

CALCASIEU REAL ESTATE & OIL CO INC
Form 10KSB/A
April 14, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-KSB/A

Amendment No. 1

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

For the fiscal year ended December 31, 2004

.. TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

Commission file Number 0-9669

CALCASIEU REAL ESTATE AND OIL CO., INC.

(Exact Name of registrant as specified in its charter)

Louisiana
(State of other jurisdiction of
incorporation or organization)

72-0144530
(I.R.S. Employer
Identification No.)

One Lakeside Plaza,
Lake Charles, Louisiana

70601

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(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (337) 494-4256

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

Common Stock with no par value
(Title of each class)

American Stock Exchange
(Name of exchange
on which registered)

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 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-KSB.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12-b2 of the Act). Yes No

As of December 31, 2004, the aggregate market value of the common equity held by non-affiliates (based on the closing price on the American Stock Exchange on December 31, 2004) was approximately \$17,185,282.

The dollar amount of revenues for fiscal year ended December 31, 2004, was \$2,720,258.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date. Common Stock, No Par Value, 1,942,495 shares outstanding at March 11, 2005.

Documents Incorporated by Reference

Portions of the Registrant's definitive Proxy Statement prepared in connection with the 2005 Annual Meeting of Stockholders are incorporated by reference into Part III, Items 9, 10, 11, 12 and 13 of this Annual Report on Form 10-KSB.

EXPLANATORY NOTE

This amended Form 10-KSB is being filed to correct certain information in the notes to the financial statements contained in Part II, Item 7.

PART II

Item 7. FINANCIAL STATEMENTS

CALCASIEU REAL ESTATE & OIL CO., INC.

Lake Charles, Louisiana

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| SCHEDULE OMITTED | |

Schedules, other than those listed above, have been omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements or notes thereto.

McELROY, QUIRK & BURCH

(In Affiliation with - Gus Schram & Co., LTD)

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MT - Masters of Taxation

CVA - Certified Valuation Analyst

CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors

Calcasieu Real Estate & Oil Co., Inc.

Lake Charles, Louisiana

We have audited the accompanying balance sheets of Calcasieu Real Estate & Oil Co., Inc. as of December 31, 2004 and 2003, and the related statements of income, changes in stockholders' equity, and cash flows for the years ended December 31, 2004, 2003 and 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Calcasieu Real Estate & Oil Co., Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years ended December 31, 2004, 2003 and 2002, in conformity with accounting principles generally accepted in the United States of America.

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Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 35 through 37 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ms Elroy, Quick & Burch
Lake Charles, Louisiana

March 4, 2005

Members American Institute of Certified Public Accountants Society of Louisiana Certified Public Accountants

CALCASIEU REAL ESTATE & OIL CO., INC.

BALANCE SHEETS

December 31, 2004 and 2003

| | <u>2004</u> | <u>2003</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,214,405 | \$ 527,219 |
| Accounts receivable | 330,636 | 239,815 |
| Prepaid income taxes | | 26,475 |
| Prepaid expense and other | 20,065 | 4,860 |
| | <u>1,565,106</u> | <u>798,369</u> |
| SECURITIES AVAILABLE-FOR-SALE | <u>2,242,683</u> | <u>1,922,870</u> |
| PROPERTY AND EQUIPMENT (less accumulated depreciation, depletion and amortization of \$65,351 in 2004 and \$67,223 in 2003) | 11,970 | 12,680 |
| Timber (less accumulated depletion of \$377,187 in 2004 and \$343,459 in 2003) | 475,755 | 498,975 |
| Land | 3,887,776 | 3,891,610 |
| | <u>4,375,501</u> | <u>4,403,265</u> |
| | <u>\$ 8,183,290</u> | <u>\$ 7,124,504</u> |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Trade payables and accrued expenses | \$ 9,424 | \$ 13,256 |
| Dividends payable | 135,975 | 136,204 |
| Income taxes payable: | | |
| Current | 2,948 | |
| Deferred, net | 66,920 | 52,535 |
| | <u>215,267</u> | <u>201,995</u> |
| STOCKHOLDERS EQUITY | | |
| Common stock, no par value; 3,000,000 shares authorized; 2,100,000 shares issued | 72,256 | 72,256 |
| Retained earnings | 8,220,502 | 7,169,864 |
| Accumulated other comprehensive income | 50,781 | 55,905 |
| | <u>8,343,539</u> | <u>7,298,025</u> |
| Less cost of treasury stock (2004 157,505 shares and 2003 157,505 shares) | 375,516 | 375,516 |
| | <u>7,968,023</u> | <u>6,922,509</u> |
| | <u>\$ 8,183,290</u> | <u>\$ 7,124,504</u> |

See Notes to Financial Statements.

CALCASIEU REAL ESTATE & OIL CO., INC.

STATEMENTS OF INCOME

Years Ended December 31, 2004, 2003 and 2002

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|---------------------|---------------------|-------------------|
| Revenues | \$ 2,720,258 | \$ 2,111,141 | \$ 1,454,498 |
| Costs and expenses: | | | |
| Oil and gas production | 169,068 | 203,183 | 102,654 |
| Agricultural | 5,511 | 13,278 | 10,515 |
| Timber | 28,529 | 39,014 | 40,741 |
| General and administrative | 332,841 | 296,295 | 245,786 |
| Depreciation, depletion and amortization | 38,900 | 34,403 | 38,886 |
| | <u>574,849</u> | <u>586,173</u> | <u>438,582</u> |
| Income from operations | <u>2,145,409</u> | <u>1,524,968</u> | <u>1,015,916</u> |
| Other income (expense): | | | |
| Interest income | 59,690 | 10,647 | 23,760 |
| Dividends on stock | 15,871 | 36,604 | 27,595 |
| Realized gain on sale of investments in available-for-sale securities | 87,458 | 5,187 | |
| Gain on sale of assets | 15 | 3,931 | 2,167 |
| | <u>163,034</u> | <u>56,369</u> | <u>53,522</u> |
| Income before income taxes | <u>2,308,443</u> | <u>1,581,337</u> | <u>1,069,438</u> |
| Federal and state income taxes: | | | |
| Current | 712,428 | 486,474 | 330,063 |
| Deferred | 19,709 | 1,858 | 2,807 |
| | <u>732,137</u> | <u>488,332</u> | <u>332,870</u> |
| Net income (per common share) - 2004 \$.81; 2003 \$.56; 2002 \$.38 | <u>\$ 1,576,306</u> | <u>\$ 1,093,005</u> | <u>\$ 736,568</u> |

See Notes to Financial Statements.

CALCASIEU REAL ESTATE & OIL CO., INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Years Ended December 31, 2004, 2003 and 2002

| | <u>Comprehensive Income</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Income</u> | <u>Capital Stock Issued</u> | <u>Treasury Stock</u> |
|---|---------------------------------|------------------------------|---|-------------------------------------|---------------------------|
| Balance, January 1, 2002 | \$ | \$ 6,387,579 | \$ 26,059 | \$ 72,256 | \$ 306,829 |
| Comprehensive income: | | | | | |
| Net income | 736,568 | 736,568 | | | |
| Other comprehensive income: | | | | | |
| Unrealized gains on securities available for sale: | | | | | |
| Unrealized holding gains occurring during period net of taxes of \$6,330 | (9,496) | | | | |
| Other comprehensive income, net of tax | (9,496) | | (9,496) | | |
| Total comprehensive income | <u>\$ 727,072</u> | | | | |
| Dividends | | (481,410) | | | |
| Balance, December 31, 2002 | | 6,642,737 | 16,563 | 72,256 | 306,829 |
| Comprehensive income: | | | | | |
| Net income | \$ 1,093,005 | 1,093,005 | | | |
| Other comprehensive income: | | | | | |
| Unrealized gains on securities available for sale: | | | | | |
| Unrealized holding gains occurring during period net of taxes of \$37,269 | 42,454 | | | | |
| Less reclassification adjustments for gains included in net income, net of taxes of \$2,075 | (3,112) | | | | |
| Other comprehensive income, net of tax | 39,342 | | 39,342 | | |
| Total comprehensive income | <u>\$ 1,132,347</u> | | | | |
| Purchase of treasury stock | | | | | 68,687 |
| Dividends | | (565,878) | | | |

(continued on next page)

CALCASIEU REAL ESTATE & OIL CO., INC.

STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

Years Ended December 31, 2004, 2003 and 2002

(Continued)

| | <u>Comprehensive Income</u> | <u>Retained Earnings</u> | <u>Accumulated Other Comprehensive Income</u> | <u>Capital Stock Issued</u> | <u>Treasury Stock</u> |
|--|---------------------------------|------------------------------|---|-------------------------------------|---------------------------|
| Balance, December 31, 2003 | | 7,169,864 | 55,905 | 72,256 | 375,516 |
| Comprehensive income: | | | | | |
| Net income | \$ 1,576,306 | 1,576,306 | | | |
| Other comprehensive income: | | | | | |
| Unrealized gains on securities available for sale: | | | | | |
| Unrealized holding gains occurring during period net of taxes of \$31,567 | 47,351 | | | | |
| Less reclassification adjustments for gains included in net income, net of taxes of \$34,983 | (52,475) | | | | |
| Other comprehensive income, net of tax | (5,124) | | (5,124) | | |
| Total comprehensive income | <u>\$ 1,571,182</u> | | | | |
| Purchase of treasury stock | | | | | |
| Dividends | | (525,668) | | | |
| Balance, December 31, 2004 | | <u>\$ 8,220,502</u> | <u>\$ 50,781</u> | <u>\$ 72,256</u> | <u>\$ 375,516</u> |

See Notes to Financial Statements.

CALCASIEU REAL ESTATE & OIL CO., INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004, 2003 and 2002

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|---------------------|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$ 1,576,306 | \$ 1,093,005 | \$ 736,568 |
| Noncash (income) expenses included in net income: | | | |
| Depreciation, depletion and amortization | 38,900 | 34,403 | 38,886 |
| Realized (gains) on sale of available-for-sale securities | (87,458) | (5,187) | |
| (Gain) on sale of assets | (15) | (3,799) | (2,572) |
| Loss on asset retirement | 3,304 | 77,215 | 375 |
| Deferred income tax | 19,709 | 1,858 | 2,807 |
| Change in assets and liabilities: | | | |
| (Increase) in trade accounts and other receivables | (90,822) | (87,442) | (58,625) |
| Decrease in inventory | | 10,125 | 917 |
| Decrease in prepaid income taxes | 26,475 | 34,638 | 110,030 |
| (Increase) in prepaid expenses | (15,205) | (1,180) | (371) |
| Increase (decrease) in trade payables | (3,831) | 4,393 | 2,895 |
| Increase in income taxes payable | 2,948 | | |
| | <u>1,470,311</u> | <u>1,158,029</u> | <u>830,910</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from rights of way | | 3,000 | |
| Proceeds from sale of timber and land | 5,454 | 16,858 | 4,655 |
| Available-for-sale securities: | | | |
| Purchases | (2,065,760) | (2,143,912) | (1,692,887) |
| Sales | 1,822,955 | 1,654,000 | 700,000 |
| Purchase of land, property and equipment | (19,877) | (49,980) | (197,025) |
| | <u>(257,228)</u> | <u>(520,034)</u> | <u>(1,185,257)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Dividends paid, net of refunds | (525,897) | (625,416) | (481,410) |
| Payments to acquire treasury stock | | (68,687) | |
| | <u>(525,897)</u> | <u>(694,103)</u> | <u>(481,410)</u> |
| Net increase (decrease) in cash and cash equivalents | 687,186 | (56,108) | (835,757) |
| Cash and cash equivalents: | | | |
| Beginning | 527,219 | 583,327 | 1,419,084 |
| Ending | <u>\$ 1,214,405</u> | <u>\$ 527,219</u> | <u>\$ 583,327</u> |

(continued on next page)

CALCASIEU REAL ESTATE & OIL CO., INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004, 2003 and 2002

(Continued)

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|-------------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | | |
| Cash payments for: | | | |
| Interest | \$ | \$ | \$ |
| Income taxes | 683,004 | 404,548 | 238,120 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | | |
| Net change in unrealized and realized gains on available-for-sale securities | (5,124) | 39,342 | (9,496) |

See Notes to Financial Statements.

CALCASIEU REAL ESTATE & OIL CO., INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

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

Significant accounting policies:

Cash and cash equivalents:

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

Inventory:

Inventory consists of harvested crops valued at estimated selling price at the date of the balance sheet.

Pervasiveness of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment securities:

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

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

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

Property and equipment:

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

Timber:

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

Oil and gas:

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

Earnings per share:

Earnings per share is based on the weighted average number of common shares outstanding during the years.

Income taxes:

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

Note 2. Securities Available-for-Sale

Debt and equity securities have been classified in the balance sheet according to management's intent in the noncurrent asset sections under the headings securities available-for-sale. The carrying amount of securities and their approximate fair values at December 31, 2004 and 2003 follow:

| | Gross Amortized Cost | Gross Unrealized Gains | Unrealized Losses | Fair Value |
|---|-------------------------------------|---------------------------------------|------------------------------|---------------------|
| December 31, 2004 | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | \$ 612,712 | \$ 94,909 | \$ 8,452 | \$ 699,169 |
| Corporate bonds | 200,003 | 785 | | 200,788 |
| US government securities | 1,347,645 | | 4,919 | 1,342,726 |
| | <u>\$ 2,160,360</u> | <u>\$ 95,694</u> | <u>\$ 13,371</u> | <u>\$ 2,242,683</u> |
| December 31, 2003 | | | | |
| Available-for-sale securities: | | | | |
| Equity securities | \$ 155,861 | \$ 46,689 | | \$ 202,550 |
| Preferred equity securities | 329,373 | 46,887 | | 376,260 |
| US government securities (maturing within one year) | 1,344,861 | | 801 | 1,344,060 |
| | <u>\$ 1,830,095</u> | <u>\$ 93,576</u> | <u>\$ 801</u> | <u>\$ 1,922,870</u> |

Gross realized gains and gross realized losses on sales of available-for-sale securities during 2004 and 2003 are presented below. There were no gross realized gains and gross realized losses on sales of available-for-sale securities during 2002.

| <u>2004</u> | <u>Gains</u> | <u>Losses</u> |
|-----------------------------|------------------|---------------|
| Gross realized gains: | | |
| Equity securities | \$ 37,820 | \$ |
| Preferred equity securities | 49,638 | |
| | <u>\$ 87,458</u> | <u>\$</u> |
| | | |
| <u>2003</u> | <u>Gains</u> | <u>Losses</u> |
| Gross realized gains: | | |
| Preferred equity securities | \$ 5,187 | \$ |
| | <u>\$ 5,187</u> | <u>\$</u> |

Information pertaining to available-for-sale securities with gross unrealized losses at December 31, 2004, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

| | <u>Less Than 12 Months</u> | | <u>12 Months or More</u> | |
|--------------------------|----------------------------|------------------------------|--------------------------|------------------------------|
| | <u>Fair Value</u> | <u>Gross Unrealized Loss</u> | <u>Fair Value</u> | <u>Gross Unrealized Loss</u> |
| Equity securities | \$ 26,890 | \$ 8,452 | \$ | \$ |
| US government securities | 1,342,727 | 4,919 | | |
| | <u>\$ 1,369,617</u> | <u>\$ 13,371</u> | <u>\$</u> | <u>\$</u> |

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issues, and (3) the intent and ability of the Company to retain its investment in the issues for a period of time sufficient to allow for any anticipated recovery in fair value.

The securities are considered not other-than-temporarily impaired because of the short period of time the fair value has been less than cost and the Company has the intent and ability to retain its investments for a period of time sufficient to allow for anticipated recovery of fair value.

The following table shows scheduled maturities of securities (other than equity securities) available-for-sale at December 31, 2004:

| <u>Years Ending</u> | <u>Fair Value</u> |
|---------------------|---------------------|
| 2005 | \$ 996,090 |
| 2006 | 346,636 |
| 2007 | |
| 2008 | |
| 2009 | |
| Thereafter | 200,788 |
| | <u>\$ 1,543,514</u> |

Note 3. Oil and Gas Properties

Results of operations for oil and gas producing activities at December 31, 2004, 2003 and 2002 is as follows:

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--|---------------------|---------------------|-------------------|
| Gross revenues: | | | |
| Royalty interests | \$ 2,291,804 | \$ 1,793,639 | \$ 1,096,175 |
| Working interests | 853 | 1,806 | 22,573 |
| | <u>2,292,657</u> | <u>1,795,445</u> | <u>1,118,748</u> |
| Less: | | | |
| Production costs | 169,068 | 203,183 | 102,654 |
| Results before income tax expenses | <u>2,123,589</u> | <u>1,592,262</u> | <u>1,016,094</u> |
| Income tax expenses | 672,581 | 484,950 | 316,266 |
| Results of operations from producing activities (excluding corporate overhead) | <u>\$ 1,451,008</u> | <u>\$ 1,107,312</u> | <u>\$ 699,828</u> |

Costs incurred in oil and gas activities:

There were no major costs, with the exception of severance taxes, incurred in connection with the Company's oil and gas operations (which are conducted entirely within the United States) at December 31, 2004, 2003 and 2002.

Reserve quantities (unaudited):

Reserve information relating to estimated quantities of the Company's interest in proved reserves of natural gas and crude (including condensate and natural gas liquids) is not available. Such reserves are located entirely within the United States. A schedule indicating such reserve quantities is, therefore, not presented. All oil and gas royalties come from Company owned properties that were developed and produced by other partners under lease agreements.

Company's share of oil and gas produced from royalty interests:

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|------------------------|-------------|-------------|-------------|
| Net gas produced (MCF) | 159,889 | 153,046 | 112,492 |
| Net oil produced (Bbl) | 28,265 | 25,618 | 22,194 |

Note 4. Income Taxes

The Company files federal income tax returns on a calendar year basis.

The net deferred tax liability in the accompanying balance sheet includes the following components at December 31, 2004 and 2003:

| | <u>2004</u> | <u>2003</u> |
|--|--------------------|--------------------|
| Deferred tax assets | \$ 230 | \$ 720 |
| Deferred tax liabilities | (34,556) | (15,337) |
| Deferred tax liabilities on unrealized appreciation of securities available for sale | (32,594) | (37,918) |
| Net deferred tax liability | <u>\$ (66,920)</u> | <u>\$ (52,535)</u> |

A reconciliation between income taxes, computed by applying statutory tax rates to income before income taxes and income taxes provided at December 31, 2004, 2003 and 2002 is as follows:

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|------------------------------|-------------------|-------------------|-------------------|
| Tax at statutory rates | \$ 784,871 | \$ 537,655 | \$ 363,609 |
| Tax effect of the following: | | | |
| Statutory depletion | (110,549) | (86,281) | (52,480) |
| Dividend exclusion | (3,777) | (1,673) | (6,567) |
| State income tax | 58,607 | 39,240 | 26,756 |
| Investment tax credit | | (1,000) | (1,000) |
| Other | 2,985 | 391 | 2,552 |
| | <u>\$ 732,137</u> | <u>\$ 488,332</u> | <u>\$ 332,870</u> |

Deferred income taxes result from timing differences in the recognition of revenue and expenses for tax and financial statement purposes. The effect of these timing differences at December 31, 2004 and 2003 is as follows:

| | <u>2004</u> | <u>2003</u> |
|---|--------------------|--------------------|
| Conversion of investment from tax cash basis to accrual basis for financial reporting | \$ (33,726) | \$ (14,205) |
| Excess of depreciation and depletion expensed for tax purposes (under) amount expensed for financial statement purposes | (600) | (412) |
| Unrealized gain on marketable securities | (32,594) | (37,918) |
| | <u>\$ (66,920)</u> | <u>\$ (52,535)</u> |

Note 5. Line of Credit

As of December 31, 2004, the Company had available an unsecured line of credit in the amount of \$1,000,000. The balance on this line of credit was \$-0- at December 31, 2004 and 2003.

Note 6. Company Operations

The Company's operations are classified into three principal operating segments which are all located in the United States: oil and gas properties, agricultural properties and timber properties. The Company's reportable business segments are strategic business units that offer income from different products. They are managed separately due to the unique aspects of each area.

Following is a summary of segmented information for 2004, 2003 and 2002:

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---------------------------|---------------------|---------------------|---------------------|
| REVENUES | | | |
| Oil and gas properties | \$ 2,292,657 | \$ 1,795,445 | \$ 1,118,748 |
| Agricultural properties | 174,203 | 179,960 | 175,282 |
| Timber properties | 253,398 | 135,736 | 160,468 |
| | <u>\$ 2,720,258</u> | <u>\$ 2,111,141</u> | <u>\$ 1,454,498</u> |
| COSTS AND EXPENSES | | | |
| Oil and gas properties | \$ 169,068 | \$ 203,183 | \$ 102,654 |
| Agricultural properties | 5,511 | 13,278 | 16,085 |
| Timber properties | 62,257 | 67,814 | 74,057 |
| | <u>\$ 236,836</u> | <u>\$ 284,275</u> | <u>\$ 192,796</u> |

| | 2004 | 2003 | 2002 |
|---|---------------------|---------------------|---------------------|
| INCOME FROM OPERATIONS | | | |
| Oil and gas properties | \$ 2,123,589 | \$ 1,592,262 | \$ 1,016,094 |
| Agricultural properties | 168,692 | 166,682 | 159,197 |
| Timber properties | 191,141 | 67,922 | 86,411 |
| | <u>2,483,422</u> | <u>1,826,866</u> | <u>1,261,702</u> |
| OTHER INCOME (EXPENSE) | <u>(174,979)</u> | <u>(245,529)</u> | <u>(192,264)</u> |
| INCOME BEFORE INCOME TAXES | <u>\$ 2,308,443</u> | <u>\$ 1,581,337</u> | <u>\$ 1,069,438</u> |
| IDENTIFIABLE ASSETS | | | |
| Oil and gas properties | \$ 322,225 | \$ 233,813 | \$ 213,493 |
| Agricultural properties | 2,364,591 | 2,372,124 | 2,372,029 |
| Timber properties | 1,499,806 | 1,516,918 | 1,507,513 |
| GENERAL CORPORATE ASSETS | <u>3,996,668</u> | <u>3,001,649</u> | <u>2,559,667</u> |
| TOTAL ASSETS | <u>\$ 8,183,290</u> | <u>\$ 7,124,504</u> | <u>\$ 6,652,702</u> |
| CAPITAL EXPENDITURES | | | |
| Oil and gas properties | \$ | \$ | \$ |
| Agricultural properties | 1,195 | | 165,859 |
| Timber properties | 13,812 | 43,614 | 18,908 |
| | <u>\$ 15,007</u> | <u>\$ 43,614</u> | <u>\$ 184,767</u> |
| DEPRECIATION, DEPLETION AND AMORTIZATION | | | |
| Agricultural properties | \$ | \$ | \$ |
| Timber properties | 33,728 | 28,800 | 33,316 |
| | <u>\$ 33,728</u> | <u>\$ 28,800</u> | <u>\$ 33,316</u> |

There are no intersegment sales reported in the accompanying income statements. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on profit or loss from operations before income taxes excluding nonrecurring gains and losses on securities held available for sale. Income before income tax represents net sales less operating expenses and other income and expenses of a general corporate nature. Identifiable assets by segment are those assets that are used in the Company's operations within that industry.

The following summarizes major customer information at December 31, 2004, 2003 and 2002 from oil and gas revenues:

| <u>Purchaser</u> | <u>Sales to Purchaser as a Percentage of Total Revenues</u> | | |
|------------------|---|-------------|-------------|
| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
| Cox and Perkins | 34% | 41% | 41% |
| Kerr-McGee | | 13% | |
| Unit Petroleum | 15% | | |

Note 7. Related Party Transactions

In 1990, the Company purchased interests in properties managed by Walker Louisiana Properties (WLP), such properties being subject to a management agreement.

Note 8. Supplementary Income Statement Information

Taxes, other than income taxes, of \$238,215, \$195,687 and \$138,451, were charged to expense during 2004, 2003 and 2002, respectively.

Note 9. Concentration of Credit Risk

The Company maintains its cash balances in one financial institution. The amount on deposit in the financial institution is insured by the Federal Deposit Insurance Corporation up to \$100,000.

Note 10. Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it was practical to estimate that value:

Cash and cash equivalents:

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities available-for-sale:

Debt and equity securities were valued at fair value, which equals quoted market price.

The estimated fair value of the Company's financial instruments at December 31, 2004 and 2003 are as follows. Amounts are presented in thousands.

| | 2004 | | 2003 | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | \$ 1,214 | \$ 1,214 | \$ 527 | \$ 527 |
| Securities available for sale | 2,243 | 2,243 | 1,923 | 1,923 |
| | \$ 3,457 | \$ 3,457 | \$ 2,450 | \$ 2,450 |

CALCASIEU REAL ESTATE & OIL CO., INC.

PROPERTY, PLANT AND EQUIPMENT

Years Ended December 31, 2004, 2003 and 1999

| | <u>Balance, Beginning of Period</u> | <u>Additions</u> | <u>Adjustments and Retirements</u> | <u>Balance, End of Period</u> |
|-------------------------------|---|-------------------|--|---------------------------------------|
| <u>2004</u> | | | | |
| Other property: | | | | |
| Buildings and equipment | \$ 79,904 | \$ 7,785 | \$ 10,368 | \$ 77,321 |
| Timber | 842,434 | 13,812 | 3,304 | 852,942 |
| Land | 3,891,610 | 1,195 | 5,029 | 3,887,776 |
| | <u>\$ 4,813,948</u> | <u>\$ 22,792</u> | <u>\$ 18,701</u> | <u>\$ 4,818,039</u> |
| <u>2003</u> | | | | |
| Oil and gas properties-proved | \$ 456,751 | \$ | \$ 456,751 | \$ |
| Other property: | | | | |
| Buildings and equipment | 83,718 | | 3,814 | 79,904 |
| Timber | 798,820 | 43,614 | | 842,434 |
| Land | 3,904,851 | | 13,241 | 3,891,610 |
| | <u>\$ 5,244,140</u> | <u>\$ 43,614</u> | <u>\$ 473,806</u> | <u>\$ 4,813,948</u> |
| <u>2002</u> | | | | |
| Oil and gas properties-proved | \$ 456,751 | \$ | \$ | \$ 456,751 |
| Other property: | | | | |
| Buildings and equipment | 86,825 | 6,999 | 10,106 | 83,718 |
| Timber | 779,912 | 18,908 | | 798,820 |
| Land | 3,738,992 | 165,859 | | 3,904,851 |
| | <u>\$ 5,062,480</u> | <u>\$ 191,766</u> | <u>\$ 10,106</u> | <u>\$ 5,244,140</u> |

CALCASIEU REAL ESTATE & OIL CO., INC.

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION

Years Ended December 31, 2004, 2003 and 2002

| | Balance, Beginning of Period | Additions | Adjustments and Retirements | Balance, End of Period |
|-------------------------------|---|------------------|--|---------------------------------------|
| <u>2004</u> | | | | |
| Other property: | | | | |
| Buildings and equipment | \$ 67,224 | \$ 5,172 | \$ 7,045 | \$ 65,351 |
| Timber | 343,459 | 33,728 | | 377,187 |
| | <u>\$ 410,683</u> | <u>\$ 38,900</u> | <u>\$ 7,045</u> | <u>\$ 442,538</u> |
| <u>2003</u> | | | | |
| Oil and gas properties-proved | \$ 379,535 | \$ | \$ 379,535 | \$ |
| Other property: | | | | |
| Buildings and equipment | 68,985 | 5,603 | 7,364 | 67,224 |
| Timber | 314,659 | 28,800 | | 343,459 |
| | <u>\$ 763,179</u> | <u>\$ 34,403</u> | <u>\$ 386,899</u> | <u>\$ 410,683</u> |
| <u>2002</u> | | | | |
| Oil and gas properties-proved | \$ 379,535 | \$ | \$ | \$ 379,535 |
| Other property: | | | | |
| Buildings and equipment | 69,999 | 5,570 | 6,584 | 68,985 |
| Timber | 281,343 | 33,316 | | 314,659 |
| | <u>\$ 730,877</u> | <u>\$ 38,886</u> | <u>\$ 6,584</u> | <u>\$ 763,179</u> |

CALCASIEU REAL ESTATE & OIL CO., INC.

QUARTERLY FINANCIAL DATA

(UNAUDITED)

Amounts in thousands, except per share:

| | <u>First Quarter</u> | <u>Second Quarter</u> | <u>Third Quarter</u> | <u>Fourth Quarter</u> | <u>Total Year</u> |
|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|-----------------------|
| Total revenues: | | | | | |
| 2004 | \$ 528 | \$ 615 | \$ 810 | \$ 767 | \$ 2,720 |
| 2003 | 450 | 363 | 587 | 711 | 2,111 |
| Operating income: | | | | | |
| 2004 | 382 | 494 | 670 | 599 | 2,145 |
| 2003 | 351 | 275 | 468 | 431 | 1,525 |
| Net income: | | | | | |
| 2004 | 275 | 412 | 467 | 422 | 1,576 |
| 2003 | 252 | 199 | 333 | 309 | 1,093 |
| Net income per share: | | | | | |
| 2004 | .14 | .21 | .24 | .22 | .81 |
| 2003 | .13 | .10 | .17 | .16 | .56 |
| Cash dividends per share: | | | | | |
| 2004 | .07 | .07 | .07 | .07 | .28 |
| 2003 | .05 | .10 | .07 | .07 | .29 |
| Shares outstanding: | | | | | |
| 2004 | 1,945 | 1,945 | 1,945 | 1,945 | 1,945 |
| 2003 | 1,955 | 1,952 | 1,945 | 1,945 | 1,945 |

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized on April 14, 2005

CALCASIEU REAL ESTATE AND OIL CO., INC.

BY: /s/ William D. Blake

Name: William D. Blake
Title: Vice-President & Treasurer,

Chief Financial Officer and Director

EXHIBIT INDEX

- 3.1 Restated/Articles of Incorporation of the Registrant is incorporated by reference to Exhibit (3)-1 to Form 10 filed April 29, 1981.
- 3.2 Amendment to Articles of Incorporation of the Registrant is incorporated by reference to Exhibit (3.2) to Form 10-K for year ended December 31, 2003.
- 3.3 By-Laws of the Registrant are incorporated by reference to Exhibit (3.3) to Form 10-K for year ended December 31, 2003.
- 23.1 Consent of McElroy, Quirk & Burch filed herewith.
- 31.1 Certification of Arthur Hollins, III, President and Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 31.2 Certification of William D. Blake, Vice-President and Treasurer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32.1 Certification of Arthur Hollins, III, President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.
- 32.2 Certification of William D. Blake, Vice-President and Treasurer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 filed herewith.