

MV Oil Trust  
Form 10-Q  
August 08, 2011

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

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**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, 2011**

**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: 1-33219**

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**MV OIL TRUST**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**06-6554331**

(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)

**78701**  
(Zip Code)

**1-800-852-1422**

(Registrant's telephone number, including area code)

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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 website, 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

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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   
(Do not check if a smaller  
reporting company)

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 5, 2011, 11,500,000 Units of Beneficial Interest in MV Oil Trust were outstanding.

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## PART I FINANCIAL INFORMATION

## Item 1. Financial Statements.

**MV OIL TRUST**  
**CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME**  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Income from net profits interest and hedge activities	\$ 9,682,819	\$ 7,150,463	\$ 17,623,941	\$ 13,939,521
Cash on hand used for Trust expenses	18,351	31,526	32,839	66,295
General and administrative expenses (includes \$0 and \$17,548 paid to MV Partners during the three months ended June 30, 2011 and 2010, respectively, and \$18,250 and \$35,096 during the six months ended June 30, 2011 and 2010, respectively)	(271,170)	(224,489)	(464,280)	(435,816)
Distributable income	\$ 9,430,000	\$ 6,957,500	\$ 17,192,500	\$ 13,570,000
Distributions per unit (11,500,000 units issued and outstanding at June 30, 2011 and 2010)	\$ 0.820	\$ 0.605	\$ 1.495	\$ 1.180

**CONDENSED STATEMENTS OF ASSETS AND TRUST CORPUS**  
(Unaudited)

	June 30, 2011	December 31, 2010
<b>ASSETS</b>		
Cash	\$ 58,740	\$ 91,579
Investment in net profits interest	50,383,675	50,383,675
Accumulated amortization	(15,916,899)	(14,353,595)
<b>Total assets</b>	<b>\$ 34,525,516</b>	<b>\$ 36,121,659</b>

**TRUST CORPUS**

Trust corpus, 11,500,000 Trust units issued and outstanding at June 30, 2011 and December 31, 2010	\$ 34,525,516	\$ 36,121,659
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**MV OIL TRUST**  
**CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS**  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Trust corpus, beginning of period	\$ 35,318,581	\$ 38,558,325	36,121,659	\$ 39,432,385
Cash proceeds	9,682,819	7,150,463	17,623,941	13,939,521
Cash distributions	(9,430,000)	(6,957,500)	(17,192,500)	(13,570,000)
Trust expenses	(271,170)	(224,489)	(464,280)	(435,816)
Amortization of net profits interest	(774,714)	(833,396)	(1,563,304)	(1,672,687)

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Trust corpus, end of period                    \$ 34,525,516    \$ 37,693,403    \$ 34,525,516    \$ 37,693,403

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

**MV OIL TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1 Organization of the Trust**

MV Oil Trust (the "Trust") is a statutory trust formed on August 3, 2006, under the Delaware Statutory Trust Act pursuant to a Trust Agreement (the "Trust Agreement") among MV Partners, LLC ("MV Partners"), as trustor, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and Wilmington Trust Company, as Delaware trustee (the "Delaware Trustee").

The Trust was created to acquire and hold a term net profits interest for the benefit of the Trust unitholders pursuant to a conveyance from MV Partners to the Trust. The term net profits interest is an interest in underlying properties consisting of MV Partners' net interests in all of its oil and natural gas properties located in the Mid-Continent region in the states of Kansas and Colorado (the "underlying properties"). These oil and gas properties include approximately 1,000 producing oil and gas wells.

The net profits interest is passive in nature and the Trustee has no management control over and no responsibility relating to the operation of the underlying properties. The net profits interest entitles the Trust to receive 80% of the net proceeds attributable to MV Partners' interest from the sale of production from the underlying properties. The net profits interest will terminate on the later to occur of (1) June 30, 2026 or (2) the time when 14.4 million barrels of oil equivalent (MMBoe) have been produced from the underlying properties and sold (which amount is the equivalent of 11.5 MMBoe with respect to the Trust's 80% net profits interest), and the Trust will soon thereafter wind up its affairs and terminate.

The Trustee can authorize the Trust to borrow money to pay Trust administrative or incidental expenses that exceed cash held by the Trust. The Trustee may authorize the Trust to borrow from the Trustee or the Delaware Trustee as a lender provided the terms of the loan are similar to the terms it would grant to a similarly situated commercial customer with whom it did not have a fiduciary relationship. The Trustee may also deposit funds awaiting distribution in an account with itself and make other short term investments with the funds distributed to the Trust.

**Note 2 Basis of Presentation**

The accompanying Condensed Statement of Assets and Trust Corpus as of December 31, 2010, which has been derived from audited financial statements, and the unaudited interim condensed financial statements as of June 30, 2011 and for the three and six month periods ended June 30, 2011 and June 30, 2010, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Accordingly, certain information and note disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations.

The preparation of financial statements requires estimates and assumptions that affect 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. The Trustee believes such information includes all the disclosures necessary to make the information presented not misleading. The information furnished reflects all adjustments that are, in the opinion of the Trustee, necessary for a fair presentation of the

**MV OIL TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**Note 2 Basis of Presentation (Continued)**

results of the interim period presented. The financial information should be read in conjunction with the financial statements and notes thereto included in the Trust's Annual Report on Form 10-K for the year ended December 31, 2010.

**Note 3 Trust Accounting Policies**

The Trust uses the modified cash basis of accounting to report Trust receipts of the term net profits interest, receipts under the hedge contracts and payments of expenses incurred. The term net profits interest is revenues (oil, gas and natural gas liquid sales net of any payments made in connection with the settlement of the hedge contracts) less direct operating expenses (lease operating expenses, lease maintenance, lease overhead, and production and property taxes) and an adjustment for lease equipment cost and lease development expenses (which are capitalized in financial statements prepared in accordance with generally accepted accounting principles) of the underlying properties times 80% (term net profits interest percentage). In addition, the Trust is entitled to receive 80% of all payments received by MV Partners upon settlement of the hedge contracts. Actual cash receipts may vary due to timing delays of actual cash receipts from the property operators or purchasers and due to wellhead and pipeline volume balancing agreements or practices. The actual cash distributions of the Trust will be made based on the terms of the conveyance creating the Trust's net profits interest. Expenses of the Trust, which include accounting, engineering, legal and other professional fees, Trustee fees, an administrative fee paid to MV Partners and out-of-pocket expenses, are recognized when paid. Under accounting principles generally accepted in the United States of America, revenues and expenses would be recognized on an accrual basis. Amortization of the investment in net profits interest is recorded on a unit-of-production method in the period in which the cash is received with respect to such production. Such amortization does not reduce distributable income, rather it is charged directly to Trust corpus.

This comprehensive basis of accounting other than generally accepted accounting principles corresponds to the accounting permitted for royalty trusts by the SEC as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

Investment in the net profits interest was recorded initially at the historical cost of MV Partners and is periodically assessed to determine whether its aggregate value has been impaired below its total capitalized cost based on the underlying properties. The Trust will provide a write-down to its investment in the net profits interest if and when total capitalized costs, less accumulated amortization, exceed undiscounted future net cash flows attributable to the proved oil and gas reserves of the underlying properties.

No new accounting pronouncements have been adopted or issued during the quarter ended June 30, 2011 that would impact the financial statements of the Trust.

## MV OIL TRUST

## NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)

(Unaudited)

**Note 4 Net Profits Interest**

The net profits interest was recorded at the historical cost of MV Partners on January 24, 2007, the date of conveyance, and was calculated as follows:

Oil and gas properties	\$ 96,210,819
Accumulated depreciation and depletion	(40,468,762)
Hedge asset	7,237,537
Net property value to be conveyed	62,979,594
Times 80% net profits interest to Trust	\$ 50,383,675

**Note 5 Income from Net Profits Interest and Hedge Activities**

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Excess of revenues over direct operating expenses and lease equipment and development costs(1)	\$ 12,103,524	\$ 8,938,079	\$ 21,092,427	\$ 17,406,219
Amounts received to settle hedges				18,183
Total of cash receipts over cash disbursements	12,103,524	8,938,079	21,092,427	17,424,402
Times net profits interest over the term of the Trust	80%	80%	80%	80%
Income from net profits interest and hedge activities	9,682,819	7,150,463	16,873,941	13,939,521
MV Partners reserve for future capital expenditures(2)			750,000	
Total cash proceeds received by the Trust(3)	\$ 9,682,819	\$ 7,150,463	\$ 17,623,941	\$ 13,939,521

(1) Per terms of the net profits interest, lease equipment and development costs are to be deducted when calculating the distributable income to the Trust.

(2) Per terms of the net profits interest, MV Partners can reserve up to \$1.0 million for future capital expenditures at any time. During the six months ended June 30, 2011, MV Partners released and paid to the Trust \$750,000 reserved for future capital expenditures. MV Partners did not withhold or release any dollar amounts during the three or six months ended June 30, 2010. The reserve balance was \$0 at June 30, 2011 and \$0.75 million at June 30, 2010. A reserve balance of \$500,000 was established in July 2011.

(3) The cash proceeds received by the Trust are based upon the cash receipts from MV Partners for the oil and gas production. The revenues from oil production are typically received by MV Partners one month after production, thus the cash received by the Trust during the quarter ended June 30, 2011 substantially represents the production by MV Partners from December 2010 through February 2011 and the cash received by the Trust during the quarter ended June 30, 2010 substantially represents the production by MV Partners from December 2009 through February 2010. The cash received by the Trust during the six months ended June 30, 2011 substantially represents the production by MV Partners from September 2010 through February 2011 and the cash received by the Trust during the six months ended June 30, 2010 substantially represents the production by MV Partners from September 2009 through February 2010.

**MV OIL TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**Note 5 Income from Net Profits Interest and Hedge Activities (Continued)**

MV Partners entered into certain hedge contracts related to the oil production from the underlying properties for the year 2010. Such contracts were at prices ranging from \$63 to \$69 per barrel of oil, and hedged approximately 70% of expected production from the underlying properties that are classified as proved developed producing. MV Partners has not entered into any hedge contracts relating to oil volumes to be produced after 2010, and the terms of the conveyance of the net profits interest prohibit MV Partners from entering into new hedging arrangements for the benefit of the Trust.

For the quarters ended June 30, 2011 and 2010, MV Purchasing, LLC, which is majority owned by the indirect equity owners of MV Partners, purchased a majority of the production from the underlying properties. Sales to MV Purchasing, LLC are under short-term arrangements, ranging from one to six months, using market sensitive pricing.

**Note 6 Income Taxes**

The Trust is a Delaware statutory trust and is not required to pay federal or state income taxes. Accordingly, no provision for federal or state income taxes has been made.

**Note 7 Distributions to Unitholders**

MV Partners makes quarterly payments of the net profits interest to the Trust. The Trustee determines for each quarter the amount available for distribution to the Trust unitholders. This distribution is expected to be made on or before the 25th day of the month following the end of each quarter to the Trust unitholders of record on the 15th day of the month following the end of each quarter (or the next succeeding business day). Such amounts will be equal to the excess, if any, of the cash received by the Trust during the preceding quarter, over the expenses of the Trust paid during such quarter, subject to adjustments for changes made by the Trustee during such quarter in any cash reserves established for future expenses of the Trust.

As publicly reported, on July 22, 2008, SemCrude, L.P. ("SemCrude") and certain of its affiliates, including Eaglwing, L.P. ("Eaglwing"), filed voluntarily petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. SemCrude was a counterparty to some of MV Partners' fixed price swap contracts during 2008. Eaglwing purchased substantially all of the crude oil production of the underlying properties for the month of June 2008 and for the first 18 days of July 2008, after which date further sales to Eaglwing were terminated. Payment for approximately \$9.5 million of the sales made to Eaglwing in June was due by July 20, 2008, and payment for approximately \$5.9 million of the sales made to Eaglwing in July was due by August 20, 2008. The specified dollar amounts are associated with all production from the underlying properties, and not just the 80% portion attributable to the net profits interest held by the Trust.

On October 26, 2009, a bankruptcy judge confirmed the SemGroup Fourth Amended Plan of Reorganization (the "Plan"). Under the Plan, producers are to recover a portion of their undisputed allowed claims against SemCrude and certain of its affiliates, including Eaglwing (collectively, the



**MV OIL TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**Note 7 Distributions to Unitholders (Continued)**

"SemGroup"). The amount recoverable by each producer depends on various factors, including the dates of sale to the SemGroup. Pursuant to the Plan, producers that sold oil and gas to the SemGroup on and between July 2, 2008 and July 22, 2008 (the "July Sales") are to receive 100% of their undisputed allowed claims and producers that sold oil and gas to the SemGroup between June 1, 2008 and July 1, 2008 are to receive a proportionate allocation of the remaining cash for the allowed secured producer claims.

On December 1, 2009, the SemGroup filed with the bankruptcy court a verification that the conditions had been met for the Plan to become effective and that the settlement with producers proposed in the Plan would be funded, and in connection therewith, emerged from bankruptcy. In April 2010, MV Partners received payment of \$5,627,233, representing 100% of its claims for the July Sales. Because MV Partners received this payment in April 2010, such amount was included in the calculation of net proceeds attributable to the net profits interest of the Trust for the second quarter of 2010 and was reflected in the Trust's third quarter of 2010 financial statements.

Vess Oil Corporation ("Vess Oil") and Murfin Drilling Company, Inc. ("Murfin Drilling"), which are the operators of the underlying properties of MV Partners, also filed proofs of claims in the bankruptcy case on a lease by lease basis on their own behalf and on behalf of various working interest owners (inclusive of MV Partners' interests), overriding royalty owners and royalty owners. Vess Oil and Murfin Drilling received funds in late September 2010 for the collection of the sale of oil volumes to SemCrude and Eaglwing for the period between June 1, 2008 and July 1, 2008. Such funds represent the payout on such claims, less certain charges allowed by the bankruptcy court. Such funds were assessed and allocated among the various working interest owners, overriding royalty owners and royalty owners. During the fourth quarter of 2010, MV Partners received payment of \$1,274,477, representing its allocable share. Because MV Partners received this payment in the fourth quarter of 2010, such amount was included in the calculation of net proceeds attributable to the net profits interest of the Trust for the fourth quarter of 2010 and is reflected in the Trust's first quarter of 2011 financial statements.

The first quarterly distribution during 2011 was \$ 0.675 per Trust unit and was made on January 25, 2011 to Trust unitholders owning Trust units as of January 18, 2011. Such distribution included the net proceeds of production collected by MV Partners from October 1, 2010 through December 31, 2010. This distribution also included 80% of the \$1,274,477 payment received by MV Partners in the fourth quarter of 2010 in connection with the SemGroup bankruptcy. There were no amounts paid to MV Partners from hedge contract counterparties for settlements related to the period from October 1, 2010 through December 31, 2010. This distribution also included a payment from MV Partners of \$750,000, which had been previously reserved for future capital expenses. The Trustee withheld \$178,622 from the distribution for future Trust expenses.

The second quarterly distribution during 2011 was \$0.82 per Trust unit and was made on April 25, 2011 to Trust unitholders owning Trust units as of April 15, 2011. Such distribution included the net proceeds of production collected by MV Partners from January 1, 2011 through March 31, 2011.

**MV OIL TRUST**

**NOTES TO CONDENSED FINANCIAL STATEMENTS (Continued)**

**(Unaudited)**

**Note 7 Distributions to Unitholders (Continued)**

The first quarterly distribution during 2010 was \$ 0.575 per Trust unit and was made on January 25, 2010 to Trust unitholders owning Trust units as of January 15, 2010. Such distribution included the net proceeds of production collected by MV Partners from October 1, 2009 through December 31, 2009. This distribution also included 80% of all amounts paid to MV Partners from hedge contract counterparties for settlements related to the period from October 1, 2009 to December 31, 2009.

The second quarterly distribution during 2010 was \$0.605 per Trust unit and was made on April 23, 2010 to Trust unitholders owning Trust units as of April 15, 2010. Such distribution included the net proceeds of production collected by MV Partners from January 1, 2010 through March 31, 2010. There were no amounts paid to MV Partners from hedge contract counterparties for settlements related to the period from January 1, 2010 to March 31, 2010.

**Note 8 Advance for Trust Expenses**

Under the terms of the Trust Agreement, the Trustee is allowed to borrow money to pay Trust expenses. During the quarters ended June 30, 2011 and 2010, there were no borrowings or amounts owed for money borrowed in previous quarters. Advances are shown as additions to Trust Corpus and repayments are shown as reductions to Trust Corpus. In April 2011, MV Partners provided a letter of credit in the amount of \$1 million to the Trustee to protect the Trust against the risk that it does not have sufficient cash to pay future expenses.

**Note 9 Subsequent Events**

The third quarterly distribution during 2011 was \$1.03 per Trust unit and was made on July 25, 2011 to Trust unitholders owning Trust units as of July 18, 2011. Such distribution included the net proceeds of production collected by MV Partners from April 1, 2011 through June 30, 2011, and reflects a \$500,000 reserve established by MV Partners for future capital expenditures.

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

The following discussion of the Trust's financial condition and results of operations should be read in conjunction with the financial statements and notes thereto. The Trust's purpose is, in general, to hold the net profits interest, to distribute to the Trust unitholders cash that the Trust receives in respect of the net profits interest and to perform certain administrative functions in respect of the net profits interest and the Trust units. The Trust derives substantially all of its income and cash flows from the net profits interest. MV Partners entered into certain hedge contracts related to the oil production from the underlying properties for the year 2010. MV Partners has not entered into any hedge contracts relating to oil volumes to be produced after 2010, and the terms of the conveyance of the net profits interest prohibit MV Partners from entering into new hedging arrangements for the benefit of the trust.

*Results of Operations for the Quarters Ended June 30, 2011 and 2010*

The cash received by the Trust from MV Partners during the quarter ended June 30, 2011 substantially represents the production by MV Partners from December 2010 through February 2011. The cash received by the Trust during the quarter ended June 30, 2010 substantially represents the production by MV Partners from December 2009 through February 2010. The revenues from oil production are typically received by MV Partners one month after production. Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties increased \$3,165,445 to \$12,103,524 for the three months ended March 31, 2011 from \$8,938,079 for the three months ended March 31, 2010. Such increase was primarily attributable to increases in realized prices for crude oil sold. Included in these amounts are payments to settle hedges totaling \$1,286,436 during the three months ended March 31, 2011 and \$1,790,668 during the three months ended March 31, 2010. In addition, amounts received to settle hedges were \$0 for the three months ended March 31, 2011 and \$0 for the period ended March 31, 2010, which resulted in a total cash receipts over cash disbursements of \$12,103,524 and \$8,938,079, respectively. The Trust's net profits interest (80%) of these totals are \$9,682,819 and \$7,150,463, respectively, which was decreased by a Trust holdback for future expenses of \$252,819 for the quarter ending June 30, 2011 and \$192,963 for the quarter ended June 30, 2010, resulting in distributable income of \$9,430,000 and \$6,957,500 for the quarters ending June 30, 2011 and 2010, respectively.

The Trustee paid general and administrative expenses of \$271,170 and \$224,489 for the quarters ended June 30, 2011 and 2010, respectively. The distributable income for the quarter ended June 30, 2011 was \$9,430,000, an increase of \$2,472,500 from a distributable income of \$6,957,500 for the quarter ended June 30, 2010.

The average price received for crude oil sold was \$82.52 per Bbl while the average price received for natural gas sold was \$3.53 per Mcf for the period from January 1, 2011 through March 31, 2011. The average price received for crude oil sold was \$69.32 per Bbl while the average price received for natural gas sold was \$4.13 per Mcf for the period from January 1, 2010 through March 31, 2010.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the period from January 1, 2011 through March 31, 2011 were 181,658 Bbls of oil, 16,352 Mcf of natural gas and 831 Bbls of natural gas liquids for a total equivalent barrels of oil of 184,923.

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The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the period from January 1, 2010 through March 31, 2010 were 187,507 Bbls of oil, 15,555 Mcf of natural gas and 694 Bbls of natural gas liquids for a total equivalent barrels of oil of 190,551.

As noted above, the amounts included in the accompanying financial statements for the Trust's quarter ended June 30, 2011 reflect cash received by the Trust during the quarter. Such cash is primarily derived from production by MV Partners from December 2010 through February 2011. MV Partners distributed cash to the Trust in July 2011 that will be reflected in the Trust's financial statements for the quarter ending September 30, 2011. The cash distributed to the Trust in July 2011 was primarily derived from production by MV Partners from March 2011 through May 2011. The discussion below relates to cash received by MV Partners during the quarters ended June 30, 2011 and 2010 and distributed to the Trust in July 2011 and 2010, respectively. Such distribution to the Trust in July 2011 will be reflected in the Trust's financial statements for the quarter ending September 30, 2011.

Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties increased \$1,725,061 to \$15,868,424 for the period from April 1, 2011 through June 30, 2011 from \$14,143,363 for the period from April 1, 2010 through June 30, 2010. Such increase was primarily attributable to increases in realized prices for crude oil sold. The Trust's net profits interest (80%) of these totals were \$12,694,739 and \$11,314,690, respectively, which was decreased by a Trust holdback for future expenses of \$349,739 for the quarter ending September 30, 2011 and \$217,190 for the quarter ended September 30, 2010. MV Partners also withheld \$500,000 of the reserve for future capital expenditures during the quarter ending September 30, 2011, resulting in distributable income of \$11,845,000 and \$11,097,500 for the quarters ending September 30, 2011 and 2010, respectively.

The average price received for crude oil sold was \$97.87 per Bbl while the average price received for natural gas sold was \$3.89 per Mcf for the period from April 1, 2011 through June 30, 2011. The average price received for crude oil sold was \$72.99 per Bbl while the average price received for natural gas sold was \$3.93 per Mcf for the period from April 1, 2010 through June 30, 2010.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the period from April 1, 2011 through June 30, 2011 were 187,518 Bbls of oil, 13,709 Mcf of natural gas and 896 Bbls of natural gas liquids for a total equivalent barrels of oil of 190,385.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the period from April 1, 2010 through June 30, 2010 were 190,324 Bbls of oil, 16,229 Mcf of natural gas and 722 Bbls of natural gas liquids for a total equivalent barrels of oil of 193,498.

For the quarters ended June 30, 2011 and 2010, MV Purchasing, LLC, which is majority owned by the indirect equity owners of MV Partners, purchased a majority of the production from the underlying properties. Sales to MV Purchasing, LLC are under short-term arrangements, ranging from one to six months, using market sensitive pricing.

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### *Results of Operations for the Six Months Ended June 30, 2011 and 2010*

As noted above, the revenues from oil production are typically received by MV Partners one month after production, thus the cash received by the Trust during the six months ended June 30, 2011 substantially represents the production by MV Partners from September 2010 through February 2011 and the cash received by the Trust during the six months ended June 30, 2010 substantially represents the production by MV Partners from September 2009 through February 2010. Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties increased \$3,686,208 to \$21,092,427 for the period from October 1, 2010 through March 31, 2011 from \$17,406,219 for the period from October 1, 2009 through March 31, 2010. Included in these amounts are payments to settle hedges totaling \$3,771,286 and \$3,205,826, respectively. In addition, amounts received to settle hedges were \$0 for the period from October 1, 2010 through March 31, 2011 and \$18,183 for the period from October 1, 2009 through March 31, 2010, which resulted in a total cash receipts over cash disbursements of \$21,092,427 and \$17,424,402, respectively. The increase for the period ended March 31, 2011 compared to the period ended March 31, 2010 is primarily attributable to higher realized prices for unhedged volumes of oil for the 2011 period compared to the 2010 period. The Trust's portion (80%) of these totals were \$16,873,941 and \$13,939,521, respectively. MV Partners released \$750,000 reserved for future capital expenditures during the six months ended June 30, 2011, which resulted in a total cash proceeds received by the Trust of \$17,623,941 and \$13,939,521 for the six months ended June 30, 2011 and 2010, respectively. The cash proceeds received by the Trust for the six months ended June 30, 2011 also included 80% of the \$1,274,477 payment received by MV Partners in the fourth quarter of 2010 in connection with the SemGroup bankruptcy. See " Other Events."

The Trustee paid general and administrative expenses of \$464,280 and \$435,816 for the six months ended June 30, 2011 and 2010, respectively. The distributable income for the six months ended June 30, 2011 was \$17,192,500, an increase of \$3,622,500 from distributable income of \$13,570,000 for the six months ended June 30, 2010.

The average price received for crude oil sold was \$80.81 per Bbl while the average price received for natural gas sold was \$3.48 per Mcf for the period from October 1, 2010 through March 31, 2011. The average price received for crude oil sold was \$68.37 per Bbl while the average price received for natural gas sold was \$3.30 per Mcf for the period from October 1, 2009 through March 31, 2010.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the six months ended June 30, 2011 were 367,181 Bbls of oil, 29,059 Mcf of natural gas and 1,753 Bbls of natural gas liquids for a total equivalent barrels of oil of 373,163.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the six months ended June 30, 2010 were 376,049 Bbls of oil, 31,924 Mcf of natural gas and 1,663 Bbls of natural gas liquids for a total equivalent barrels of oil of 382,451.

As noted above, the amounts reflected in the accompanying financial statements for the Trust's six month period ended June 30, 2011 reflect cash received by the Trust during such six month period. Such cash is primarily derived from production by MV Partners from September 2010 through February 2011. MV Partners distributed cash to the Trust in July 2011 that will be reflected in the Trust's financial statements for the nine months ending September 30, 2011. The cash distributed to the Trust in July 2011 is primarily derived from production of the underlying properties from March 2011

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through May 2011. The discussion below relates to cash received by MV Partners during the six months ended June 30, 2011 and 2010 and distributed to the Trust in April and July 2011 and 2010, respectively.

Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties increased \$4,890,506 to \$27,971,948 for the six months ended June 30, 2011 from \$23,081,442 for the six months ended June 30, 2010. Included in these amounts are payments to settle hedges totaling \$1,286,436 and \$4,176,872, respectively. There were no amounts received to settle hedges for the six months ended June 30, 2011 or the six months ended June 30, 2010, which resulted in total cash receipts over cash disbursements of \$27,971,948 and \$23,081,442, respectively. The Trust's portion (80%) of these totals were \$22,377,558 and \$18,465,153, respectively, which was decreased by a Trust holdback for future expenses of \$602,558 and \$410,153 for the six months ending September 30, 2011 and 2010. MV Partners also withheld \$500,000 of the reserve for future capital expenditures during the six months ended September 30, 2011, resulting in distributable income of \$21,275,000 and \$18,055,000 for the six months ended September 30, 2011 and 2010, respectively.

In April 2010, MV Partners received payment of \$5,627,233 in connection with the SemGroup bankruptcy, representing 100% of its claims for July Sales. Because MV Partners received this payment in April 2010, such amount was included in the calculation of net proceeds attributable to the net profits interest of the Trust for the second quarter of 2010 and was reflected in the Trust's third quarter of 2010 financial statements.

The average price received for crude oil sold was \$90.32 per Bbl while the average price received for natural gas sold was \$3.69 per Mcf for the six months ended June 30, 2011. The average price received for crude oil sold was \$71.17 per Bbl while the average price received for natural gas sold was \$4.03 per Mcf for the six months ended June 30, 2010.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the six months ended June 30, 2011 were 369,175 Bbls of oil, 30,061 Mcf of natural gas and 1,727 Bbls of natural gas liquids for a total equivalent barrels of oil of 375,308.

The overall production sales volumes collected attributable to the 80% net profits interest that is for the oil and gas production collected during the six months ended June 30, 2010 were 377,831 Bbls of oil, 31,784 Mcf of natural gas and 1,417 Bbls of natural gas liquids for a total equivalent barrels of oil of 384,049.

### **Liquidity and Capital Resources**

Other than Trust administrative expenses, including any reserves established by the Trustee for future liabilities, the Trust's only use of cash is for distributions to Trust unitholders. Administrative expenses include payments to the Trustee as well as an annual administrative fee to MV Partners pursuant to an administrative services agreement. Each quarter, the Trustee determines the amount of funds available for distribution. Available funds are the excess cash, if any, received by the Trust from the net profits interest and other sources (such as interest earned on any amounts reserved by the Trustee) in that quarter, over the Trust's expenses paid for that quarter. Available funds are reduced by any cash the Trustee decides to hold as a reserve against future expenses. The Trustee may cause the Trust to borrow funds required to pay expenses if the Trustee determines that the cash on hand and the

cash to be received are insufficient to cover the Trust's expenses. If the Trust borrows funds, the Trust unitholders will not receive distributions until the borrowed funds are repaid. During the quarters ended June 30, 2010 and 2011, there were no borrowings; there was also no outstanding amount for any money borrowed in previous quarters. In April 2011, MV Partners provided a letter of credit in the amount of \$1 million to the Trustee to protect the Trust against the risk that it does not have sufficient cash to pay future expenses.

Income to the Trust from the net profits interest is based on the calculation and definitions of "gross proceeds" and "net proceeds" contained in the conveyance.

As substantially all of the underlying properties are located in mature fields, MV Partners does not expect future costs for the underlying properties to change significantly as compared to recent historical costs other than changes due to fluctuations in the general cost of oilfield services. MV Partners may establish a capital reserve of up to \$1.0 million in the aggregate at any given time to reduce the impact on distributions of uneven capital expenditure timing. MV Partners withheld \$500,000 from the dollar amount otherwise distributable to the Trust during July 2011 in order to re-establish such a capital reserve.

The Trust does not have any transactions, arrangements or other relationships with unconsolidated entities or persons that could materially affect the Trust's liquidity or the availability of capital resources.

#### **Other Events**

As publicly reported, on July 22, 2008, SemCrude, L.P. ("SemCrude") and certain of its affiliates, including Eaglwing, L.P. ("Eaglwing"), filed voluntarily petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. SemCrude was a counterparty to some of MV Partners' fixed price swap contracts during 2008. Eaglwing purchased substantially all of the crude oil production of the underlying properties for the month of June 2008 and for the first 18 days of July 2008, after which date further sales to Eaglwing were terminated. Payment for approximately \$9.5 million of the sales made to Eaglwing in June was due by July 20, 2008, and payment for approximately \$5.9 million of the sales made to Eaglwing in July was due by August 20, 2008. The specified dollar amounts are associated with all production from the underlying properties, and not just the 80% portion attributable to the net profits interest held by the Trust.

On October 26, 2009, a bankruptcy judge confirmed the SemGroup Fourth Amended Plan of Reorganization (the "Plan"). Under the Plan, producers are to recover a portion of their undisputed allowed claims against SemCrude and certain of its affiliates, including Eaglwing (collectively, the "SemGroup"). The amount recoverable by each producer depends on various factors, including the dates of sale to the SemGroup. Pursuant to the Plan, producers that sold oil and gas to the SemGroup on and between July 2, 2008 and July 22, 2008 (the "July Sales") are to receive 100% of their undisputed allowed claims and producers that sold oil and gas to the SemGroup between June 1, 2008 and July 1, 2008 are to receive a proportionate allocation of the remaining cash for the allowed secured producer claims.

On December 1, 2009, the SemGroup filed with the bankruptcy court a verification that the conditions had been met for the Plan to become effective and that the settlement with producers proposed in the Plan would be funded, and in connection therewith, emerged from bankruptcy. In April 2010, MV Partners received payment of \$5,627,233, representing 100% of its claims for the July

Sales. Because MV Partners received this payment in April 2010, such amount was included in the calculation of net proceeds attributable to the net profits interest of the Trust for the second quarter of 2010 and was reflected in the Trust's third quarter of 2010 financial statements.

Vess Oil Corporation ("Vess Oil") and Murfin Drilling Company, Inc. ("Murfin Drilling"), which are the operators of the underlying properties of MV Partners, also filed proofs of claims in the bankruptcy case on a lease by lease basis on their own behalf and on behalf of various working interest owners (inclusive of MV Partners' interests), overriding royalty owners and royalty owners. Vess Oil and Murfin Drilling received funds in late September 2010 for the collection of the sale of oil volumes to SemCrude and Eaglwing for the period between June 1, 2008 and July 1, 2008. Such funds represent the payout on such claims, less certain charges allowed by the bankruptcy court. Such funds were assessed and allocated among the various working interest owners, overriding royalty owners and royalty owners. During the fourth quarter of 2010, MV Partners received payment of \$1,274,477, representing its allocable share. Because MV Partners received this payment in the fourth quarter of 2010, such amount was included in the calculation of net proceeds attributable to the net profits interest of the Trust for the fourth quarter of 2010 and was reflected in the Trust's first quarter of 2011 financial statements.

#### **Note Regarding Forward-Looking Statements**

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Form 10-Q, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" are forward-looking statements. Although MV Partners advised the Trust that they believe that the expectations reflected in the forward-looking statements contained herein are reasonable, no assurance can be given that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from expectations ("Cautionary Statements") are disclosed in this Form 10-Q and in the Trust's Annual Report on Form 10-K for the year ended December 31, 2010, including under the section "Item 1A. Risk Factors". All subsequent written and oral forward-looking statements attributable to the Trust or persons acting on its behalf are expressly qualified in their entirety by the Cautionary Statements.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

The only assets of and sources of income to the Trust are cash and the net profits interest, which generally entitle the Trust to receive 80% of the net proceeds from oil and gas production from the underlying properties. Consequently, the Trust is exposed to market risk from fluctuations in oil and gas prices. Although the Trust may borrow money to pay expenses of the Trust, the amount of any such borrowings is unlikely to be material to the Trust. As a result, the Trust is not subject to any material interest rate market risk.

#### **Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures.* The Trustee maintains disclosure controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and regulations promulgated by



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the SEC. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Trust is accumulated and communicated by MV Partners to The Bank of New York Mellon Trust Company, N.A., as Trustee of the Trust, and its employees who participate in the preparation of the Trust's periodic reports as appropriate to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Trustee carried out an evaluation of the Trust's disclosure controls and procedures. A Trust Officer of the Trustee has concluded that the disclosure controls and procedures of the Trust are effective.

Due to the contractual arrangements of (i) the Trust Agreement and (ii) the conveyance of the net profits interest, the Trustee relies on (A) information provided by MV Partners, including historical operating data, plans for future operating and capital expenditures, reserve information and information relating to projected production, and (B) conclusions and reports regarding reserves by the Trust's independent reserve engineers. See "Risk Factors The trust and the public trust unitholders have no voting or managerial rights with respect to MV Partners, the operator of the underlying properties. As a result, public trust unitholders have no ability to influence the operation of the underlying properties" in the Trust's Annual Report on Form 10-K for the year ended December 31, 2010, and "Trustee's Discussion and Analysis of Financial Condition and Results of Operations" in the Trust's Annual Report on Form 10-K for the year ended December 31, 2010, for a description of certain risks relating to these arrangements and reliance on information when reported by MV Partners to the Trustee and recorded in the Trust's results of operations.

*Changes in Internal Control over Financial Reporting.* During the quarter ended June 30, 2011, there was no change in the Trust's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, and makes no statement concerning, the internal control over financial reporting of MV Partners.

**PART II OTHER INFORMATION**

**Item 1A. Risk Factors.**

There have not been any material changes from the risk factors previously disclosed in the Trust's response to Item 1A. to Part 1 of its Form 10-K for the year ended December 31, 2010.

**Item 6. Exhibits.**

(Asterisk indicates exhibit previously filed with the SEC and incorporated herein by reference.)

Exhibit Number	Description
3.1*	Certificate of Trust of MV Oil Trust. (Incorporated herein by reference to Exhibit 3.3 to the Registration Statement on Form S-1, filed on August 14, 2006 (Registration No. 333-136609))
3.2*	Amended and Restated Trust Agreement, dated January 24, 2007, among MV Partners, LLC, The Bank of New York Trust Company, N.A. and Wilmington Trust Company. (Incorporated herein by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on January 25, 2007 (File No. 1-33219))
10.1*	Conveyance of Net Profits Interest, dated January 24, 2007, from MV Partners, LLC to The Bank of New York Trust Company, N.A. as Trustee of MV Oil Trust. (Incorporated herein by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 25, 2007 (File No. 1-33219))
10.2*	Administrative Services Agreement, dated January 24, 2007, by and between MV Partners, LLC and The Bank of New York Trust Company, N.A. as Trustee of MV Oil Trust. (Incorporated herein by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on January 25, 2007 (File No. 1-33219))
10.3*	Registration Rights Agreement, dated January 24, 2007, by and between MV Partners, LLC and The Bank of New York Trust Company, N.A. as Trustee of MV Oil Trust. (Incorporated herein by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on January 25, 2007 (File No. 1-33219))
10.4*	Assignment of Hedge Proceeds, dated January 24, 2007, by and between MV Partners, LLC and The Bank of New York Trust Company, N.A. as Trustee of MV Oil Trust. (Incorporated herein by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on January 25, 2007 (File No. 1-33219))
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002



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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MV OIL TRUST CONDENSED STATEMENTS OF DISTRIBUTABLE INCOME (Unaudited)

CONDENSED STATEMENTS OF ASSETS AND TRUST CORPUS (Unaudited)

MV OIL TRUST CONDENSED STATEMENTS OF CHANGES IN TRUST CORPUS (Unaudited)

MV OIL TRUST NOTES TO CONDENSED FINANCIAL STATEMENTS (Unaudited)

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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PART II. OTHER INFORMATION

Item 1A. Risk Factors.

Item 6. Exhibits.

SIGNATURES