

CKX LANDS, INC.

Form 10-K

March 29, 2016

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, 2015

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)

1508 Hodges Street

70601

Lake Charles, LA

(Zip Code)

(Address of principal executive offices)

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

NYSE MKT

Title of each class

Name of each exchange on which registered

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 Website, 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 such shorter period that the registrant was required to submit and post such files). 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

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 common equity held by non-affiliates of the registrant as of June 30, 2015 based on the closing price on that date of \$14.53 was \$19,773,862.

The number of shares of the registrant's Common Stock outstanding as of March 29, 2016, was 1,942,495.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement prepared in connection with the 2016 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.

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 clarify 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 MKT (previously known as NYSE AMEX), under the symbol CKX. As of March 24, 2016, 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 will provide to stockholders without charge upon their written request a copy of the registrant's annual report on Form 10-K, including the financial statements and the financial statement schedules, required to be filed with the Securities and Exchange Commission for the registrant's most recent fiscal year. Requests should be sent to Brian Jones, President, CKX Lands, Inc., 1508 Hodges Street, Lake Charles, LA 70601.

The Company owns land, timber, and mineral interests and collects income through its ownership in the form of oil and gas royalties, timber sales, and surface leases for farming, right of way and other uses. The Company is not involved in the exploration or production of oil and gas nor does it actively farm its lands.

CKX owns a 100% interest in 6,389 acres and undivided interests ranging from 0.260% to 88.889% in 38,080 acres, including a 16.667% interest in 33,715 acres and a 50.000% interest in 1,775, resulting in an ownership of approximately 13,195 net acres.

CKX does not perform or cause to have performed oil and gas producing activities inasmuch as: (1) we do not search for crude oil or natural gas in their natural states; (2) we do not acquire property for the purpose of exploration or the removing of oil and gas; and (3) we 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 for the timber. There are several mills in the immediate area that compete for timber. Surface income is received for farming, right of way or other surface land uses. The prices paid for oil, gas and timber depend on national and international market conditions. Prices paid for surface leases depend on regional and local market conditions. Oil and gas revenues were 74.023% of the Company's total revenues in 2015 and 56.660% in 2014.

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

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 three employees, all of whom are part-time. There are two officers, and one clerical person. The Company is subject to no union contracts nor does the Company have any hospitalization, pension, profit sharing, option or deferred compensation programs.

Customers

The Company's customers are those who have mineral leases on Company lands, purchase timber in competitive bids or execute surface leases for farm or other purposes. During 2015, the Company received approximately 72.210% of its total revenues from the following customers:

<u>Customer</u>	Revenue Type	% of Total Revenue
EOG Resources, Inc.	Oil & Gas	15.73%
Riceland Petroleum Company	Oil & Gas	10.80%
Pintail Oil & Gas LLC	Oil & Gas	10.60%
Midstates Petroleum Company	Oil & Gas	8.83%
Swift Energy Operating, LLC	Oil & Gas	7.71%
Arcadia Operating, LLC	Oil & Gas	7.15%
Cameron Interstate Pipeline, LLC	Surface	6.02%
Kaiser-Francis Oil Company	Oil & Gas	5.37%

Loss of cash receipts from any of these customers or revenue streams 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 procedures, 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 approximately 13,195 net acres all located in Louisiana. The approximate gross and net acres located in each Louisiana parish are presented below.

<u>Parish</u>	Gross Acres	Net Acres
Calcasieu	16,661	4,169
Jefferson Davis	9,890	2,293
Allen	9,188	2,657
Beauregard	6,277	3,374
Cameron	1,703	350
LaFourche	240	40
Natchitoches	200	200
Vermilion	180	30
St. Landry	80	32
Sabine	50	50
Total	44,469	13,195

Included in the 13,195 net acres presented above, are approximately 6,389 acres owned 100% by the Company. The approximate acres located in each Louisiana parish of these 100% owned parcels are presented below.

<u>Parish</u>	Acres
Beauregard	2,714
Calcasieu	1,498
Allen	1,121
Jefferson Davis	644
Natchitoches	200
Cameron	162
Sabine	50
Total	6,389

Of the total 13,195 net acres owned by CKX, timber land comprises 9,833 acres, 2,225 acres are agricultural land, 943 acres are marsh land and 194 acres are future subdivision land.

The table below shows, for the years ended December 31, 2015 and December 31, 2014, 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 as reported by the various producers.

	Year Ended	Year Ended
	12/31/15	12/31/14
Net gas produced (MCF)	55,910	46,457
Average gas sales price (per MCF) ⁽¹⁾	\$ 3.33	\$ 5.05
Net oil produced (Bbl) ⁽²⁾	10,590	10,593
Average oil sales price (per Bbl) ^(1,2)	\$ 51.67	\$ 98.03

Notes to above schedule:

⁽¹⁾ Before deduction of severance taxes and other charges.

⁽²⁾ Excludes plant products.

Item 3. LEGAL PROCEEDINGS

The Company was not involved in any legal proceedings as of December 31, 2015.

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, 2015.

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

The Company's Common Stock is traded on the NYSE MKT (previously known as NYSE AMEX) 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 March 24, 2016, there were approximately 477 stockholders of record. There were no sales of unregistered securities of the Company and no purchases or sales of CKX equity securities during 2015 by the Company. The closing price for the Common Stock was \$10.35 on March 28, 2016. The following table sets forth the high and low sales prices for the Common Stock by quarter during 2015 and 2014.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Common stock price per share 2015 high	16.60	16.75	14.10	12.30
Low	14.16	14.02	10.60	9.42
Common stock price per share 2014 high	16.20	16.80	17.05	16.30
low	14.26	14.58	15.42	15.40

The Company has changed the manner in which it determines whether a dividend will be declared. The Company will no longer have a "regular" or "extra" dividend as have been defined in prior filings. In determining whether a dividend will be declared, the Board of Directors will take into account the Company's prior fiscal year's cash flows from operations and the current economic conditions among other information deemed relevant.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year Total
Cash Dividend per Share 2015	\$ 0.07				