

BP PRUDHOE BAY ROYALTY TRUST

Form 10-K/A

February 15, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K/A**

**Amendment No. 1**

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

For the Fiscal Year ended December 31, 2004

OR

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

Commission File Number 1-10243

**BP PRUDHOE BAY ROYALTY TRUST**

(Exact name of registrant as specified in its charter)

**DELAWARE**

State or other jurisdiction  
of incorporation or organization)

**13-6943724**

(I.R.S. Employer Identification No.)

**THE BANK OF NEW YORK, TRUSTEE**

**101 BARCLAY STREET**

**NEW YORK, NEW YORK**

(Address of principal executive offices)

**10286**

(Zip Code)

Registrant s telephone number, including area code: (212) 815-2492

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

Title of Each Class

**UNITS OF BENEFICIAL INTEREST**

Name of Each Exchange on Which Registered

**NEW YORK STOCK EXCHANGE**

Securities registered pursuant to Section 12(g) of the Act: NONE

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

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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.  Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes  No

The aggregate market value of Units held by nonaffiliates (computed by reference to the closing sale price in New York Stock Exchange transactions on June 30, 2004 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately \$696,998,000.

As of March 30, 2005, 21,400,000 Units of Beneficial Interest were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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*EXPLANATORY NOTE*

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*EXPLANATORY NOTE*

*This amendment to the Annual Report on Form 10-K of BP Prudhoe Bay Royalty Trust for the fiscal year ended December 31, 2004 (the Original Report ) is being filed for the purpose of (i) supplementing the Selected Financial Data in Item 6 of Part II by adding data concerning trust corpus and total assets for each of the five years ended December 31, 2004, (ii) supplementing the narrative under the heading Results of Operations 2003 compared to 2002 in Item 7 of Part II by adding an explanation of the increase in Trust administrative expenses from 2002 to 2003, and (iii) amending and restating the narrative under the heading Disclosure Controls and Procedures in Item 9A of Part II. The Original Report and this amendment continue to speak as of the date of the Original Report.*

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**Table of Contents****PART II****ITEM 6. SELECTED FINANCIAL DATA**

The following table presents in summary form selected financial information regarding the Trust.

|                               | <b>Year ended December 31</b>                  |             |             |             |             |
|-------------------------------|--|-------------|-------------|-------------|-------------|
|                               | <b>2004</b>                                    | <b>2003</b> | <b>2002</b> | <b>2001</b> | <b>2000</b> |
|                               | <b>(in thousands, except per Unit amounts)</b> |             |             |             |             |
| Royalty revenues              | \$ 82,682                                      | 55,986      | 33,061      | 59,934      | 65,026      |
| Interest income               | \$ 11  | 10          | 23          | 70          | 92          |
| Trust administration expenses | \$ 976   | 1,168       | 822         | 724         | 732         |
| Expenses reserve              | \$   |             |             |             | 500         |
| Cash earnings                 | \$ 81,717                                      | 54,828      | 32,262      | 59,280      | 63,886      |
| Cash distributions            | \$ 81,702                                      | 54,867      | 32,246      | 59,319      | 63,838      |
| Cash distributions per unit   | \$ 3.818                                       | 2.564       | 1.507       | 2.772       | 2.983       |
|                               | <b>December 31</b>                             |             |             |             |             |
|                               | <b>2004</b>                                    | <b>2003</b> | <b>2002</b> | <b>2001</b> | <b>2000</b> |
|                               | <b>(dollar amounts in thousands)</b>           |             |             |             |             |
| Trust Corpus                  | \$ 12,881                                      | 14,730      | 16,498      | 18,564      | 20,669      |
| Total Assets                  | \$ 13,052                                      | 15,046      | 17,093      | 19,086      | 21,133      |
| Units outstanding             | 21,400,000                                     | 21,400,000  | 21,400,000  | 21,400,000  | 21,400,000  |

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**ITEM 7. TRUSTEE'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Results of Operations**

Relatively modest changes in oil prices significantly affect the Trust's revenues and results of operations. Crude oil prices are subject to significant changes in response to fluctuations in the domestic and world supply and demand and other market conditions as well as the world political situation as it affects OPEC and other producing countries. The effect of changing economic conditions on the demand and supply for energy throughout the world and future prices of oil cannot be accurately projected.

Royalty revenues are generally received on the Quarterly Record Date (generally the fifteenth day of the month) following the end of the calendar quarter in which the related Royalty Production occurred. The Trustee, to the extent possible, pays all expenses of the Trust for each quarter on the Quarterly Record Date on which the revenues for the quarter are received. For the statement of cash earnings and distributions, revenues and Trust expenses are recorded on a cash basis and, as a result, distributions to Unit holders in each calendar year ending December 31 are attributable to the Company's operations during the twelve-month period ended on the preceding September 30.

As long as the Company's average daily net production from the Prudhoe Bay Unit exceeds 90,000 Barrels, which the Company currently projects will continue until the year 2013, the only factors affecting the Trust's revenues and distributions to Unit holders are changes in WTI Prices, scheduled annual increases in Chargeable Costs, changes in the Consumer Price Index, changes in Production Taxes, changes in the expenses of the Trust, contributions to the cash reserve and interest earned on the cash reserve.

During the years 2003 and 2004 and the period of 2005 up to the date of this report, WTI Prices have been above the level necessary for the Trust to receive a Per Barrel Royalty. Whether the Trust will be entitled to future distributions during the remainder of 2005 will depend on WTI Prices prevailing during the remainder of the year.

**2004 compared to 2003**

Continued increases in world oil prices drove higher WTI Prices in the fourth quarter of 2003 and the first three quarters of 2004 (the period on which calendar 2004 cash basis revenues were based), which averaged 22% higher during that period than during the twelve months ended September 30, 2003. As a result, royalty revenues during 2004 rose approximately 48% from 2003, and cash distributions rose approximately 49%. Chargeable Costs per Barrel increased from \$11.75 to \$12.00, beginning in the first quarter of 2004. Continued increases in the Cost Adjustment Factor, increases in Production Taxes, which averaged approximately 27% higher during the twelve months ended September 30, 2004 than in the prior twelve-month period, and the increase in Chargeable Costs mitigated the effect of the increase in WTI Prices on the Trust's revenues in 2004.

**2003 compared to 2002**

Royalty revenues and cash distributions increased during 2003 by approximately 69% and 70%, respectively, from 2002. The increases were due to increases in WTI Prices, commencing during 2003, which averaged approximately 26% higher during the twelve-month period ended September 30, 2003 (on which calendar 2003 cash basis revenues were based) than during the preceding twelve-month period. A scheduled increase in Chargeable Costs from \$11.25 to \$11.75 beginning in the first quarter of 2003, a small increase in the average Cost Adjustment Factor and increases in Production Taxes, which averaged





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approximately 34% higher during the twelve months ended September 30, 2003 than during the preceding twelve months, combined to offset somewhat the effect on royalty revenues of the higher WTI Prices during fiscal 2003.

Trust administrative expenses increased approximately \$346,000 (approximately 42%) in 2003 from the prior year. The increase was due principally to a one-time \$315,360 payment by the Trust to BP America Inc., a subsidiary of BP, during the first quarter of 2003 to reimburse BP America for annual fees paid by BP America to the New York Stock Exchange for listing the Units. Such annual listing fees are payable by the Trust under the terms of the Trust Agreement. The listing fees for the years 1990 through 1999, aggregating \$315,360, were invoiced by the New York Stock Exchange to BP America, which inadvertently paid them on behalf of the Trust.

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**ITEM 9A. CONTROLS AND PROCEDURES**

**Disclosure Controls and Procedures**

The Trustee has disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. These controls and procedures include but are not limited to controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated to the responsible trust officers of the Trustee to allow timely decisions regarding required disclosure.

Under the terms of the Trust Agreement and the Conveyance, the Company has significant disclosure and reporting obligations to the Trust. The Company is required to provide the Trust such information concerning the Royalty Interest as the Trustee may need and to which the Company has access to permit the Trust to comply with any reporting or disclosure obligations of the Trust pursuant to applicable law and the requirements of any stock exchange on which the Units are issued. These reporting obligations include furnishing the Trust a report by February 28 of each year containing all information of a nature, of a standard and in a form consistent with the requirements of the SEC respecting the inclusion of reserve and reserve valuation information in filings under the Exchange Act and with applicable accounting rules. The report is required to set forth, among other things, the Company's estimates of future net cash flows from proved reserves attributable to the Royalty Interest, the discounted present value of such proved reserves, the assumptions utilized in arriving at the estimates contained in the report, and the estimate of the quantities of proved reserves (including reductions of proved reserves as a result of modification of the Company's estimates of proved reserves from prior years) added during the preceding year to the total proved reserves allocated to the Subject Leases as of December 31, 1987. (See THE ROYALTY INTEREST Chargeable Costs in Item 1.)

In addition, the Conveyance gives the Trust and its independent accountants certain rights to inspect the books and records of the Company and discuss the affairs, finances and accounts of the Company relating to the Subject Leases with representatives of the Company; it also requires the Company to provide the Trust with such other information as the Trustee may reasonably request from time to time and to which the Company has access.

The Trustee's disclosure controls and procedures include ensuring that the Trust receives the information and reports that the Company is required to furnish to the Trust on a timely basis, that the appropriate responsible personnel of the Trustee examine such information and reports, and that information requested from and provided by the Company is included in the reports that the Trust files or submits under the Exchange Act.

As of the end of calendar 2004, the trust officers of the Trustee responsible for the administration of the Trust conducted an evaluation of the Trust's disclosure controls and procedures. Their evaluation considered, among other things, that the Trust Agreement and the Conveyance impose enforceable legal obligations on the Company, and that the Company has provided the information required by those agreements and other information requested by the Trustee from time to time on a timely basis. The officers concluded that the Trust's disclosure controls and procedures are effective.

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**SIGNATURES**

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

**BP PRUDHOE BAY ROYALTY TRUST**

By: THE BANK OF NEW YORK, as  
Trustee

By: /s/ Ming J. Ryan  
Ming J. Ryan  
Vice President

February 15, 2006

The Registrant is a trust and has no officers, directors, or persons performing similar functions. No additional signatures are available and none have been provided.

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**INDEX TO EXHIBITS**

| <b><u>Exhibit No.</u></b> | <b><u>Description</u></b>  |
|---------------------------|--|
| 4.1*                      | BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 among The Standard Oil Company, BP Exploration (Alaska) Inc., The Bank of New York, Trustee, and F. James Hutchinson, Co-Trustee. |
| 4.2*                      | Overriding Royalty Conveyance dated February 27, 1989 between BP Exploration (Alaska) Inc. and The Standard Oil Company.   |
| 4.3*                      | Trust Conveyance dated February 28, 1989 between The Standard Oil Company and BP Prudhoe Bay Royalty Trust.  |
| 4.4*                      | Support Agreement dated as of February 28, 1989 among The British Petroleum Company p.l.c., BP Exploration (Alaska) Inc., The Standard Oil Company and BP Prudhoe Bay Royalty Trust.             |
| 31                        | Rule 13a-14(a) certification. Filed herewith   |
| 32                        | Section 1350 certification. Filed herewith.  |

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\* Incorporated by reference to the correspondingly numbered exhibit to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (File No. 1-10243).