

New Concept Energy, Inc.
Form 10-Q
November 10, 2014

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 QUARTER ENDED SEPTEMBER 30, 2014

or

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 000-08187
NEW CONCEPT ENERGY, INC.
(Exact Name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

75-2399477
(I.R.S. Employer
Identification No.)

1603 LBJ Freeway
Suite 300
Dallas, Texas
(Address of principal executive offices)
75234
(Zip Code)
(972) 407-8400
(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,

Edgar Filing: New Concept Energy, Inc. - Form 10-Q

or smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

R

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

Indicate the number of shares outstanding of each of the issuer’s classes of Common Stock, as of the latest practicable date.

Common Stock, \$.01 par value
(Class)

1,946,934 shares
(Outstanding at November 7, 2014)

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES
Index to Quarterly Report on Form 10-Q
Period ended September 30, 2014

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements	3
Consolidated Balance Sheets	3
Consolidated Statements of Operations	5
Consolidated Statements of Cash Flows	6
Notes To Consolidated Financial Statements	7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
---	----

Item 3. Quantitative and Qualitative Disclosures About Market Risk	13
--	----

Item 4. Controls and Procedures	13
---------------------------------	----

PART II: OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	14
---	----

Item 6. Exhibits	15
------------------	----

Signatures	16
------------	----

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS

(unaudited)

(amounts in thousands)

	September 30, 2014	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	\$311	\$1,621
Accounts receivable from oil and gas sales	232	195
Other current assets	176	203
Total current assets	719	2,019
Oil and natural gas properties (full cost accounting method)		
Proved developed and undeveloped oil and gas properties, net of depletion	8,913	9,190
Property and equipment, net of depreciation		
Land, buildings and equipment - oil and gas operations	1,501	1,442
Other	172	183
Total property and equipment	1,673	1,625
Other assets (including \$125 and \$161 due from related parties in 2014 and 2013)	1,218	474
Total assets	\$12,523	\$13,308

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

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - CONTINUED
(unaudited)
(amounts in thousands, except share amounts)

	September 30, 2014	December 31, 2013
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable - trade	\$362	\$121
Accrued expenses	321	965
Current portion of long term debt	215	185
Total current liabilities	898	1,271
Long-term debt		
Notes payable less current portion	2,126	2,195
Asset retirement obligation	2,770	2,770
Total liabilities	5,794	6,236
Stockholders' equity		
Preferred stock, Series B	1	1
Common stock, \$.01 par value; authorized, 100,000,000 shares; issued and outstanding, 1,946,934 shares at June 30, 2014 and December 31, 2013	20	20
Additional paid-in capital	58,838	58,838
Accumulated deficit	(52,130)	(51,787)
	6,729	7,072
Total liabilities & equity	\$12,523	\$13,308

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

NEW CONCEPT ENERGY, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

(amounts in thousands, except per share data)

	For the Three Months ended September 30,		For the Nine Months ended September 30,	
	2014	2013	2014	2013
Revenue				
Oil and gas operations, net of royalties	\$410	\$324	\$1,239	\$1,048
Real estate operations	721	694	2,174	2,040
	1,131	1,018	3,413	3,088
Operating expenses				
Oil and gas operations	447	495	1,355	1,444
Real estate operations	400	372	1,183	1,141
Lease expense	240	235	721	707
Corporate general and administrative	208	170	605	513
	1,295	1,272	3,864	3,805
Operating earnings (loss)	(164)	(254)	(451)	(717)
Other income (expense)				
Interest income	1	1	3	9
Interest expense	(22)	(24)	(75)	(97)
Recovery of bad debt expense	-	410	-	1,143
Other income (expense), net	(19)	-	180	(36)
Other income (expense)	(40)	387	108	1,019
Net income (loss) applicable to common shares	\$(204)	\$133	\$(343)	\$302
Net income (loss) per common share-basic and diluted	\$(0.10)	\$0.07	\$(0.18)	\$0.16
Weighted average common and equivalent shares outstanding - basic	1,947	1,947	1,947	1,947

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

NEW CONCEPT ENERGY, INC AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (unaudited)
 (amounts in thousands)

	For the Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities		
Net income (loss)	\$(343	) \$302
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	503	687
Write-off (recovery) of affiliate receivable	-	(1,143
Changes in operating assets and liabilities		
Other current and non-current assets	(146	) (110
Accounts payable and other liabilities	(403	) 1,341
Net cash provided by (used) in operating activities	(389	) 1,077
Cash flows from investing activities		
Investment in oil and gas	(74	) (82
Fixed asset additions	(167	) (150
Real estate held for investment	(631) -
Net cash provided by (used in) investing activities	(872	) (232
Cash flows from financing activities		
Proceeds from loans	128	62
Payment on notes payable	(177	) (29
Net cash provided by (used in) financing activities	(49	) 33
Net increase (decrease) in cash and cash equivalents	(1,310	) 878
Cash and cash equivalents at beginning of year	1,621	398
Cash and cash equivalents at end of year	\$311	\$1,276
Supplemental disclosures of cash flow information:		
Cash paid for interest on notes payable	75	97

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

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES
Notes To Consolidated Financial Statements

NOTE A: BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include the accounts of New Concept Energy, Inc. and its majority-owned subsidiaries (collectively, "NCE" or the "Company"). All significant intercompany transactions and accounts have been eliminated.

The unaudited financial statements included herein have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ending December 31, 2013. Operating results for the nine month period ended September 30, 2014 are not necessarily indicative of the results that may be expected for any subsequent quarter or for the fiscal year ending December 31, 2014.

NOTE B: NATURE OF OPERATIONS

The Company operates oil and gas wells and mineral leases in Athens and Meigs Counties in Ohio and in Calhoun, Jackson and Roane Counties in West Virginia through its wholly owned subsidiaries Mountaineer State Energy, Inc. and Mountaineer State Operations, LLC.

The Company also leases and operates a retirement community in King City Oregon, with a capacity of 114 residents.

NOTE C: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We consider accounting policies related to our estimates of depreciation amortization and depletion, segments, oil and gas properties, oil and gas reserves, gas gathering assets, office and field equipment, revenue recognition and gas imbalances, leases, revenue recognition for real estate operations, impairment, and sales of real estate as significant accounting policies. The policies include significant estimates made by management using information available at the time the estimates are made. However, these estimates could change materially if different information or assumptions were used. These policies are summarized in our Annual Report on Form 10-K for the year ended December 31, 2013.

NOTE D: OIL AND GAS RESERVES

The Company uses the full cost method of accounting for its investment in oil and natural gas properties. Under this method of accounting, all costs of acquisition, exploration and development of oil and natural gas properties (including such costs as leasehold acquisition costs, geological expenditures, dry hole costs, tangible and intangible development costs and direct internal costs) are capitalized as the cost of oil and natural gas properties when incurred.

The full cost method requires the Company to calculate quarterly, by cost center, a “ceiling,” or limitation on the amount of properties that can be capitalized on the balance sheet. To the extent capitalized costs of oil and natural gas properties, less accumulated depletion and related deferred taxes exceed the sum of the discounted future net revenues of proved oil and natural gas reserves, the lower of cost or estimated fair value of unproved properties subject to amortization, the cost of properties not being amortized, and the related tax amounts, such excess capitalized costs are charged to expense.

The standardized measure of discounted future net cash flows and changes in such cash flows are prepared using assumptions required by the Financial Accounting Standards Board and the Securities and Exchange Commission. Such assumptions include a standardized method for determining pricing and require that future cash flow be discounted using a 10% rate. The valuation that results may not represent management’s estimated current market value of proved reserves.

During the past few years the exploration, development and production of natural gas has resulted in an oversupply of natural gas which has resulted in a substantial reduction in the market price. Management of the Company believes that this oversupply will last for some time and does not anticipate an increase in the price we can receive in the market place. In April 2012 the Company entering into an agreement to fix the price it receives for the sale of its gas. For the five years ended April 2017 the Company will receive \$4.53 per MCF.

NOTE E: LAND HELD FOR INVESTMENT

In February 2014 the company acquired 7.4 acres of undeveloped land in Desoto, Texas for \$624,000. The Company believes the highest and best use of this property is for the construction and development of multifamily housing. The Company acquired the property for investment purposes.

NOTE F: CONTINGENCIES

Carlton Energy Group, LLC

In December 2006, Carlton Energy Group, LLC (“Carlton”) instituted litigation against an individual, Eurenergy Resources Corporation (“Eurenergy”) and several other entities including New Concept Energy, Inc., which was then known as CabelTel International Corporation (the “Company”) alleging tortuous conduct, breach of contract and other matters and as to the Company that it was the alter ego of Eurenergy. The Carlton claims were based upon an alleged tortuous interference with a contract by the individual and Eurenergy related to the right to explore a coal bed methane concession in Bulgaria which had never (and has not to this day) produced any hydrocarbons. At no time during the pendency of this project or since did the company or any of its officers or directors have any interest whatsoever in the success or failure of the so-called “Bulgaria Project”. However, in the litigation, Carlton alleged that the Company was the alter-ego of certain of the other Defendants including Eurenergy.

Following a jury trial in 2009, the Trial Court (295th District Court of Harris County, Texas) reduced the actual damages found by the jury of \$66.5 million and entered judgment against EurEnergy and The individual jointly and severally for \$31.16 million in actual damages on its tortuous-interference claim and the Court further assessed exemplary damages against The individual and EurEnergy in the amount of \$8.5 million each. The Court granted a judgment for the Company that it was not the alter ego of any of the other parties and thereby would not incur any damages.

Cross appeals were filed by Carlton, The individual and EurEnergy to the Court of Appeals for the First District of Texas (the “Court of Appeals”) which rendered its opinion on February 14, 2012. The Court of Appeals opinion, among other things, reinstated the jury award of actual damages jointly and severely against The individual and EurEnergy in the amount of \$66.5 million and overturned the Trial Court’s ruling favorable to the Company rendering a judgment for that amount plus exemplary damages against the Company as the “alter ego” of Eurenergy.

The Company, and the other defendants, filed a Petition for Review of the Court of Appeals Opinion with the Supreme Court of the State of Texas. After requesting a response from the Plaintiff the Supreme Court requested full briefing on the merits. In March 2013 the Supreme Court granted the Petition for Review and the court heard oral arguments in September 2013. The parties are awaiting a decision from the Court.

The Company vigorously denies that it is the “alter ego” of any other entity; further the Company strongly believes that the Court of Appeals opinion is erroneous in concluding that the Company is an “alter ego” of any other entity which is contrary to Nevada substantive law. There are also questions regarding the underlying liability of EurEnergy and if Eurenergy is successful in its petition for review or, even if unsuccessful if the Company is successful on its positions described above, the Trial Court’s judgment could be reinstated and the Company would have no liability on this claim.

Chesapeake Exploration Limited Partnership and Chesapeake Operating, Inc. (“Chesapeake”)

In January 2006, the Company entered into a joint operating agreement evidencing its acquisition of a 5% interest in two gas wells being drilled and ultimately operated by Chesapeake. The Company relied on the cost projections

provided by Chesapeake to make its investment decision. Subsequent to its investment, the Company received an invoice from Chesapeake for \$556,217 which, according to Chesapeake, represents the Company's 5% share of additional costs incurred by Chesapeake in drilling the wells. The Company believes that these additional costs far exceed any reasonable expense that should have been incurred in drilling the two wells and were incurred without notifying the Company of such expenses. In April 2007, Chesapeake filed a lawsuit against the Company and others in District Court of Tarrant County, Texas.

In March 2011, Chesapeake received a summary judgment award including prejudgment interest for \$686,874 plus \$65,000 in legal fees. Further the judgment awarded Chesapeake additional legal fees of \$30,000 should the Company file unsuccessful appeals to the Court of Appeals and the Texas Supreme Court. Chesapeake would also receive post judgment interest.

The judgment did however acknowledge that the plaintiff did not pay the company for its pro rata share of the gas produced by the two wells during the entire period in question.

The Company appealed the judgment to the Court of Appeals which reduced the judgment by \$22,000 but otherwise affirmed the lower court ruling. The company filed an appeal with the Texas Supreme Court however on February 15, 2013 the Supreme Court denied the petition.

Following the ruling in March 2011 the Company arranged for a bond to the benefit of Chesapeake from a third party bonding company for \$791,960. In February 2014 the Company paid the bonding company \$791,960 which, in turn, paid Chesapeake.

There still remains the matter of the gas that is owed to the Company for its pro rata share of the gas produced and withheld by Chesapeake. The Company has estimated that there is approximately 70,000 MCF of gas for which the Company needs to be paid or receive in kind which would then be sold. The Company is pursuing its rights to be compensated for its interest.

Other

The Company has been named as a defendant in other lawsuits in the ordinary course of business. Management is of the opinion that these lawsuits will not have a material effect on the financial condition, results of operations or cash flows of the Company.

NOTE G: OPERATING SEGMENTS

The following table reconciles the segment information to the corresponding amounts in the Consolidated Statements of Operations and total assets:

Three months ended September 30, 2014	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$410	\$721	\$-	\$1,131
Operating expenses	307	382	201	890
Depreciation, depletion and amortization	140	18	7	165
Lease expense	-	240	-	240
Total operating expenses	447	640	208	1,295
Interest income	-	-	1	1
Interest expense	(22)	-	-	(22)
Other income	-	-	(19)	(19)
Segment operating income	\$(59)	\$81	\$(226)	\$(204)

Three months ended September 30, 2013	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$324	\$694	\$-	\$1,018
Operating expenses	308	357	170	835
Depreciation, depletion and amortization	187	15	-	202
Lease expense	-	235	-	235
Total operating expenses	495	607	170	1,272

Edgar Filing: New Concept Energy, Inc. - Form 10-Q

Interest income	-	-	1	1	
Interest expense	(24) -	-	(24)
Recovery of bad debt expense	-	-	410	410	
Other income	-	-	-	-	
Segment operating income	\$(195	) \$87	\$241	\$133

Edgar Filing: New Concept Energy, Inc. - Form 10-Q

Nine months ended September 30, 2014	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$1,239	\$2,174	\$-	\$3,413
Operating expenses	924	1,134	582	2,640
Depreciation, depletion and amortization	431	49	23	503
Lease expense	-	721	-	721
Total operating expenses	1,355	1,904	605	3,864
Interest income	-	-	3	3
Interest expense	(75)	-	-	(75)
Recovery of bad debt expense	-	-	-	0
Other income	-	-	180	180
Segment operating income	\$(191)	\$270	\$(422)	\$(343)

Nine months ended September 30, 2013	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$1,048	\$2,040	\$-	\$3,088
Operating expenses	874	1,096	513	2,483
Depreciation, depletion and amortization	570	45	-	615
Lease expense	-	707	-	707
Total operating expenses	1,444	1,848	513	3,805
Interest income	-	-	9	9
Interest expense	(97)	-	-	(97)
Recovery of bad debt expense	-	-	1,143	1,143
Other income	-	-	(36)	(36)
Segment operating income	\$(493)	\$192	\$603	\$302

NOTE H: NEWLY ISSUED ACCOUNTING STANDARDS

We have considered all other newly issued accounting guidance that is applicable to our operations and the preparation of our consolidated statements, including that which we have not yet adopted. We do not believe that any such guidance will have a material effect on our financial position or results or operation.

NOTE I: SUBSEQUENT EVENTS

The Company has evaluated subsequent events through November 7, 2014, the date the financial statements were available to be issued, and has determined that there are none to be reported.

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

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain of the Company's accounting policies require the application of judgment in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments and estimates are based upon the Company's historical experience, current trends and information available from other sources that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company's significant accounting policies are summarized in Note B to our consolidated financial statements in our annual report on Form 10-K. The Company believes the following critical accounting policies are more significant to the judgments and estimates used in the preparation of its consolidated financial statements. Revisions in such estimates are recorded in the period in which the facts that give rise to the revisions become known.

Oil and Gas Property Accounting

The Company uses the full cost method of accounting for its investment in oil and natural gas properties. Under this method of accounting, all costs of acquisition, exploration and development of oil and natural gas properties (including such costs as leasehold acquisition costs, geological expenditures, dry hole costs, tangible and intangible development costs and direct internal costs) are capitalized as the cost of oil and natural gas properties when incurred.

The full cost method requires the Company to calculate quarterly, by cost center, a "ceiling," or limitation on the amount of properties that can be capitalized on the balance sheet. To the extent capitalized costs of oil and natural gas properties, less accumulated depletion and related deferred taxes exceed the sum of the discounted future net revenues of proved oil and natural gas reserves, the lower of cost or estimated fair value of unproved properties subject to amortization, the cost of properties not being amortized, and the related tax amounts, such excess capitalized costs are charged to expense.

The standardized measure of discounted future net cash flows and changes in such cash flows are prepared using assumptions required by the Financial Accounting Standards Board and the Securities and Exchange Commission. Such assumptions include a standardized method for determining pricing and require that future cash flow be discounted using a 10% rate. The valuation that results may not represent management's estimated current market value of proved reserves.

Doubtful Accounts

The Company's allowance for doubtful accounts receivable and notes receivable is based on an analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past due accounts. Management considers such information as the nature and age of the receivable, the payment history of the tenant, customer or other debtor and the financial condition of the tenant or other debtor. Management's estimate of the required allowance, which is reviewed on a quarterly basis, is subject to revision as these factors change.

Deferred Tax Assets

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The future recoverability of the Company's net deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of the loss carry forwards. At September 30, 2014, the Company had a deferred tax asset due to tax deductions available to it in future years. However, as management could not determine that it was more likely than not that the benefit of the deferred tax asset would be realized, a 100% valuation allowance was established.

Liquidity and Capital Resources

At September 30, 2014, the Company had current assets of \$719,000 and current liabilities of \$898,000.

Cash and cash equivalents at September 30, 2014 were \$311,000 as compared to \$1,621,000 at December 31, 2013.

Net cash used in operating activities was \$389,000 for the nine months ended September 30, 2014. During the nine-month period, the Company had a net loss of \$374,000. Included in operating activities were non-cash expenses including depreciation, depletion and amortization of \$534,000 as well as the cash settlement of the lawsuit with Chesapeake of \$792,000.

Net cash used in investing activities was \$872,000 for the nine months ended September 30, 2014, consisting of furnishings at the retirement facility of \$38,000 and the purchase of equipment and other capitalized drilling costs at the Company's oil and gas operations of \$130,000. Also included is the Companies purchase of land held for investment purposes of \$624,000.

Net cash used in financing activities was \$49,000 for the nine months ended September 30, 2014, consisting of a net increase in loans from a bank of \$128,000 and repayment of bank loans of \$177,000.

Results of Operations

The following discussion is based on our Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013 as included in Part 1, Item 1: Financial statements of this report.

Comparison of the three months ended September 30, 2014 to the same period ended 2013

The Company reported a net loss of \$204,000 for the three months ended September 30, 2014, as compared to net income of \$133,000 for the similar period in 2013.

For the three months ended September 30, 2014, the Company recorded oil and gas revenues, net of royalty expenses of \$410,000 as compared to \$324,000 for the comparable period of 2013. The changes in oil and gas revenue was due to new oil wells that were drilled in late 2013.

The Company recorded revenues of \$721,000 for the three months ended September 30, 2014 from its retirement property compared to \$694,000 for the comparable period in 2013. The increase was primarily due rate increases.

For the three months ended September 30, 2014, the Company recorded oil and gas operating expenses of \$447,000 as compared to \$495,000 for the comparable period of 2013. The decrease was primarily due to a decrease in depletion expense.

For the three months ended September 30, 2014, operating expenses at the retirement property were \$640,000 as compared to \$607,000 for the comparable period in 2013. The increases in operating expenses were due to an overall increase in non-payroll related expenses.

For the three months ended September 30, 2014, corporate general & administrative expenses were \$208,000 as compared to \$170,000 for the comparable periods in 2013. The increase is primarily due to consulting fees paid to assist the Company in its operations and to identify new oil and gas opportunities.

For the three months ended September 30, 2014 the Company recorded other expense of \$19,000 as compared to other income of \$410,000 for the comparable periods in 2013. In 2013 the Company collected \$410,000 for a receivable that had been reserved in prior years due to concerns about collectability.

Comparison of the nine months ended September 30, 2014 to the same period ended 2013

The Company reported a net loss of \$343,000 for nine months ended September 30, 2014, as compared to net income of \$302,000 for the similar period in 2013

Edgar Filing: New Concept Energy, Inc. - Form 10-Q

For the nine months ended September 30, 2014, the Company recorded oil and gas revenues of \$1,239,000 as compared to \$1,048,000 for the comparable period of 2013. The changes in oil and gas revenue was due to new oil wells that were drilled in late 2013.

The Company recorded revenues of \$2,174,000 for the nine months ended September 30, 2014 from its retirement property compared to \$2,040,000 for the comparable period in 2013. The increase was primarily due rate increases.

For the nine months ended September 30, 2014, the Company recorded oil and gas operating expenses of \$1,355,000 as compared to \$1,444,000 for the comparable period of 2013. The decrease was principally due to lower depletion expense.

For the nine months ended September 30, 2014, operating expenses at the retirement property were \$1,904,000 as compared to \$1,848,000 for the comparable period in 2013. The increases in operating expenses were due to an overall increase in non-payroll related expenses.

For the nine months ended September 30, 2014, corporate general & administrative expenses were \$605,000 as compared to \$513,000 for the comparable periods in 2013. The increase is primarily due to consulting fees paid to assist the Company in its operations and to identify new oil and gas opportunities. The increase was partially offset by a reduction in legal fees.

For the nine months ended September 30, 2014 the Company recorded other income of \$180,000 as compared to \$1,726,000 for the comparable periods in 2013. . In 2013 the Company collected \$1,700,000 for a receivable that had been reserved in prior years due to concerns about collectability.

Forward Looking Statements

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995: A number of the matters and subject areas discussed in this filing that are not historical or current facts deal with potential future circumstances, operations and prospects. The discussion of such matters and subject areas is qualified by the inherent risks and uncertainties surrounding future expectations generally, and also may materially differ from the Company’s actual future experience involving any one or more of such matters and subject areas relating to interest rate fluctuations, the ability to obtain adequate debt and equity financing, demand, pricing, competition, construction, licensing, permitting, construction delays on new developments, contractual and licensure, and other delays on the disposition, transition, or restructuring of currently or previously owned, leased or managed properties in the Company’s portfolio, and the ability of the Company to continue managing its costs and cash flow while maintaining high occupancy rates and market rate charges in its retirement community. The Company has attempted to identify, in context, certain of the factors that it currently believes may cause actual future experience and results to differ from the Company’s current expectations regarding the relevant matter of subject area. These and other risks and uncertainties are detailed in the Company’s reports filed with the Securities and Exchange Commission (“SEC”), including the Company’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Inflation

The Company’s principal source of revenue is rents from a retirement community and fees for services rendered. The real estate operation is affected by rental rates that are highly dependent upon market conditions and the competitive environment in the areas where the property is located. Compensation to employees and maintenance are the principal cost elements relative to the operation of this property. Although the Company has not historically experienced any adverse effects of inflation on salaries or other operating expenses, there can be no assurance that such trends will continue or that, should inflationary pressures arise, the Company will be able to offset such costs by increasing rental rates in its real estate operation.

Environmental Matters

The Company has conducted environmental assessments on most of its existing owned or leased properties. These assessments have not revealed any environmental liability that the Company believes would have a material adverse effect on the Company’s business, assets or results of operations. The Company is not aware of any such environmental liability. The Company believes that all of its properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances or petroleum products. The Company has not been notified by any governmental authority and is not otherwise aware of any material non-compliance, liability or claim relating to hazardous or toxic substances or petroleum products in connection with any of its communities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

All of the Company’s debt is financed at fixed rates of interest. Therefore, the Company has minimal risk from exposure to changes in interest rates.

Item 4. CONTROLS AND PROCEDURES

(a) Based on an evaluation by our management (with the participation of our Principal Executive Officer and Principal Financial Officer), as of the end of the period covered by this report, our Principal Executive Officer and Principal

Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures.

(b) There has been no change in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Exhibits

The following exhibits are filed herewith or incorporated by reference as indicated below.

Exhibit Designation	Exhibit Description
3.1	Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.2	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.5 to Registrant's Form 8-K dated April 1, 1993)
3.3	Restated Articles of Incorporation of Greenbriar Corporation (incorporated by reference to Exhibit 3.1.1 to Registrant's Form 10-K dated December 31, 1995)
3.4	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit to Registrant's PRES 14-C dated February 27, 1996)
3.5	Bylaws of Registrant (incorporated by reference to Exhibit 3.2 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.6	Amendment to Section 3.1 of Bylaws of Registrant adopted October 9, 2003 (incorporated by reference to Exhibit 3.2.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.7	Certificate of Decrease in Authorized and Issued Shares effective November 30, 2001 (incorporated by reference to Exhibit 2.1.7 to Registrant's Form 10-K dated December 31, 2002)
3.8	Certificate of Designations, Preferences and Rights of Preferred Stock dated May 7, 1993 relating to Registrant's Series B Preferred Stock (incorporated by reference to Exhibit 4.1.2 to Registrant's Form S-3 Registration Statement No. 333-64840 dated June 22, 1993)
3.9	Certificate of Voting Powers, Designations, Preferences and Rights of Registrant's Series F Senior Convertible Preferred Stock dated December 31, 1997 (incorporated by reference to Exhibit 2.2.2 of Registrant's Form 10-KSB for the fiscal year ended December 31, 1997)
3.10	Certificate of Voting Powers, Designations, Preferences and Rights of Registrant's Series G Senior Non-Voting Convertible Preferred Stock dated December 31, 1997 (incorporated by reference to Exhibit 2.2.3 of Registrant's Form 10-KSB for the fiscal year ended December 31, 1997)
3.11	

Edgar Filing: New Concept Energy, Inc. - Form 10-Q

- Certificate of Designations dated October 12, 2004 as filed with the Secretary of State of Nevada on October 13, 2004 (incorporated by reference to Exhibit 3.4 of Registrant's Current Report on Form 8-K for event occurring October 12, 2004)
- 3.12 Certificate of Amendment to Articles of Incorporation effective February 8, 2005 (incorporated by reference to Exhibit 3.5 of Registrant's Current Report on Form 8-K for event occurring February 8, 2005)
- 3.13 Certificate of Amendment to Articles of Incorporation effective March 21, 2007 (incorporated by reference to Exhibit 3.13 of Registrant's Current Report on Form 8-K for event occurring March 21, 2005)
- 31.1* Certification pursuant to Rule 13a-14 and 15d-14 under the Securities Exchange Act of 1934, as amended, of Principal Executive Officer and Chief Financial Officer
- 32.1* Certification of Principal Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T.

*Filed herewith.

Signatures

Pursuant to the requirements of the Securities and Exchange Act of 1934, Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

New Concept Energy, Inc.

Date: November 7, 2014

By: /s/ Gene Bertcher
Gene S. Bertcher, Principal
Executive
Officer, President and Chief
Financial
Officer

