MARINE PETROLEUM TRUST
Form 10-K
September 29, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended June 30, 2014

OR

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

For the transition period from __________to __________.

Commission File No. 000-08565

Marine Petroleum Trust

(Exact name of registrant as specified in its charter)

Texas	**75-6008017**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

c/o Corporate Trustee:

Southwest Bank

2911 Turtle Creek Blvd., Dallas, Texas	**75219**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code

(at the office of the Corporate Trustee):

(855) 588-7839

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

None

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

Units of Beneficial Interest

(Title of Class)

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

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 x

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 x 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. x

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. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ¨ NO x

The aggregate market value of units of beneficial interest held by non-affiliates of the registrant at December 31, 2013 (the last business day of the registrant s most recently completed second fiscal quarter) was approximately $24.7 million. (For purposes of determination of the above stated amount, only directors, executive officers and 10% or greater unitholders have been deemed affiliates.)

The number of units of beneficial interest outstanding as of September 15, 2014 was 2,000,000.

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PART I

ITEM 1. BUSINESS

Organization. Marine Petroleum Trust (the Trust) is a royalty trust that was created in 1956 under the laws of the State of Texas. The Trust was organized for the sole purpose of providing an efficient, orderly and practical means for the administration and liquidation of rights to payments from certain oil and natural gas leases in the Gulf of Mexico, under license agreements and amendments thereto between the Trust s predecessors and Gulf Oil Corporation (Gulf). As a result of various transactions that have occurred since 1956, the Gulf interests are now held by Chevron Corporation (Chevron) and its assignees.

The indenture pursuant to which the Trust was created (as amended, the Indenture) provides that the corporate trustee is to distribute all cash in the Trust, less an amount reserved for the payment of accrued liabilities and estimated future expenses, to unitholders of record on the last business day of February, May, August and November. Payments are to be made on the 28th day of September, December, March and June of each fiscal year. If the 28th falls on a Saturday, Sunday or legal holiday, the distribution is payable on the next succeeding business day. Southwest Bank, an independent state bank chartered under the laws of the State of Texas and headquartered in Fort Worth, Texas (Southwest Bank), currently serves as corporate trustee. On May 22, 2014, the unitholders approved Southwest Bank as successor trustee, effective August 27, 2014.

The Indenture prohibits the operation of any kind of trade or business by the Trust and also provides that the term of the Trust will expire on June 1, 2021, unless extended by the vote of the holders of a majority of the outstanding units of beneficial interest.

The Trust s wholly-owned subsidiary, Marine Petroleum Corporation (MPC, collectively with the Trust, Marine), holds title to interests in properties subject to the Trust s interests that are situated offshore of Louisiana. Ninety-eight percent of all oil, natural gas, and other mineral royalties collected by MPC, less the receiving and collection costs are retained by and delivered to the Trust. MPC retains the remaining two percent of the overriding royalties along with other items of income and expense until the board of directors declares a dividend out of the corpus. MPC, like the Trust, is prohibited from engaging in a trade or business and only does those things that are necessary for the administration and liquidation of its properties. Marine s only industry segment or purpose is the administration and collection of royalties.

Royalties. Marine s rights are generally referred to as overriding royalty interests by the oil and natural gas industry, and are sometimes referred to as overriding royalty interests in this Annual Report on Form 10-K. All production and marketing functions are conducted by the working interest owners of the leases. Revenues from overriding royalties are paid to Marine either (i) on the basis of the selling price of oil, natural gas and other minerals produced, saved and sold, or (ii) at the value at the wellhead as determined by industry standards, when the selling price does not reflect the value at the wellhead.

Marine holds an overriding royalty interest equal to three-fourths of 1% of the value at the well of any oil, natural gas, or other minerals produced and sold from the leases described in the Properties section below. Marine s overriding royalty interest applies only to existing leases and does not apply to new leases that Chevron or its assignees may acquire.

Marine also owns a 32.6% interest in Tidelands Royalty Trust B (Tidelands), a separate Texas trust, which owns interests in four leases covering an aggregate of 17,188 gross acres. The term of the Tidelands royalty trust will expire in 2021, unless extended by the affirmative vote of the holders of a majority of the outstanding units of beneficial interest. Tidelands indenture provides that the corporate trustee is to distribute all cash in the trust, less an amount reserved for payment of accrued liabilities and estimated future expenses, to unitholders of record on the last business day of March, June, September and December of each year. Pursuant to the Indenture, such distributions are to be made within 15 days of the record date. Distributable income is paid from the unconsolidated account balances of Tidelands. Distributable income is comprised of (i) royalties from offshore Texas leases owned directly by Tidelands, plus (ii) 95% of the overriding royalties received by its subsidiary that are retained by and delivered to Tidelands on a quarterly basis, less (iii) administrative expenses of Tidelands. Marine recommends that you read Tidelands public filings for a description of its risks, business, properties and financial condition and results of operations.

As of the date of filing of this Annual Report on Form 10-K, the leases subject to Marine s interests cover an aggregate of 217,056 gross acres (including Tidelands interest in 17,188 gross acres). These leases will remain in force until the leases terminate or expire pursuant to their respective terms. Leases may be voluntarily released by the working interest owner after oil and natural gas reserves are produced. Leases may also be abandoned by the working interest owner due to the failure to discover and produce sufficient reserves to make development economically worthwhile. In addition, the U.S. federal government may terminate a lease if the working interest owner fails to develop a lease once it is acquired.

For the fiscal year ended June 30, 2014, approximately 84% of Marine s royalty revenues were attributable to the sale of oil and approximately 16% of Marine s royalty revenues were attributable to the sale of natural gas. The royalty revenues received by Marine are affected by a number of factors, including seasonal fluctuations in demand, the ability of wells to produce due to depletion and changes in the market prices for oil and natural gas. The following table presents the percent of royalties received from various working interest owners, which account for the royalties received in each of the past three years.

	Fiscal Year Ended June 30,		
Company	**2014**	**2013**	**2012**
Chevron USA, Inc.	84%	73%	67%
Fieldwood Energy LLC	4%	6%	7%
Renaissance Energy	3%	4%	7%
Anglo Suisse Offshore Partners LLP	3%	4%	5%
Apache Corporation	1%	3%	5%
Energy XXI GOM LLC	1%	1%	1%
McMoran Oil & Gas LLC	1%	1%	1%
W&T Offshore Inc.	1%		
Others	2%	8%	7%
	100%	100%	100%

In addition, Marine s revenues from its interest in Tidelands accounted for approximately 5%, 9%, and 9% of Marine s revenues for the fiscal years ended June 30, 2014, 2013 and 2012, respectively. Tidelands has reported that royalty revenues from Black Elk Energy Offshore Operations, LLC and Apache Corporation accounted for more than 95% of Tidelands royalty revenue for each of the years ended December 31, 2013 and 2012 and Black Elk Energy Offshore Operations, LLC, Apache Corporation, W&T Offshore, Inc. and JX Nippon Oil & Gas Exploration Corp. (NOEX) accounted for more than 95% of Tidelands royalty revenue for the year ended December 31, 2011.

Marine derives no revenues from foreign sources and has no export sales.

Trust Functions. The Trust is administered by officers and employees of its Trustee. The Trust has no employees. See *Item 10. Directors, Executive Officers and Corporate Governance*.

All aspects of Marine s operations are conducted by third parties. These operations include the production and sale of oil and natural gas and the calculation of royalty payments to Marine, which are conducted by oil and natural gas companies that lease tracts subject to Marine s interests. American Stock Transfer and Trust Company, LLC is the transfer agent for Marine and is responsible for reviewing, processing and paying distributions.

Through April 30, 2014, MPC leased office space in Dallas, Texas to provide work space and record storage for the Trust, MPC, Tidelands and Tidelands wholly-owned subsidiary, Tidelands Royalty Trust B Corporation. The cost of this office facility was shared by MPC and Tidelands Royalty Trust B Corporation proportionately based on each entity s gross oil and natural gas royalties. As of April 30, MPC terminated the office space lease.

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The ability of Marine to receive revenues is entirely dependent upon its rights with respect to the leases held by Chevron and its assignees in the Gulf of Mexico (as more fully described in *Item 2. Properties* below). Moreover, no revenues are payable to Marine until sales of production commence from any such lease.

The royalty interests held by Marine are depleting with each barrel of oil and cubic foot of natural gas produced. No funds are reinvested by Marine; thus, these depleting assets are not being replaced.

Widely Held Fixed Investment Trust Reporting Information. The Trustee assumes that some units of beneficial interest are held by middlemen, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a customer in street name). Therefore, the Trustee considers the Trust to be a widely held fixed investment trust (WHFIT) for U.S. Federal income tax purposes. Accordingly, the Trust will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. The representative of the Trust that will provide the required information is Southwest Bank as corporate trustee, and the contact information for the corporate trustee is as follows:

Southwest Bank

2911 Turtle Creek Blvd., Suite 850

Dallas, Texas 75219

Telephone number: (855) 588-7939

Each unitholder should consult its own tax advisor for tax reporting matters.

ITEM 1A. RISK FACTORS

Although various risk factors and specific cautionary statements are described elsewhere in this Annual Report on Form 10-K, the following is a summary of the principal risks associated with an investment in units of the Trust.

Marine is unable to acquire royalty interests in any more leases.

Marine s overriding royalty interests apply only to existing leases and do not apply to new leases that Chevron or its assignees may acquire. Therefore, Chevron and its assignees are no longer obligated to assign Marine an interest out of any lease that they acquire. In addition, Marine is not permitted to carry on any business, including making investments in additional oil and natural gas interests. Marine will continue to be entitled to receive payments on its existing leases, so long as the leases are active properties. Once the leases terminate or expire, any overriding royalties payable to Marine will terminate and Marine will not be able to acquire any additional or replacement royalty interests.

Royalty interests are depleting assets and may deplete faster than expected or in their entirety.

The net proceeds payable to Marine are derived from the sale of depleting assets. Accordingly, the portion of the distributions to unitholders that are attributable to depletion may be considered a return of capital as opposed to a return on investment. Distributions that are considered a return of capital will ultimately diminish the depletion tax benefits available to unitholders, which could reduce the market value of the units over time.

The reduction in proved reserve quantities is a common measure of depletion. Future maintenance and development projects on the leases will likely affect the quantity of proved reserves. The timing and size of these projects will depend on the market prices of oil and natural gas. If operators of the leases do not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently experienced by Marine. Eventually, the properties in the leases will stop producing in commercial quantities, and Marine will cease to be entitled to receive any distributions of net proceeds therefrom.

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Oil and natural gas prices are volatile and fluctuate due to a number of factors, and lower prices reduce royalty payments to Marine and distributions to its unitholders.

Marine s quarterly distributions are highly dependent upon the prices realized from the sale of oil and natural gas. A significant downward movement in the prices for oil and natural gas could have a material adverse effect on Marine s distributable income, which could decrease the distributions to unitholders and the market price for the units. Historically, prices have been volatile and are likely to continue to be volatile in the future due to factors beyond Marine s control. These factors include, but are not limited to:

- political conditions worldwide, and in particular, political disruptions, terrorist activities, wars or other armed conflicts in oil producing regions;
- worldwide economic conditions;
- weather conditions;
- the supply and price of domestic and foreign oil and natural gas;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the proximity to, and capacity of, transportation facilities; and
- the effect of worldwide energy conservation measures.

Moreover, government regulations, such as the regulation of natural gas transportation and price controls, can affect oil and natural gas prices in the long term.

Lower prices may reduce the amount of oil and natural gas that is economical to produce and reduce distributable income available to Marine and its unitholders. The volatility of energy prices reduces the predictability of future cash distributions to unitholders. Substantially all of the oil, natural gas and natural gas liquids produced from the leases are being sold under short-term or multi-month contracts at market clearing prices or on the spot market.

The market price for the units may not reflect the value of the royalty interests held by Marine.

The public trading price for the units tends to be tied to recent and expected levels of cash distributions on the units. The amounts available for distribution by Marine vary in response to numerous factors outside of Marine s control, including prevailing prices for oil and natural gas produced from properties on the leases. The market price of the units is not necessarily indicative of the value that Marine would realize if it sold its interest in the properties on the leases to a third party buyer and distributed the net proceeds to its unitholders, since Marine s assets are depleting assets, and a portion of each cash distribution paid on the units may be considered by investors as a return of capital, with the remainder being considered as a return on investment. There is no guarantee that distributions made to a unitholder over the life of these depleting assets will equal or exceed the purchase price paid by the unitholder for the unit.

In addition, the public stock markets have experienced price and trading volume volatility. This volatility has had a significant effect on the market prices of securities issued by many companies for reasons that may or may not be related to operating performance. If the public stock markets continue to experience price and trading volume volatility in the future, the market price of the units could be adversely affected.

Our units have been thinly traded and an active trading market for our units may not develop.

The trading volume of our units has historically been low. As a result, sales of small amounts of units in the public market could cause the price of units to fluctuate greatly, including in a materially adverse manner. In addition, more active trading market for our units may not develop, or if developed, may not continue, and a unitholder may find it difficult to dispose of, or to obtain accurate quotations as to the market value of, our units.

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Operating risks for the working interest owners interests on the leases can adversely affect distributions.

The occurrence of drilling, production or transportation accidents and other natural disasters on the properties underlying the leases can reduce distributions. These occurrences include blowouts, cratering, explosions, environmental and hurricane damage that may result in personal injuries, property damage, damage to productive formations or equipment and environmental damages. Any of these occurrences could have a material adverse effect on our distributions or the market value of the units.

Failure to collect royalty payments from working interest owners could adversely affect Marine s distributions to its unitholders.

A significant portion of Marine s royalties is attributable to a limited number of working interest owners. For the fiscal year ended June 30, 2014, one working interest owner accounted for over 80% of the royalty payments to Marine. Marine does not require working interest owners to pledge collateral or otherwise post security for royalty payments. At any time, Marine may encounter collection issues with one or more of the working interest owners, which could result in Marine not receiving payments for some or all of its royalty interests. Any reduction in royalty payments would reduce the distributable income to Marine s unitholders.

The owner of any properties in the leases may transfer any of the properties to another unrelated third party, which could reduce the amount of royalty payments that are received.

The working interest owners may at any time transfer all or part of property in a lease to another unrelated third party. Unitholders are not entitled to vote on any transfer, and Marine will not receive any proceeds from any such transfer. Following any transfer, the lease will continue to be subject to Marine s royalty interest, but the net proceeds from the transferred property would be calculated separately and paid by the transferee. The transferee would be responsible for all of the obligations relating to calculating, reporting and paying to Marine its royalty interest on the transferred portion of the lease, and the transferor of the transferred property would have no continuing obligation to Marine for that property. Any such transferee may not be as financially sound as the current working interest owner.

The owner of any properties in the leases may abandon any property, terminating the related royalty interest Marine may hold.

The current working interest owners or any transferee may abandon any well or property that is subject to Marine s royalty interest if it believes that the well or property can no longer produce in commercially economic quantities or for any other reason. This would terminate Marine s royalty interest relating to the abandoned well or property.

The Trustee, Marine and the Trust s unitholders do not control the operation or development of the properties in the leases and have little influence over their operation or development.

The Trustee, Marine and the Trust s unitholders have little, if any, influence or control over the operation or future development of the underlying properties of the leases. The properties underlying the leases are owned by independent working interest owners. The working interest owners manage the underlying properties and handle the receipt and payment of funds relating to the leases and payments to Marine for its royalty interests. The current working interest owners are under no obligation to continue operating the properties. The failure of a working interest owner to conduct its operations, discharge its obligations, cooperate with regulatory agencies or comply with laws, rules and regulations in a proper manner could have an adverse effect on net proceeds payable to Marine. The Trustee, Marine and the Trust s unitholders do not have the right to replace an operator.

Important reserve and other information with respect to the particular leases subject to Marine s royalty interest is unreasonably difficult to obtain.

The leasehold working interests that are subject to the rights held by Marine are owned, in most cases, in whole or in part by Chevron, or other oil and natural gas exploration and production companies. Certain information with respect to the particular leases subject to Marine s interests, including, but not limited to, (i) reserves, (ii) the availability of oil and natural gas, (iii) the average production cost (lifting cost) per unit, (iv) undeveloped acreage and (v) net wells and net acres, lies solely within the knowledge of these working interest owners. Marine does not have access to engineering data regarding these leaseholds and believes that such information would have been compiled principally by or for the working interest owners of these leaseholds and such information is unreasonably difficult for Marine to obtain.

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Terrorism and continued geopolitical hostilities could adversely affect Marine s distributions to its unitholders or the market price of its units.

Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as military or other actions taken in response to such attacks or threats, could cause instability in the global financial, oil and natural gas markets. Terrorism and other geopolitical hostilities could adversely affect the Trust s distributions to its unitholders or the market price of its units in unpredictable ways, including through the disruption of oil and natural gas supplies and markets, increased volatility in oil and natural gas prices, or the possibility that the infrastructure on which the operators of the underlying properties rely could be a direct target or an indirect casualty of an act of terror.

Unitholders have limited voting rights.

Voting rights as a unitholder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of unitholders or for an annual or other periodic re-election of the Trustee. Unlike corporations, which are generally governed by boards of directors that are elected by their equity holders, the Trust is administered by a corporate trustee in accordance with the Indenture and other organizational documents. The Trustee has extremely limited discretion in its administration of the Trust.

The limited liability of the unitholders is uncertain.

The unitholders are not protected from the liabilities of the Trust to the same extent that a shareholder would be protected from a corporation s liabilities. The structure of the Trust as a trust does not include the interposition of a limited liability entity, such as a corporation or limited partnership, which would provide further limited liability protection to unitholders. While the Trust is liable for any excess liabilities incurred if the Trustee fails to ensure that such liabilities are to be satisfied only out of the Trust s assets, under the laws of the State of Texas, which are unsettled on this point, a unitholder may be jointly and severally liable for any liability of the Trust if (i) the satisfaction of such liabilities was not contractually limited to the assets of the Trust and (ii) the assets of the Trust and the Trustee are not adequate to satisfy such liability. As a result, unitholders may be exposed to personal liability.

Marine s royalty interest can be sold and the Trust can be terminated.

The Trust may be terminated and the Trustee may sell Marine s royalty interests if holders of 80% or more of the units of beneficial interest of the Trust approve the sale and vote to terminate the Trust. Following any such termination and liquidation, the net proceeds of any sale would be distributed to the unitholders and unitholders would receive no further distributions from the Trust. Any such sale may not be on terms acceptable or favorable to all unitholders.

The operators of the oil and natural gas leases are subject to extensive governmental regulation.

Oil and natural gas operators have been, and in the future will be, affected by Federal, state and local laws and regulations and other political developments, such as price or gathering rate controls, drilling regulations, and environmental protection regulations, including the regulation of hydraulic fracturing. Although Marine is unable to predict changes to existing laws and regulations, such changes could significantly impact Marine s overriding royalty interests.

Cash held by the Trustee is not insured by the Federal Deposit Insurance Corporation.

Currently, cash held by Marine that is reserved for the payment of accrued liabilities and estimated future expenses and distributions to unitholders is typically held in cash deposits, U.S. Treasury and agency bonds and money market accounts. Marine places such reserve cash with financial institutions that Marine considers credit worthy and limits the amount of credit exposure from any one financial institution. However, none of these accounts are insured by the Federal Deposit Insurance Corporation. In the event that any such financial institution becomes insolvent, Marine may be unable to recover any or all such cash from the insolvent financial institution. Any loss of such cash may have a material adverse effect on Marine s cash balances and any distributions to unitholders.

Financial information of Marine is not prepared in accordance with generally accepted accounting principles in the United States.

The financial statements of Marine are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting that differs from generally accepted accounting principles in the United States (GAAP). Although the modified cash basis of accounting is permitted for royalty trusts by the U.S. Securities and Exchange Commission (the SEC), the financial statements of Marine differ from financial statements prepared in accordance with GAAP because royalty income is recognized in the month it is received rather than in the month of production, expenses are recorded in the month paid rather than in the month incurred and reserves may be established for contingencies that would not be recorded under GAAP.

If Marine becomes subject to the Texas franchise tax, the Trustee may have to withhold amounts from future distributions to pay the tax liability.

The State of Texas imposes a franchise tax that applies to most business entities doing business in Texas. Trusts, however, other than business trusts (as defined in U.S. Treasury Regulation section 301.7701-4(b)), that meet certain statutory requirements are exempt from the franchise tax as passive entities.

The Trustee does not expect that the Trust will be required to pay any amounts under the Texas franchise tax for the 2014 tax year based on the Trustee s belief that the Trust is exempt from the franchise tax as a passive entity (*i.e.*, the Trust is not a business trust, it receives at least 90% of its Federal gross income from certain passive sources, and no more than 10% of its income is derived from an active trade or business). If it is subsequently determined that the Trust is not exempt from the franchise tax, the Trust will be required to deduct and withhold from future distributions the amount required to satisfy and pay the Trust s franchise tax liability for years for which the applicable statute of limitations has not yet expired. In addition, the Trust would be required to timely pay franchise tax liability due with respect to current and future years.

If the Trust is exempt from the Texas state franchise tax as a passive entity, each unitholder that is subject to the Texas franchise tax as a taxable entity under the Texas Tax Code should generally include its share of the Trust s revenue in its franchise tax computation. The Texas franchise tax does not apply to natural persons. Each unitholder is urged to consult its own tax advisor regarding its possible Texas franchise tax liability.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

General. Marine is not engaged in oil and natural gas exploration or production operations, and its only industry segment or purpose is the administration and collection of royalties. Marine s income is based upon the oil and natural gas operations of third parties. Marine s income is derived from contracts that provide for payments in the nature of overriding royalties made to Marine based on oil and natural gas sales from certain leases in the Gulf of Mexico. Marine does not own or directly lease any physical properties.

Reserves. As indicated above, Marine is not engaged in the exploration or production of oil or natural gas. Marine s income is derived from overriding royalty payments that are carved out of working interests in oil and natural gas leases in the Gulf of Mexico. Marine does not have the engineering data necessary to make an estimate of the proved oil and natural gas reserves attributable to such working interests (nor the present value of future net cash flows from such reserves), and Marine is not entitled to receive such data from the owners of the working interests from which its interests are derived. Similarly, Tidelands does not have access to the engineering data necessary to make an estimate of the proved oil and natural gas reserves attributable to such working interests. See also *Difficulty in Obtaining Certain Data.* Since Marine does not have access to this reserve information, Marine is unable to compute the standardized measure of discounted future net cash flows attributable to such working interests.

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Marine did not file any reports during the fiscal year ended June 30, 2014 with any U.S. Federal authority or agency with respect to oil and natural gas reserves.

Due to the nature of Marine s business, it does not have any delivery commitments.

Production. Information regarding the net quantities of oil and natural gas sold with respect to Marine s overriding royalty interests (excluding its interest in Tidelands) for each of the last three fiscal years, as well as the weighted average sales price per unit of oil and natural gas sold upon which payments to Marine are based, is set forth in the following table:

	Fiscal Year Ended June 30,		
	2014	**2013**	**2012**
Net quantities sold:			
Oil (in barrels (bbls))	24,656	21,135	26,896
Natural gas (in thousands of cubic feet (mcf))	101,717	108,894	139,328
Weighted average sales price for royalty oil and natural gas sold:			
Oil (per bbl) (1)	$ 100.31	$ 109.63	$ 115.00
Natural gas (per mcf) (1)	$ 4.73	$ 3.79	$ 4.75

(1) The weighted average sales price is calculated from data provided by the operators.
Information about average production cost (lifting cost) per unit of production has been omitted due to its unavailability and inapplicability to Marine. For more recent information regarding prices, see *Item 7. Trustee s Discussion and Analysis of Financial Condition and Results of Operations.*

Productive Wells. Based on the latest public records reviewed by Marine from the Bureau of Ocean Energy Management, Regulation and Enforcement, a division of the U.S. government, there were approximately 201 gross active wells subject to Marine s interests (excluding its interest in Tidelands). Marine believes that the term active wells is synonymous with the term productive wells as defined in Item 1205 of Regulation S-K. While Marine believes that most of the active wells produce both oil and natural gas, Marine is unable to determine the actual number of wells classified as either oil or natural gas wells without unreasonable effort and expense. See *Difficulty in Obtaining Certain Data.*

Drilling Activity. The following table shows the number of wells drilled or recompleted in which Marine has an interest (excluding its interest in Tidelands) for each of its last three fiscal years:

	Fiscal Year Ended June 30,		
	2014	**2013**	**2012**
Development			
Oil	3	5	4
Natural Gas	2	3	4
Dry	0	2	0

Totals	5	10	8

Information regarding net wells or acres is not included since Marine does not own any working interests.

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Lease Acreage. As of September 1, 2014, Marine had an overriding royalty interest (including its interest in Tidelands) in 59 different oil and natural gas leases covering an aggregate of 217,056 gross acres. These leases are located in the Central and Western areas of the Gulf of Mexico off the coasts of Louisiana and Texas. This acreage is presented in the following table:

Leases Granted by(1):	Producing Acreage
United States	211,526
State of Texas	640
State of Louisiana	4,890
	217,056

(1) Leases are typically granted for a term of five years, during which the lease owner must establish commercial production, or the lease expires. Marine s overriding royalty area is determined by a contract that defines the area in which Marine is entitled to receive a royalty interest. In some cases, that area does not cover an entire lease block. In those cases, Marine s royalty interest only applies to the area that lies within the lease. Of the aggregate of 217,056 total gross acres in which Marine has an overriding royalty interest, there are 210 gross acres located on leases that have commercial production, but the production is not on Marine s overriding royalty area within those leases.

The overriding royalty interest owned by Marine is three-fourths of 1% of the working interest held by Chevron or its assigns. The fractional interest therefore varies from lease to lease. The acreage weighted average of the fractional interest in all leases, including Marine s interest in the leases held by Tidelands, is 0.5776%. The following table presents the acreage breakdown by fractional interests of Marine and Tidelands:

Trust	Gross Acres	Interest
Tidelands	17,188	1.01137%
Marine	105,672	0.7500%
Marine	1,527	0.5000%
Marine	40,151	0.3750%
Marine	52,518	0.2006%
Summary	**217,056**	**0.5776%**

Present Activities. As of September 15, 2014, public records indicated that five wells were either being drilled, re-drilled or worked over on tracts in which Marine has an interest. Public records indicated that operators had designated a location for one additional operation, which may include drilling, permits to work over or recomplete a well or other types of operations. There is no assurance that wells will be drilled, and if they are drilled, that they will be successful. Marine is not obligated to provide any fixed and determinable quantities of oil or natural gas in the future under any existing contracts or agreements.

Difficulty in Obtaining Certain Data. Marine s only activities are the collection and distribution of revenues from overriding royalties on certain oil and natural gas leases in the Gulf of Mexico, pursuant to purchase agreements between Marine s predecessors and Gulf and its transferees. The leasehold working interests that are subject to the rights held by Marine are owned, in most cases, in whole or in part by Chevron, or other oil and natural gas exploration and production companies. Certain information with respect to the particular leases subject to Marine s interests, including, but not limited to, (i) reserves, (ii) the availability of oil and natural gas, (iii) the average production cost (lifting cost) per unit, (iv) undeveloped acreage and (v) net wells and net acres, lies solely within the knowledge of these working interest owners. Marine does not have access to engineering data regarding these leaseholds and believes that such information would have been compiled principally by or for the working interest owners of these leaseholds, and that such information is unreasonably difficult for Marine to obtain. As a result, it appears that unreasonable efforts and expense would be involved in seeking to obtain all of the information required under Item 102 and Subpart 1200 of Regulation S-K.

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ITEM 3. LEGAL PROCEEDINGS

Neither the Trust nor MPC, nor any of their respective properties, is a party to or subject to any material pending litigation as of the date hereof.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED UNITHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The units of beneficial interest in the Trust trade on the Nasdaq Capital Market under the symbol MARPS. Distributions of cash are made to unitholders quarterly. The following table presents the range of high and low sales prices of the units on the Nasdaq Capital Market by quarter for the past two fiscal years. The per unit amount of cash distributed to unitholders for each of these quarters is also presented in the table.

	Sales Price		Distributions
Quarter Ending	**High**	**Low**	**Per Unit**
September 30, 2012	$ 26.00	$ 21.07	$ 0.38
December 31, 2012	22.72	11.72	0.29
March 31, 2013	18.00	13.89	0.34
June 30, 2013	17.45	14.22	0.40
September 30, 2013	$ 18.00	$ 15.59	$ 0.35
December 31, 2013	17.44	13.00	0.38
March 31, 2014	16.45	13.81	0.36
June 30, 2014	20.72	15.75	0.30

The Trust is authorized to issue and has issued 2,000,000 units of beneficial interest. On June 30, 2014, these outstanding units of record were held by 312 unitholders. There were no changes in the number of outstanding units of beneficial interest during the fiscal year ended June 30, 2014.

The Trust must distribute to its unitholders all cash accumulated each quarter, less an amount reserved for accrued liabilities and estimated future expenses. The amount reserved varies from quarter to quarter and amounted to $80,750 for the distribution paid on June 27, 2014. Such distributions have been made since the Trust s inception and will continue so long as the income from oil and natural gas royalties exceeds administrative costs.

Distributions primarily fluctuate from quarter to quarter due to changes in oil and natural gas prices and production quantities. Distributions are determined by the cash available to the Trust on the determination date.

Marine does not maintain any equity compensation plans. The Trust did not repurchase any units of beneficial interest during the quarter ended June 30, 2014.

While the Trust s Annual Report on Form 10-K (excluding exhibits) for the fiscal year ended June 30, 2014 is distributed to unitholders, a copy of the Annual Report on Form 10-K (excluding exhibits) is available without charge to interested parties. There will be copying and mailing charges for copies of any exhibits that are requested. Written requests should be directed to Mr. Ron E. Hooper, Southwest Bank, 2911 Turtle Creek Blvd., Suite 850, Dallas, Texas, 75219.

ITEM 6. SELECTED FINANCIAL DATA

The following table summarizes selected financial information that has been derived from Marine s audited consolidated financial statements. You should read the information set forth below in conjunction with *Item 7. Trustee s Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

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	Fiscal Year Ended June 30, (Dollars in thousands, except per unit amounts)				
	2014	2013	2012	2011	2010
Consolidated Statements of Distributable Income Selected Data:					
Income:					
Oil and natural gas royalties	$ 2,956	$ 2,730	$ 3,755	$ 2,853	$ 2,109
Oil and natural gas royalties from affiliate	170	266	356	591	835
Interest income					