

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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**SANTA FE ENERGY TRUST**

CIK: 893486 | IRS No.: 766081498 | State of Incorpor.: TX | Fiscal Year End: 1231  
Type: 10-Q | Act: 34 | File No.: 001-11450 | Film No.: 94528216  
SIC: 1311 Crude petroleum & natural gas

Mailing Address	Business Address
TEXAS COM BK NAT ASS	TEXAS COM BK NAT ASS
CORP TR DIV	CORPORATE TR DIV
CORP TRUST DIV 600 TRAVIS	CORPORATE TRUST DIV 600
STE 1150	TRAVIS STE 1150
HOUSTON TX 77002	HOUSTON TX 77002
	7132165100

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1994

OR

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

COMMISSION FILE NUMBER 1-11450

SANTA FE ENERGY TRUST  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

TEXAS  
(STATE OF INCORPORATION OR ORGANIZATION)

76-6081498  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)

TEXAS COMMERCE BANK NATIONAL ASSOCIATION  
CORPORATE TRUST DIVISION  
600 TRAVIS, SUITE 1150  
HOUSTON, TEXAS 77002  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 216-5100

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

Depository Units outstanding at May 9, 1994 -- 6,300,000

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

SANTA FE ENERGY TRUST  
STATEMENT OF CASH PROCEEDS AND DISTRIBUTABLE CASH (UNAUDITED)  
(DOLLARS IN THOUSANDS, EXCEPT AS NOTED)

	THREE MONTHS ENDED MARCH 31,	
	1994	1993
Royalty Income		
ODC Royalty-----	\$ 823	\$ 80
Willard Royalty-----	422	357
Net Profits Royalty-----	1,488	1,533
Total Royalties-----	2,733	1,970
Administrative Fee to Santa Fe-----	(50)	(33)
Trust Formation Costs-----	(108)	--
Advance from Santa Fe Energy Resources, Inc.-----	156	--
Repayment of Advance from Santa Fe Energy Resources, Inc.-----	(55)	--
Cash Withheld for Trust Expenses-----	(156)	--
Distributable Cash-----	\$ 2,520	\$ 1,937
Distributable Cash per Trust Unit (in dollars)-----	\$ 0.40000	\$ 0.30753
Trust Units Outstanding (thousands)-----	6,300	6,300

STATEMENT OF ASSETS, LIABILITIES AND TRUST CORPUS  
(DOLLARS IN THOUSANDS)

	MARCH 31, 1994 (UNAUDITED)	DECEMBER 31, 1993
ASSETS		
Investment in Royalty Interests, at cost-----	\$ 87,276	\$ 87,276
Less: Accumulated Amortization-----	(12,318)	(9,920)
	\$ 74,958	\$ 77,356
LIABILITIES AND TRUST CORPUS		
Advance from Santa Fe Energy Resources, Inc.-----	\$ 156	\$ 55
Trust Corpus (6,300,000 Trust Units issued and outstanding)-----	74,802	77,301
	\$ 74,958	\$ 77,356

The accompanying notes are an integral part of these financial statements.

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SANTA FE ENERGY TRUST  
STATEMENT OF CHANGES IN TRUST CORPUS (UNAUDITED)  
(IN THOUSANDS OF DOLLARS)

Balance at December 31, 1993-----	\$ 77,301
Cash Proceeds-----	2,575
Cash Distributions-----	(2,520)
Trust Expenses-----	(156)
Amortization of Royalty Interests-----	(2,398)
Balance at March 31, 1994-----	\$ 74,802
Balance at December 31, 1992-----	\$ 87,277
Cash Proceeds-----	1,937
Cash Distributions-----	(1,937)
Amortization of Royalty Interests-----	(1,702)
Balance at March 31, 1993-----	\$ 85,575

The accompanying notes are an integral part of these financial statements.

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SANTA FE ENERGY TRUST  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

(1) THE TRUST

Santa Fe Energy Trust (the 'Trust') was formed on October 22, 1992, with Texas Commerce Bank National Association as trustee (the 'Trustee'), to acquire and hold certain royalty interests (the 'Royalty Interests') in certain properties (the 'Royalty Properties') conveyed to the Trust by Santa Fe Energy Resources, Inc. ('Santa Fe'). The Royalty Interests consist of two term royalty interests in two production units in the Wasson field in west Texas (the 'Wasson Royalties') and a net profits royalty interest in certain royalty and working interests in a diversified portfolio of properties located in twelve states (the 'Net Profits Royalties'). The Royalty Interests are passive in nature and the Trustee has no control over or responsibility relating to the operation of the Royalty Properties. The Trust will be liquidated on February 15, 2008 (the 'Liquidation Date').

In November 1992, 5,725,000 Depositary Units, each consisting of beneficial ownership of one unit of undivided beneficial interest in the Trust ('Trust Units') and a \$20 face amount beneficial ownership interest in a \$1,000 face amount zero coupon United States Treasury obligation maturing on or about February 15, 2008, were sold in a public offering for \$20 per Depositary Unit. A total of \$114.5 million was received from public investors, of which \$38.7 million was used to purchase the Treasury obligations and \$5.7 million was used to pay underwriting commissions and discounts. Santa Fe received the remaining \$70.1 million and 575,000 Depositary Units. In the first quarter of 1994 Santa Fe sold in a public offering the 575,000 Depositary Units which it held.

The trust agreement under which the Trust was formed (the 'Trust Agreement') provides, among other things, that:

- \* the Trustee shall not engage in any business or commercial activity or acquire any asset other than the Royalty Interests initially conveyed to the Trust;

- \* the Trustee may not sell all or any portion of the Wasson Royalties or substantially all of the Net Profits Royalties without the prior consent of Santa Fe;
- \* Santa Fe may sell the Royalty Properties, subject to and burdened by the Royalty Interests, without consent of the holders of the Trust Units; following any such transfer, the Royalty Properties will continue to be burdened by the Royalty Interests and after any such transfer the royalty payment attributable to the transferred property will be calculated separately and paid by the transferee;
- \* the Trustee may establish a cash reserve for the payment of any liability which is contingent, uncertain in amount or that is not currently due and payable;
- \* the Trustee is authorized to borrow funds required to pay liabilities of the Trust, provided that such borrowings are repaid in full prior to further distributions to the holders of the Trust Units;
- \* the Trustee will make quarterly cash distributions to the holders of the Trust Units.

## (2) BASIS OF ACCOUNTING

The financial statements of the Trust are prepared on the cash basis of accounting for revenues and expenses. Royalty income is recorded when received (generally during the quarter following the end of the quarter in which the income from the Royalty Properties is received by Santa Fe) and is net

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of any cash basis exploration and development expenditures. Expenses of the Trust, which will include accounting, engineering, legal, and other professional fees, Trustee fees, an administrative fee paid to Santa Fe and out-of-pocket expenses, are recognized when paid. Under generally accepted accounting principles, revenues and expenses would be recognized on an accrual basis. Amortization of the Trust's investment in Royalty Interests is recorded using the unit-of-production method in the period in which the cash is received with respect to such production.

The conveyance of the Royalty Interests to the Trust was accounted for as a purchase transaction. The \$87,276,000 reflected in the Statement of Assets and Trust Corpus as Investment in Royalty Interests represents 6,300,000 Trust Units valued at \$20 per unit less the \$38,724,000 paid for the Treasury obligations. The carrying value of the Trust's investment in the Royalty Interests is not necessarily indicative of the fair value of such Royalty Interests.

The Trust is a grantor trust and as such is not subject to income taxes and accordingly no recognition has been given to income taxes in the Trust's financial statements. The tax consequences of owning Trust Units are included in the income tax returns of the individual Trust Unit holders.

During 1993 net cash proceeds (before deducting Trust expenses) exceeded cash distributions by \$125,000. In order to pay current Trust expenses Santa Fe advanced the Trust \$55,000, which amount was due to Santa Fe at December 31, 1993. During the first quarter of 1994 net cash proceeds (before deducting Trust expenses) exceeded cash distributions by \$55,000, which amount was used to repay the advance received from Santa Fe in 1993. In order to pay current Trust expenses, Santa Fe advanced the Trust \$156,000, which amount was due to Santa Fe at March 31, 1994.

## (3) THE ROYALTY INTERESTS

The Wasson Royalties consist of interests conveyed out of Santa Fe's royalty interest in the Wasson ODC Unit (the 'ODC Royalty') and the Wasson Willard Unit (the 'Willard Royalty'). The ODC Royalty entitles the Trust to receive quarterly royalty payments with respect to 12.3934% of the actual gross oil production from the Wasson ODC Unit, subject to certain quarterly limitations set forth in the conveyance agreement, for the period from November 1, 1992 to December 31, 2007. The Willard Royalty entitles the Trust to receive quarterly royalty payments with respect to 6.8355% of the actual gross oil production from the Wasson Willard Unit, subject to certain quarterly limitations set forth in the conveyance agreement, for the period from November 1, 1992 to December 31, 2003.

The Net Profits Royalties entitle the Trust to receive, on a quarterly basis, 90% of the net proceeds, as defined in the conveyance agreement, from the sale of production from the properties subject to the conveyance agreement. The

Net Profits Royalties are not limited in term, although the Trustee is required to sell such royalties prior to the Liquidation Date.

For any calendar quarter ending on or prior to December 31, 2002, the Trust will receive additional royalty payments ('Support Payments') to the extent it needs such payments to distribute \$0.40 per Trust Unit per quarter. Such Support Payments are limited to Santa Fe's remaining royalty interest in the Wasson ODC Unit. If such Support Payments are received, certain proceeds otherwise payable to the Trust in subsequent quarters may be reduced to recoup the amount of such Support Payments. The aggregate of the Support Payments, net of any amounts recouped, will be limited to

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SANTA FE ENERGY TRUST

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) -- (CONTINUED)

\$20,000,000 on a revolving basis. The royalty payment received by the Trust in the first quarter of 1994 included a Support Payment of \$362,000, or \$0.0575 per Trust Unit and the royalty payment which will be received by the Trust in the second quarter of 1994 will include a Support Payment of \$506,000, or \$0.08027 per Trust Unit.

(4) DISTRIBUTIONS TO TRUST UNIT HOLDERS

The Trust has received royalty payments and made distributions as follows (in thousands of dollars, except as noted):

	ROYALTY PAYMENT RECEIVED(A)	DISTRIBUTIONS AMOUNT	PER TRUST UNIT (IN DOLLARS)
1993			
First quarter-----	1,937	1,937	0.30753
Second quarter-----	2,990	2,940	0.46660
Third quarter-----	3,193	3,118	0.49485
Fourth quarter-----	2,786	2,786	0.44218
Total year-----	10,906	10,781	1.71116
1994			
First quarter (b)-----	2,575	2,520	0.40000
Second quarter (c)-----	2,670	2,520	0.40000

(a) The payment received in the first quarter of 1993 relates to the initial quarter of operations of the Trust and includes only two months of operations with respect to the Royalty Properties. Payments received in subsequent quarters relate to the three-month period preceding the quarter in which the payment was received.

(b) Includes a Support Payment of \$362,000, or \$0.0575 per Trust Unit.

(c) Includes a Support Payment of \$506,000, or \$0.08027 per Trust Unit. To be paid on May 31, 1994 to Unit holders of record on May 16, 1994.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

GENERAL; LIQUIDITY AND CAPITAL RESOURCES

The Trust is a passive entity with the Trustee's primary responsibility being the collection and distribution of proceeds from the Wasson Royalties and the Net Profits Royalties and the payment of Trust liabilities and expenses (see Note 1 to the financial statements of the Trust).

The Trust's results of operations are dependent upon the difference between the prices received for oil and gas and the costs of producing such resources. Since, on an equivalent basis, approximately eighty percent of the Trust's proved reserves are crude oil, even relatively modest changes in crude oil prices may significantly affect the Trust's revenues and results of operations. Crude oil prices are subject to significant changes in response to fluctuations in the world supply, economic conditions in the United States and elsewhere, the world political situation as it affects OPEC, the Middle East (including the current embargo of Iraqi crude oil from worldwide markets) and other producing countries, the actions of OPEC and governmental regulation. In addition, a substantial portion of the Trust's revenues come from properties which produce sour (i.e. high sulfur content) crude oil which sells at prices lower than sweeter (i.e. low sulfur) crude oils. The sales price of crude oil dropped significantly in the fourth quarter of 1993, as reflected in the average prices with respect to the royalty payments for the first two quarters of 1994 (see

Results of Operations).

For any calendar quarter ending on or prior to December 31, 2002, the Trust will receive additional royalty payments ('Support Payments') to the extent it needs such payments to distribute \$0.40 per Trust Unit per quarter. Such Support Payments are limited to Santa Fe's remaining royalty interest in the Wasson ODC Unit. If such Support Payments are received, certain proceeds otherwise payable to the Trust in subsequent quarters may be reduced to recoup the amount of such Support Payments. The aggregate amount of the Support Payments (net of any amounts recouped) is limited to \$20.0 million on a revolving basis. Cash proceeds from the Royalty Properties in the first quarter of 1994 included a Support Payment of \$362,000 and the cash proceeds from the Royalty Properties in the second quarter of 1994 will include a Support Payment of \$506,000, primarily due to lower realized oil prices and capital expenditures incurred with respect to certain Royalty Properties, a substantial portion of which relates to the drilling of new wells.

In addition to costs and expenses related to the Royalty Properties, Trust administrative expenses are estimated to be approximately \$457,000 in 1994, including approximately \$250,000 for legal, accounting, engineering, trustee and other administrative fees and a \$207,000 annual fee to Santa Fe. In addition, Santa Fe paid approximately \$379,000 in Trust formation costs of which \$271,000 was recovered in 1993 and \$108,000 was recovered in the first quarter of 1994.

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RESULTS OF OPERATIONS

The following table reflects pertinent information with respect to the cash proceeds from the Royalty Properties and the net distributable cash of the Trust for the year 1993 and the first two quarters of 1994 (in thousands of dollars, except as noted):

<TABLE>  
<CAPTION>

	1993					1994	
	FIRST QUARTER <C>	SECOND QUARTER <C>	THIRD QUARTER <C>	FOURTH QUARTER <C>	YEAR <C>	FIRST QUARTER (A) <C>	SECOND QUARTER (A) <C>
<b>&lt;S&gt;</b>							
<b>VOLUMES AND PRICES</b>							
Oil Volumes (Bbls)							
Wasson ODC Royalty-----	8,400	41,600	41,600	41,600	133,200	67,576	90,670
Wasson Willard Royalty-----	23,357	35,500	35,500	35,500	129,857	35,500	35,100
Net Profits Royalties-----	52,855	76,106	92,332	84,635	305,928	79,472	89,924
Gas Volumes (Mcf)							
Net Profits Royalties-----	588,011	804,261	752,541	827,369	2,972,182	713,628	747,639
Oil Average Prices (\$/Bbl)							
Wasson ODC Royalty-----	17.83	17.62	17.39	15.35	16.85	13.94	13.01
Wasson Willard Royalty-----	17.83	17.59	17.35	15.34	16.95	14.23	12.69
Net Profits Royalties-----	19.82	17.30	16.74	15.28	17.01	14.18	11.83
Gas Average Prices (\$/Mcf)							
Net Profits Royalties-----	1.77	2.00	1.98	1.92	1.93	1.93	1.90
<b>CASH PROCEEDS AND DISTRIBUTABLE CASH</b>							
Wasson ODC Royalty							
Sales-----	150	733	724	638	2,245	942	1,180
Expenses-----	(70)	(126)	(126)	(121)	(443)	(119)	(122)
	80	607	598	517	1,802	823	1,058
Wasson Willard Royalty							
Sales-----	416	625	616	544	2,201	505	445
Expenses-----	(59)	(89)	(88)	(84)	(320)	(83)	(79)
	357	536	528	460	1,881	422	366
Net Profits Royalties							
Sales-----	2,089	2,925	3,037	2,887	10,938	2,509	2,490
Expenses-----	(556)	(953)	(822)	(930)	(3,261)	(1,021)	(1,192)
	1,533	1,972	2,215	1,957	7,677	1,488	1,298
Total Royalties-----	1,970	3,115	3,341	2,934	11,360	2,733	2,722
Administrative Fee to							
Santa Fe-----	(33)	(50)	(50)	(50)	(183)	(50)	(52)
Trust Formation Costs-----	--	(75)	(98)	(98)	(271)	(108)	--
Payment Received(b)-----	1,937	2,990	3,193	2,786	10,906	2,575	2,670
Cash Advance From Santa Fe-----	--	--	25	30	55	156	150
Repayment of Cash Advance from							
Santa Fe-----	--	--	--	--	--	(55)	(156)
Cash Withheld for Trust							
Expenses-----	--	(50)	(100)	(30)	(180)	(156)	(144)
Distributable Cash-----	1,937	2,940	3,118	2,786	10,781	2,520	2,520
Distributable Cash Per Trust Unit							

- (a) The first quarter of 1994 includes a Support Payment of \$362,000, or \$0.0575 per Trust Unit, and the second quarter of 1994 includes a Support Payment of \$506,000, or \$0.08027 per Trust Unit. The Support Payments were required primarily due to lower realized oil prices and capital expenditures incurred with respect to certain Royalty Properties, a substantial portion of which relates to the drilling of new wells. The distribution for the second quarter of 1994 will be made on May 31, 1994 to Unit holders of record on May 16, 1994.
- (b) The payment received in the first quarter of 1993 relates to the initial quarter of operations of the Trust and includes only two months of operations with respect to the Royalty Properties. Payments received in subsequent quarters relate to the three-month period preceding the quarter in which the payment was received.

</TABLE>

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Volumes with respect to the Wasson ODC Royalty and the Wasson Willard Royalty increased in periods subsequent to the first quarter of 1993 because (i) the first quarter of 1993 represented the initial quarter of operations of the Trust and included only two months of operations with respect to such royalties and (ii) there was an increase in the maximum net quarterly production in accordance with the royalty conveyance beginning in the second quarter of 1993. Volumes with respect to the Wasson ODC Royalty for the first and second quarters of 1994 include 25,976 barrels and 38,870 barrels, respectively, related to the Support Payments discussed previously. Volumes increased from the first quarter of 1993 with respect to the Net Profits Royalties generally reflecting that the first quarter of 1993 included only two months of operations with respect to such properties.

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SIGNATURES

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.

SANTA FE ENERGY TRUST

By TEXAS COMMERCE BANK NATIONAL ASSOCIATION, TRUSTEE

By RICHARD L. MELTON  
RICHARD L. MELTON  
EXECUTIVE VICE PRESIDENT  
& TRUST OFFICER

Date: May 13, 1994

The Registrant, Santa Fe Energy Trust, has no principal executive officer, principal financial officer, controller or principal accounting officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available and none have been provided.

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