

CHESAPEAKE GRANITE WASH TRUST  
Form 10-Q  
August 08, 2013

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 June 30, 2013  
 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. 001-35343  
Chesapeake Granite Wash Trust  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of incorporation or organization)

45-6355635  
(I.R.S. Employer Identification No.)

The Bank of New York Mellon  
Trust Company, N.A., Trustee  
Global Corporate Trust  
919 Congress Avenue  
Austin, Texas  
(Address of principal executive offices)  
(855) 802-1093

78701  
(Zip Code)

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 7, 2013, 35,062,500 Common Units and 11,687,500 Subordinated Units representing beneficial interests in Chesapeake Granite Wash Trust were outstanding.

CHESAPEAKE GRANITE WASH TRUST  
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All references to "we," "us," "our," or the "Trust" refer to Chesapeake Granite Wash Trust. The royalty interests conveyed on November 16, 2011 by Chesapeake from its interests in certain properties in the Colony Granite Wash formation in Oklahoma and held by the Trust are referred to as the "Royalty Interests." References to "Chesapeake" refer to Chesapeake Energy Corporation and, where the context requires, its subsidiaries.

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#### DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) includes “forward-looking statements” about the Trust and Chesapeake and other matters discussed herein that are subject to risks and uncertainties that are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact included in this document, including, without limitation, statements under “Trustee’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of Part I and “Risk Factors” in Item 1A of Part II and elsewhere herein regarding the proved oil, NGL and natural gas reserves associated with the properties underlying the Royalty Interests, the Trust’s or Chesapeake’s future financial position, business strategy, budgets, projected costs and plans and objectives for future operations, information regarding target distributions, statements pertaining to future development activities and costs, statements regarding the number of development wells to be completed in future periods and information regarding production and reserve growth, are forward-looking statements. Actual outcomes and results may differ materially from those projected. Our forward-looking statements are generally accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “potential,” “could,” “may,” “foresee,” “plan,” “target,” “should,” “intend” or other words that convey the uncertainty of future events or outcomes. These statements are based on certain assumptions made by the Trust, and by Chesapeake in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual results and developments will conform with such expectations and predictions is subject to a number of risks and uncertainties, including the risk factors discussed in Item 1A of Part I of the Trust’s Annual Report on Form 10-K for the year ended December 31, 2012, and those set forth from time to time in the Trust’s filings with the Securities and Exchange Commission, which could affect the future results of the energy industry in general, and the Trust and Chesapeake in particular, and could cause those results to differ materially from those expressed in such forward-looking statements. The actual results or developments anticipated may not be realized or, even if substantially realized, they may not have the expected consequences to or effects on Chesapeake’s business and the Trust. Such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in such forward-looking statements. The Trustee relies on Chesapeake for information regarding the Royalty Interests, the Underlying Properties and Chesapeake itself. The Trust undertakes no obligation to publicly update or revise any forward-looking statements.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## CHESAPEAKE GRANITE WASH TRUST

## STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

(Unaudited)

	June 30, 2013 (\$ in thousands)	December 31, 2012
<b>ASSETS:</b>		
Cash and cash equivalents	\$1,230	\$1,159
Investment in royalty interests	487,793	487,793
Less: accumulated amortization and impairment	(135,710	) (59,331
Net investment in royalty interests	352,083	428,462
Long-term derivative asset	686	—
Total assets	\$353,999	\$429,621
<b>LIABILITIES AND TRUST CORPUS:</b>		
Short-term derivative liability	\$4,762	\$3,276
Long-term derivative liability	—	4,808
Total liabilities	4,762	8,084
Trust corpus; 35,062,500 common units and 11,687,500 subordinated units authorized and outstanding	349,237	421,537
Total liabilities and trust corpus	\$353,999	\$429,621

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

CHESAPEAKE GRANITE WASH TRUST  
 STATEMENTS OF DISTRIBUTABLE INCOME  
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(\$ in thousands, except per unit data)			
<b>REVENUES:</b>				
Royalty income	\$29,868	\$34,554	\$59,331	\$70,624
Interest income	—	1	—	2
Total Revenues	29,868	34,555	59,331	70,626
<b>EXPENSES:</b>				
Production taxes	577	798	1,165	1,550
Trust administrative expenses	533	443	868	805
Derivative settlement loss	1,007	2,567	1,616	3,391
Cash reserves withheld	40	(54	) 71	60
Total Expenses	2,157	3,754	3,720	5,806
Distributable income	\$27,711	\$30,801	\$55,611	\$64,820
Distributable income per common unit (35,062,500 units)	\$0.6900	\$0.6588	\$1.3600	\$1.3865
Distributable income per subordinated unit (11,687,500 units)	\$0.3010	\$0.6588	\$0.6782	\$1.3865

CHESAPEAKE GRANITE WASH TRUST  
 STATEMENTS OF CHANGES IN TRUST CORPUS  
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
	(\$ in thousands)			
<b>TRUST CORPUS: Beginning of period</b>	\$370,181	\$434,933	\$421,537	\$462,918
Additional cash reserves	40	(54	) 71	60
Amortization of investment in royalty interests	(15,260	) (12,813	) (32,049	) (25,718
Impairment of investment in royalty interests	(11,430	) —	(44,330	) —
Change in derivative liability	5,706	34,349	4,008	19,155
Distributable income	27,711	30,801	55,611	64,820
Distributions paid to unitholders				