
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2005

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 number 000-08565

Marine Petroleum Trust

(Exact name of registrant as specified in its charter)

Texas

(State or other jurisdiction
of incorporation or organization)

75-6008017

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

Bank of America, N.A.

P.O. Box 830650, Dallas, Texas
(Address of principal executive offices)

75283-0650

(Zip Code)

Registrant's telephone number, including area code (800) 985-0794

None

(Former name, former address and former fiscal year
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate number of units of beneficial interest outstanding as of the latest practicable date:

As of November 14, 2005, we had 2,000,000 units of beneficial interest outstanding.

MARINE PETROLEUM TRUST

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MARINE PETROLEUM TRUST AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 2005 and June 30, 2005
(Unaudited)

ASSETS

| | September 30, 2005 | June 30, 2005 |
|---|-------------------------------|--------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,295,002 | \$ 1,171,006 |
| Oil and gas royalties receivable | 614,440 | 970,334 |
| Receivable from affiliate | 267,629 | 205,500 |
| Interest receivable | 4,324 | 1,426 |
| Total current assets | <u>\$ 2,181,395</u> | <u>\$ 2,348,266</u> |
| Investment in U.S. Treasury and agency bonds..... | 200,000 | 200,000 |
| Investment in affiliate | 527,458 | 530,349 |
| Office equipment, at cost less accumulated depreciation | 2,400 | 2,400 |
| Producing oil and gas properties..... | 7 | 7 |
| | <u>\$ 2,911,260</u> | <u>\$ 3,081,022</u> |

LIABILITIES AND TRUST EQUITY

| | | |
|--|---------------------|---------------------|
| Current Liabilities – Federal income taxes payable..... | \$ 1,800 | \$ 1,000 |
| Trust Equity: | | |
| Corpus – authorized 2,000,000 units of beneficial interest, issued 2,000,000 units at nominal value | 8 | 8 |
| Undistributed income | 2,909,452 | 3,080,014 |
| Total trust equity..... | <u>2,909,460</u> | <u>3,080,022</u> |
| | <u>\$ 2,911,260</u> | <u>\$ 3,081,022</u> |

See accompanying notes to condensed consolidated financial statements.

**MARINE PETROLEUM TRUST AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
AND UNDISTRIBUTED INCOME**

**For the Three Months Ended September 30, 2005 and 2004
(Unaudited)**

| | Three Months Ended September 30, | |
|--|---|---------------------|
| | 2005 | 2004 |
| Income: | | |
| Oil and gas royalties | \$ 831,535 | \$ 1,065,738 |
| Equity in earnings of affiliate | 254,451 | 77,478 |
| Interest income | 11,990 | 4,808 |
| | <u>1,097,976</u> | <u>1,148,024</u> |
| Expenses: | | |
| General and administrative | 49,914 | 50,757 |
| Income before Federal income taxes | 1,048,062 | 1,097,267 |
| Federal income taxes of subsidiary | 800 | — |
| Net income | <u>1,047,262</u> | <u>1,097,267</u> |
| Undistributed income at beginning of period | <u>3,080,014</u> | <u>2,916,196</u> |
| | 4,127,276 | 4,013,463 |
| Distributions to unitholders | <u>(1,217,824)</u> | <u>(1,289,803)</u> |
| Undistributed income at end of period | <u>\$ 2,909,452</u> | <u>\$ 2,723,660</u> |
| Net income per unit | <u>\$ 0.52</u> | <u>\$ 0.55</u> |
| Distributions per unit | <u>\$ 0.61</u> | <u>\$ 0.64</u> |

MARINE PETROLEUM TRUST AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended September 30, 2005 and 2004
(Unaudited)

| | Three Months Ended | |
|--|---------------------------|--------------|
| | September 30, | |
| | 2005 | 2004 |
| Cash flows from operating activities: | | |
| Net income | \$ 1,047,262 | \$ 1,097,267 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in undistributed earnings of affiliate | 2,891 | (2,597) |
| Amortization of premium | — | 2,316 |
| Change in assets and liabilities: | | |
| Oil and gas royalties receivable | 355,894 | 103,882 |
| Receivable from affiliate | (62,129) | (8,916) |
| State and federal taxes refundable | — | 578 |
| Interest receivable | (2,898) | (4,379) |
| Accounts payable | 800 | 77 |
| Net cash provided by operating activities | 1,341,820 | 1,188,228 |
| Cash flows from financing activities—distributions to unitholders | (1,217,824) | (1,289,803) |
| Net increase (decrease) in cash and cash equivalents | 123,996 | (101,575) |
| Cash and cash equivalents at beginning of period | 1,171,006 | 1,202,855 |
| Cash and cash equivalents at end of period | \$ 1,295,002 | \$ 1,101,280 |

See accompanying notes to condensed consolidated financial statements.

MARINE PETROLEUM TRUST AND SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2005

(Unaudited)

Accounting Policies

The financial statements include the financial statements of Marine Petroleum Trust (the "Trust") and its wholly-owned subsidiary, Marine Petroleum Corporation ("MPC"). The financial statements are condensed and should be read in conjunction with the Trust's annual report on Form 10-K for the fiscal year ended June 30, 2005. The financial statements included herein are unaudited, but in the opinion of management they include all adjustments necessary for a fair presentation of the results of operations for the periods indicated. Operating results for the three months ended September 30, 2005 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2006.

As an overriding royalty owner, actual production results are not known to us until reported by the operator, which could be a period of 60-90 days later than the actual month of production. To comply with accounting principles generally accepted in the United States of America, we must estimate earned but unpaid royalties from this production. To estimate this amount, we utilize historical information based on the latest production reports from the individual leases and current average prices as reported for oil by Chevron Corporation and the well head price for natural gas as reported by the Energy Information Agency, a division of the U.S. Department of Energy for the period under report.

Distributable Income

The Trust's Indenture provides that the 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 on the 28th day of March, June, September and December of each year. If the 28th falls on a Saturday, Sunday or legal holiday, the distribution is payable on the immediately preceding business day.

As stated under "Accounting Policies" above, the financial statements in this Form 10-Q are the condensed and consolidated account balances of the Trust and MPC. However, distributable income is paid from the unconsolidated account balances of the Trust. Distributable income is comprised of (i) royalties from offshore Texas leases owned directly by the Trust, (ii) 98% of the overriding royalties received by MPC that are paid to the Trust on a quarterly basis, (iii) cash distributions from the Trust's equity interest in the Tidelands Royalty Trust B ("Tidelands"), a separate publicly traded royalty trust, (iv) dividends paid by MPC, less (v) administrative expenses incurred by the Trust.

Undistributed Income

A contract between the Trust and MPC provides that 98% of the overriding royalties received by MPC are paid to the Trust each quarter. MPC retains the remaining 2% of the overriding royalties along with other items of income and expense until such time as MPC's Board of Directors declares a dividend out of the retained earnings. Beginning in the first quarter of 2004 the Board of Directors of MPC has declared quarterly dividends equal to 2% of overriding royalties collected each quarter. On September 30, 2005, undistributed income of the Trust and MPC amounted to \$2,001,250 and \$908,202, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition – Liquidity and Capital Resources

The Trust is a royalty trust that was created in 1956 under the laws of the State of Texas. The Trust is not permitted to engage in any business activity because it 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, pursuant to license agreements and amendments between the Trust's predecessors and Gulf Oil Corporation ("Gulf"). As a result of various transactions that have occurred since 1956, the Gulf interests now are held by Chevron Corporation, Elf Exploration, Inc., and their assignees.

The Trust's rights are generally referred to as overriding royalty interests in the oil and natural gas industry. An overriding royalty interest is created by an assignment by the owner of a working interest. The ownership rights associated with an overriding royalty interest terminate when the underlying lease terminates. All production and marketing functions are conducted by the working interest owners of the leases. Revenues from the overriding royalties are paid to the Trust either (i) on the basis of the selling price of oil, natural gas and other minerals produced, saved or 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.

The Trust 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 62 leases covering 230,436 gross acres located in the Gulf of Mexico. The Trust's overriding royalty interest applies only to existing leases and does not apply to new leases. The Trust also owns a 32.6% equity interest in Tidelands. Tidelands has an overriding royalty interest in six leases covering 25,448 gross acres located in the Gulf of Mexico. As a result of this ownership, the Trust receives periodic distributions from Tidelands.

Due to the limited purpose of the Trust as stated in the Trust's Indenture, there is no requirement for capital. The Trust's only obligation is to distribute to unitholders the net income actually collected. As an administrator of oil and natural gas royalty properties, the Trust collects royalties monthly, pays administration expenses, and disburses all net royalties collected to its unitholders each quarter. Because all of the Trust's revenues are invested in liquid funds pending distribution, the Trust does not experience any liquidity problems.

The Trust's Indenture (and MPC's charter and by-laws) expressly prohibits the operation of any kind of trade or business. The Trust's oil and natural gas properties are depleting assets and are not being replaced due to the prohibition against these investments. Because of these restrictions, the Trust does not require short term or long term capital. These restrictions, along with other factors, allow the Trust to be treated as a grantor trust. Thus, all income and deductions, for tax purposes, should flow through to each individual unitholder. The Trust is not a taxable entity.

Critical Accounting Policies

As an overriding royalty owner, actual production results are not known to us until reported by the operator, which could be a period of 60-90 days later than the actual month of production. To comply with accounting principles generally accepted in the United States of America, we must estimate earned but unpaid royalties from this production. To estimate this amount, we utilize historical information based on the latest production reports from the individual leases and current average prices as reported for oil by Chevron USA and the well head price for natural gas as reported by the Energy Information Agency, a division of the U.S. Department of Energy for the period under report.

We did not have any changes in our critical accounting policies or in our significant accounting estimates during the three months ended September 30, 2005. Please see our annual report on Form 10-K for the year ended June 30, 2005 for a detailed discussion of our critical accounting policies.

General

The Trust realized 56% of its revenue from the sale of oil and 44% from the sale of natural gas during the three months ended September 30, 2005. Revenue includes estimated royalties of oil and natural gas produced but not paid.

Distributions fluctuate from quarter to quarter due to changes in oil and natural gas prices and production quantities. Net income is determined by the revenue from oil and natural gas produced and sold during the accounting period. Distributions, however, are determined by the cash available to the Trust on the determination date.

Impact of Recent Hurricanes in Gulf of Mexico. Based on limited information from some of the operators of wells in which the Trust has an overriding royalty interest, at least ten (10) platforms subject to The Trust's interest were lost as a result of Hurricane Katrina. These platforms represented 34 wells that produced (based on the Trust's latest production data) approximately 86 mcf of natural gas per day and 15 barrels of oil per day, which represents 10% of the Trust's natural gas production and 11% of the Trust's oil production based on the Trust's average daily production for the year ended June 30, 2005. The Trust currently believes that the reserves subject to some of these wells may not be recoverable in the future. However, the complete impact of Hurricane Katrina on the Trust's reserves, production and revenues has not been completely determined. Due to the impact of the hurricanes, the Trust did not accrue any revenues for the month of September 2005.

The Trust has also been advised by certain operators that various other wells subject to the Trust's overriding royalty interest were shut-in in anticipation of Hurricane Katrina and Hurricane Rita. The Trust does not yet know if these wells are back online or the impact that these shut-ins will have on the Trust's future production from these wells. Furthermore, production may be slow in coming back online due to damage to pipelines, barge terminals and other onshore support facilities.

In addition, the Trust owns a 32.6% equity interest in Tideland Royalty Trust "B" (Tideland), a separate Texas trust that was also impacted by the recent hurricane activity in the Gulf of Mexico. For more information on the impact of the recent hurricanes on the properties subject to Tideland's interests, please see the Form 8-K filed by Tideland on October 21, 2005 and the Form 10-Q filed by Tideland for the quarter ended September 30, 2005 as well as Tideland's future public filings.

The Trust cannot project either net income or distributable net income in the future. However, unitholders should expect to receive a reduction in cash distributions during 2006.

Summary Review of Operating Results

Net income for the three months ended September 30, 2005 decreased approximately 5% to \$0.52 per unit as compared to \$0.55 per unit for the comparable period in 2004. Oil production for the three months ended September 30, 2005 decreased approximately 4,000 barrels and natural gas production decreased approximately 48,000 mcf from the levels realized in the comparable period in 2004. For the three months ended September 30, 2005, the average price realized for a barrel of oil increased \$15.32 over the price realized in the comparable period in 2004 and the average price realized for a thousand cubic feet (mcf) of natural gas increased \$1.59 over the price realized in the comparable period in 2004.

Distributions to unitholders amounted to \$0.61 per unit for the three months ended September 30, 2005, a decrease of approximately 5% from the \$0.64 distribution for the comparable period in 2004.

The Trust relies on public records for information regarding drilling operations. The public records available up to the date of this report indicate that there were two wells completed during the three months ended September 30, 2005 on leases in which the Trust has an interest. Public records also indicate that there were five wells in the process of being drilled and ten permits for wells to be drilled in the future. Based on the latest public records reviewed by the Trust, there are approximately 320 wells subject to the Trust's overriding royalty interest that are listed as active oil or natural gas wells on the records of the Minerals Management Service.

The following table presents the net production quantities of oil and natural gas and net income and distributions per unit for the last five quarters.

| <u>Quarter</u> | <u>Production (1)</u> | | <u>Net Income</u> | <u>Cash Distribution</u> |
|-------------------------|-----------------------|------------------------------|-----------------------|------------------------------|
| | <u>Oil (bbls)</u> | <u>Natural Gas (mcf)</u> | | |
| September 30, 2004..... | 11,762 | 100,176 | .55 | .64 |
| December 31, 2004 | 14,375 | 41,003 | .50 | .56 |
| March 31, 2005 | 9,633 | 67,482 | .58 | .54 |
| June 30, 2005 | 13,362 | 101,290 | .74 | .54 |
| September 30, 2005..... | 7,787 | 52,298 | .52 | .61 |

(1) Excludes the Trust's equity interest in Tidelands.

The Trust's revenues are derived from the oil and natural gas production activities of unrelated parties. The Trust's revenues and distributions fluctuate from period to period based upon factors beyond the Trust's control, including, without limitation, the number of productive wells drilled and maintained on leases subject to the Trust's interest, the level of production over time from such wells and the prices at which the oil and natural gas from such wells are sold. The Trust believes that it will continue to have enough revenues to allow distributions to be made to unitholders for the foreseeable future, although no assurance can be made regarding the amount of any future distributions. The foregoing sentence is a forward-looking statement. For more information, see "Forward-Looking Statements" on page 8. Actual results may differ from expected results because of reductions in the price or demand for oil and natural gas, which might then lead to decreased production; reductions in production due to the depletion of existing wells or disruptions in service, which may be caused by storm damage to production facilities, blowouts or other production accidents, or geological changes such as cratering of productive formations; and the expiration or release of leases subject to the Trust's interests.

Important aspects of the Trust's operations are conducted by third parties. Oil and natural gas companies that lease tracts subject to the Trust's interests are responsible for the production and sale of oil and natural gas and the calculation of royalty payments to the Trust. The Trust's distributions are processed and paid by Mellon Investor Services LLC as the agent for the trustee of the Trust.

Results of Operations—Three Months Ended September 30, 2005 and 2004

Net income decreased 5% to approximately \$1,047,000 for the three months ended September 30, 2005, from approximately \$1,097,000 realized for the comparable three months in 2004.

Operations in the Gulf of Mexico during the current quarter were severely affected by two hurricanes. Katrina made landfall near New Orleans on August 29, 2005 and Rita made landfall near Port Arthur on September 24, 2005. Because of these storms, wells were shut-in for several days before the storms hit land and remained shut-in for several days after the storms passed. Based on the most recent information available to the Trust, income for the quarter ended September 30, 2005 was estimated to be reduced by approximately 30% due to these hurricanes.

The Trust's revenue is dependent on the operations of the working interest owners of the leases burdened with the Trust's overriding royalty interest. The only obligation of the working interest owners to the Trust is to make monthly overriding royalty payments of the Trust's interest in the oil and natural gas sold. The volume of oil and gas produced and its selling price are primary factors in the calculation of overriding royalty payments. Production is affected by the declining capability of the producing wells, the number of new wells drilled, the number of existing wells re-worked and placed back in production. The Trust has experienced a steady decline in the volume of oil and natural gas produced from the wells subject to the Trust's overriding royalty interest. In the current three month period oil production decreased 34% and natural gas production declined 48% from the levels realized in the comparable three months a year ago. Production from existing wells is anticipated to decrease in the future due to normal well depletion. The Trust has no input with the operators regarding future drilling operations which could impact the Trust's future oil and natural gas production.

Revenue from oil royalties, excluding the Trust's equity interest in Tidelands, for the three months ended September 30, 2005 decreased 11% to approximately \$462,000, from approximately \$517,000 realized for the comparable three months in 2004. There was a 34% decrease in production and a 35% increase in the price realized.

Revenue from natural gas royalties, excluding the Trust's equity interest in Tidelands, decreased 33% to approximately \$370,000 from approximately \$549,000 for the comparable three months in 2004. There was a 48% decrease in production and a 29% increase in the price realized.

Income from the Trust's equity in Tidelands increased approximately 228% for the three months ended September 30, 2005, as compared to the comparable three months of 2004. This increase is primarily due to commencement of production from new wells on West Cameron Block 165.

The following table presents the quantities of oil and natural gas sold and the average price realized from current operations for the three months ended September 30, 2005, and those realized in the comparable three months in 2004, excluding the Trust's equity interest in Tidelands.

| | <u>Three Months Ended September 30,</u> | |
|---------------------|--|--------------------|
| | <u>2005</u> | <u>2004</u> |
| OIL | | |
| Barrels sold..... | 7,787 | 11,762 |
| Average price | \$ 59.27 | \$ 43.95 |
| NATURAL GAS | | |
| Mcf sold | 52,298 | 100,176 |
| Average price | \$ 7.07 | \$ 5.48 |

Forward-Looking Statements

The statements discussed in this quarterly report on Form 10-Q regarding our future financial performance and results, and other statements that are not historical facts, are forward-looking statements as defined in Section 27A of the Securities Act of 1933. We use the words "may," "will," "expect," "anticipate," "estimate," "believe," "continue," "intend," "plan," "budget," or other similar words to identify forward-looking statements. You should read statements that contain these words carefully because they discuss future expectations, contain projections of our financial condition, and/or state other "forward-looking" information. Events may occur in the future that we are unable to accurately predict, or over which we have no control. If one or more of these uncertainties materialize, or if underlying assumptions prove incorrect, actual outcomes may vary materially from those forward-looking statements included in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As described elsewhere herein, the Trust's only function is to collect overriding royalties from leases operated by others and distribute those royalties to its unitholders after paying the cost of collection and administration. The Trust's income is highly dependent on the prices realized from the sale of oil and natural gas. Oil and natural gas prices have historically experienced significant volatility. The Trust does not attempt to manage its commodity price risk through the use of fixed price contracts or financial derivatives.

Due to the short span of time between receipts and disbursements, cash held by the Trust is held in a non-interest bearing trust account.

Oil and natural gas royalties received by MPC prior to payment of the 98% net profits interest are held in money market accounts that invest in U.S. Treasury securities and are considered not at risk.

The retained earnings of MPC are held in either money market accounts or U.S. Treasury or agency securities to be held to maturity. Funds held in money market accounts and U.S. Treasury securities that mature in less than one year are considered not at risk.

Item 4. Controls and Procedures

As of the end of the period covered by this report, the Trustee carried out an evaluation of the effectiveness of the design and operation of the Trust's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15 and 15d-15. Based upon that evaluation, the Trustee concluded that the Trust's disclosure controls and procedures are effective in timely alerting the Trustee to material information relating to the Trust required to be included in the Trust's periodic filings with the Securities and Exchange Commission. There has not been any change in the Trust's internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

The following exhibits are included herein:

- 31.1 Certification of the Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Corporate Trustee pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the Corporate Trustee pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

MARINE PETROLEUM TRUST
Bank of America, N.A., Trustee

November 14, 2005

By: /s/ RON E. HOOPER
Ron E. Hooper
Senior Vice President

November 14, 2005

By: /s/ R. RAY BELL
R. Ray Bell
Principal Accounting Officer

Marine Petroleum Trust
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