total Current Assets	6,259,644	6,103,395
Securities Available-for-Sale	468,214	522,102
Property and Equipment:		
Building and equipment less accumulated depreciation of \$69,509 and \$65,084, respectively	15,202	11,216
Timber less accumulated depletion of \$499,203 and \$496,323, respectively	362,360	362,991
Land	2,818,213	2,821,300
Total Property and Equipment, net	3,195,775	3,195,507
Total Assets	\$ 9,923,633	\$ 9,821,004
Liabilities and Stockholders Equity		
Current Liabilities:		
Trade payables and accrued expenses	41,358	43,961
Income tax payable - Deferred		32,344
Total Current Liabilities	41,358	76,305
Noncurrent Liabilities:		
Deferred income tax payable	181,818	181,818
Stockholders Equity:		
Common stock, no par value: 3,000,000 shares authorized; 2,100,000 shares issued	72,256	72,256
Retained earnings	10,013,434	9,857,876
Accumulated other comprehensive income	(9,717)	8,265
Less cost of treasury stock (157,505 shares)	(375,516)	(375,516)
Total stockholders equity	9,700,457	9,562,881

Edgar Filing: CKX Lands Inc - Form 10-Q

Total Liabilities and Stockholders Equity	\$ 9,923,633	\$ 9,821,004
---	--------------	--------------

See accompanying Notes to Financial Statements.

Table of Contents**CKX Lands, Inc.****CKX Lands, Inc.****Statements of Income****Quarter and Six Months Ended June 30, 2009 and 2008**

	Quarter Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
Oil and gas	\$ 279,328	\$ 930,659	\$ 737,549	\$ 1,724,699
Agriculture	14,275	20,520	48,972	53,108
Timber	8,046	10,515	18,503	11,152
Total revenues	301,649	961,694	805,024	1,788,959
Costs and Expenses:				
Oil and gas production	26,611	79,470	67,493	146,135
Agriculture	1,996	1,628	2,577	2,323
Timber	3,601	5,277	19,478	15,437
General and administrative	100,617	82,801	185,340	225,840
Depreciation and depletion	1,884	6,789	3,878	8,205
Total cost and expenses	134,709	175,965	278,766	397,940
Income from operations	166,940	785,729	526,258	1,391,019
Other Income / (Expense):				
Interest income	3,854	20,610	8,741	81,785
Dividend income	5,079	13,318	11,702	22,202
Change in unrealized losses on securities available-for-sale	(23,920)	14,348	(23,920)	(66,640)
Gain/(Loss) on securities available-for-sale		(81,644)		(81,644)
Gain on sale of land and other assets	30,719	19,754	40,719	20,908
Net other income / (expense)	15,732	(13,615)	37,242	(23,390)
Income before income taxes	182,672	772,114	563,500	1,367,629
Federal and state income taxes:				
Current	59,496	201,447	173,822	369,322
Deferred	(5,919)	68,142	(37,829)	3,763
Total income taxes	53,577	269,589	135,993	373,085
Net Income	\$ 129,095	\$ 502,525	\$ 427,507	\$ 994,544
Per Common Stock (1,942,495 shares):				
Net Income	\$ 0.07	\$ 0.26	\$ 0.22	\$ 0.51

Edgar Filing: CKX Lands Inc - Form 10-Q

Dividends	\$	0.07	\$	0.07	\$	0.14	\$	0.14
-----------	----	------	----	------	----	------	----	------

See accompanying Notes to Financial Statements.

Table of Contents**CKX Lands, Inc.****CKX Lands, Inc.****Statements of Changes in Stockholders' Equity****Six Months Ended June 30, 2009 and 2008****Six Months Ended June 30, 2009:**

	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Capital Stock Issued	Treasury Stock
December 31, 2008 Balance		\$ 9,857,876	\$ 8,265	\$ 72,256	\$ 375,516
Comprehensive income:					
Net income	\$ 427,507	427,507			
Other comprehensive income:					
Change in unrealized net holdings gains occurring during period, net of taxes of \$11,987	(17,982)		(17,982)		
Total comprehensive income	\$ 409,525				
Dividends		(271,949)			
June 30, 2009 Balance		\$ 10,013,434	\$ (9,717)	\$ 72,256	\$ 375,516

Six Months Ended June 30, 2008:

	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income	Capital Stock Issued	Treasury Stock
December 31, 2007 Balance		\$ 9,404,044	\$ 91,834	\$ 72,256	\$ 375,516
Comprehensive income:					
Net income	\$ 994,544	994,544			
Other comprehensive income:					
Change in unrealized net holdings gains occurring during period, net of taxes of \$46,542	(69,814)				
Change in recognized unrealized loss on securities available for sale, net of taxes of \$26,656	39,984				
Other Comprehensive income, net of taxes	(29,830)		(29,830)		

Edgar Filing: CKX Lands Inc - Form 10-Q

Total comprehensive income \$ 964,715

Dividends (271,949)

June 30, 2008 Balance \$ 10,126,639 \$ 62,004 \$ 72,256 \$ 375,516

See accompanying notes

Table of Contents**CKX Lands, Inc.****CKX Lands, Inc.****Statements of Cash Flows****Six Months Ended June 30, 2009 and 2008**

	2009	2008
Cash Flows From Operating Activities:		
Net Income	\$ 427,507	\$ 994,544
Less non-cash (income) expenses included in net income:		
Depreciation, depletion and amortization	3,878	8,205
Deferred income tax expense	(37,829)	3,763
Less non-operating activities:		
Realized loss on securities sold		81,644
Unrealized (gain) loss on securities	23,920	66,640
Gain from sale of land and other assets	(40,719)	(20,908)
Change in operating assets and liabilities:		
(Increase) decrease in current assets	23,695	(207,581)
Increase (decrease) in current liabilities	(45,672)	(626,043)
Net cash provided from operating activities	354,780	300,264
Cash Flows From Investing Activities:		
Available-for-sale securities Proceeds		1,218,600
Purchase property and equipment and other assets	(7,233)	(291,503)
Proceeds from the sale of property and equipment and other assets		41,310
Proceeds from the sale of land	33,806	
Proceeds from dissolution of partnership	10,000	
Net cash provided from investing activities	36,573	968,407
Cash Flows From Financing Activities		
Dividends paid net of refunds	(271,949)	(1,184,921)
Net cash used in financing activities	(271,949)	(1,184,921)
Net increase in cash and cash equivalents	119,404	83,750
Cash and cash equivalents:		
Beginning	5,779,491	4,823,123
Ending	\$ 5,898,895	\$ 4,906,873
Supplemental disclosures of cash flow information		
Cash payments for:		
Interest	\$	\$

Edgar Filing: CKX Lands Inc - Form 10-Q

Income taxes	\$ 216,890	\$ 844,549
<u>Supplemental schedule of noncash investing and financing activities</u>		
Net change in unrealized and realized gains (losses) on available-for-sale securities	\$ (53,889)	\$ (43,714)

See accompanying Notes to Financial Statements.

Table of Contents

CKX Lands, Inc.

Notes to Financial Statements

June 30, 2009

Note 1. Basis of Presentation

In the opinion of management, the accompanying balance sheets and related interim statements of income, and cash flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in accordance with generally accepted accounting principles. Interim results are not necessarily indicative of results for a full year. The information included in this Form 10-Q should be read in conjunction with Management's Discussion and Analysis and financial statements and notes thereto included in the CKX Lands, Inc. Form 10-K for the fiscal year ended December 31, 2008.

Note 2. Nature of Business and Significant Accounting Policies

Nature of business:

The Company's business is the ownership and management of land. The primary activities consist of leasing its properties for minerals (oil and gas) and raising timber and agriculture.

Significant accounting policies:

Cash and equivalents:

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Pervasiveness 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment securities:

The Company complies with the provisions of the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Under the provisions of this statement, management must make a determination at the time of acquisition whether certain investments in debt and equity securities are to be held as investments to maturity, held as available for sale, or held for trading. Management, under a policy adopted by the board of directors of the Company, made a determination that all debt and equity securities owned at that date and subject to the provisions of the statement would be classified as held available-for-sale.

Under the accounting policies provided for investments classified as held available-for-sale, all such debt securities and equity securities that have readily determinable fair value shall be measured at fair value in the balance sheet. Unrealized holding gains and losses for available-for-sale securities shall be excluded from earnings and reported net of income taxes as a separate component of retained earnings until realized. Realized gains and losses on available-for-sale securities are included in income. The cost of securities sold is based on the specific identification method. Interest on debt securities is recognized in income as earned, and dividends on marketable equity securities are recognized in income when declared.

Table of Contents

CKX Lands, Inc.

Declines in the fair value of available-for-sale securities below their cost that are deemed to be other-than-temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Property and equipment:

Property and equipment is stated at cost. Major additions are capitalized, and maintenance and repairs are charged to income. Depreciation is computed on the straight-line and accelerated methods over the estimated useful lives of the assets.

Timber:

When timber land is purchased with standing timber, the cost is divided between land and timber based on timber cruises contracted by the Company. The costs of reforestation are capitalized. The timber asset is amortized when the timber is sold based on the percentage of the timber sold from a particular tract applied to the amount capitalized for timber for that tract.

Oil and gas:

Oil and gas income is booked when the Company is notified by the well s operators as to the Company s share of the sales proceeds together with the withheld severance taxes. The Company has no capitalized costs relating to oil and gas producing activities and no costs for property acquisition, exploration and development activities.

Recent Accounting Pronouncements

With the exception of those stated below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the six months ended June 30, 2009, as compared to the recent accounting pronouncements described in the Annual Report that are of material significance, or have potential material significance, to the Company.

Effective April 1, 2009, the Company adopted FASB Statement No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. Accordingly, The Company has evaluated subsequent events through August 6, 2009, the date the financial statements were issued.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 provides guidance for using fair value to measure assets and liabilities. The standard expands required disclosures about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company adopted SFAS 157 which did not have an impact on our financial statements.

Note 3. Net Income and Dividends per common stock:

Net Income and Dividends per share of common stock are based on the weighted average number of common stock shares outstanding during the period.

Table of Contents

CKX Lands, Inc.

Note 4. Income taxes:

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

In July 2006, the FASB issued Interpretation (FIN) No. 48 *Accounting for Uncertainty in Income Taxes* an interpretation of FASB Statement No. 109 (FIN 48) to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies that a tax position must be more likely than not of being sustained before being recognized in the financial statements. As required, we adopted the provisions of FIN 48 as of January 1, 2007. The adoption of FIN 48 did not have a material impact on our financial statements.

Note 5. Contingencies:

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

Table of Contents**CKX Lands, Inc.****Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**
Results of Operations**Revenue**

Revenue for the first six months of 2009 was \$805,024 a decrease of \$983,935 or 55.0% over the same period in 2008. Oil and gas income decreased by \$987,150 compared to the same period in 2008. As illustrated in the schedule below, barrels and MCF produced as well as average price per barrel and per MCF were lower in 2009.

	2009	2008
Oil Income	\$ 411,793	\$ 1,062,221
Barrels produced	7,728	10,468
Average price per barrel	\$ 53.29	\$ 101.47
Gas income	\$ 290,026	\$ 616,564
MCF produced	45,323	67,237
Average price per MCF	\$ 6.40	\$ 9.17

The decrease in both oil and gas production was due to depletion in older fields exceeding new fields and new wells within existing fields. The decrease in average price per barrel and MCF is directly related to current energy market price decreases.

Total oil and gas cash receipts from the top 5 production companies for the six months ended June 30, 2009 are as follows:

Production Company	Oil	Barrels	Gas	MCF
Swift Energy	\$ 254,331	4,061	\$ 74,518	8,999
Riceland Petroleum	25,128	539	64,367	11,198
Cox & Perkins	59,829	1,341	10,761	1,536
Kaiser-Francis Oil	24,367	507	33,204	4,892
Gulfmark Energy	34,241	769		
	\$ 397,896	7,217	\$ 182,850	26,625

Costs and Expenses

Total costs and expenses decreased by \$119,174 or 30.0% during the six months ended June 30, 2009 over the same period in 2008. Oil and gas production costs decreased by \$78,642; the decrease is directly related to lower oil and gas revenues. General and administrative expenses decreased by \$40,500 primarily due to prior year executive compensation and timing of accrued expenses.

Table of Contents

CKX Lands, Inc.

Financial Condition

Current assets including securities available-for-sale totaled \$6,727,858 and total liabilities equaled \$223,176 at June 30, 2009. 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.

The Company declared the normal seven cents per common share during the quarter ended June 30, 2009. It is anticipated that the Company will be able to continue paying a seven cents per common share dividend each quarter. 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.

Issues and Uncertainties

This Quarterly Report contains forward-looking statements. 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 discussed 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 CKX Lands, Inc. Consequently, these revenues fluctuate due to changes in oil and gas prices and changes in the operations of the other companies.

Item 3. Not applicable.

Item 4T. CONTROLS AND PROCEDURES
Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1 5. Not Applicable

Table of Contents

CKX Lands, Inc.

Item 6. EXHIBITS

- 3.1 Restated/Articles of Incorporation of the Registrant are incorporated by reference to Exhibit (3)-1 to Form 10 filed April 29, 1981.
- 3.2 Amendment to Articles of Incorporation of the Registrant is incorporated by reference to Exhibit (3.2) to Form 10-K for year ended December 31, 2003.
- 3.3 By-Laws of the Registrant are incorporated by reference to Exhibit (3.3) to Form 10-K for year ended December 31, 2003.
- 10 Contract to Purchase and Sell approximately 3,495 acres in Cameron Parish, Louisiana effective July 3, 2007 is incorporated by reference to Exhibit (10) to Form 10-QSB filed August 13, 2007.
- 31.1 Certification of Joseph K. Cooper, President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 31.2 Certification of Brian R. Jones, Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.

Table of Contents

CKX Lands, Inc.

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.

CKX Lands, Inc.

Date: August 6, 2009

/s/ Joseph K. Cooper
Joseph K. Cooper
President and Chief Executive Officer

Date: August 6, 2009

/s/ Brian R. Jones
Brian R. Jones
Treasurer and Chief Financial Officer