

New Concept Energy, Inc.  
Form 10-Q  
November 14, 2016

---

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, 2016

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            75-2399477

(State

or

Other            (I.R.S.

Jurisdiction    Employer

of                Identification

Incorporation   No.)

or

Organization)

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)

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

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: R 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: R No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

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

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 1,946,934 shares  
(Class) (Outstanding at November 14, 2016)

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES

Index to Quarterly Report on Form 10-Q

Period ended September 30, 2016

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, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 530	\$ 473
Accounts receivable from oil and gas sales	105	141
Other current assets	47	37
Total current assets	682	651
Oil and natural gas properties (full cost accounting method)		
Proved developed and undeveloped oil and gas properties, net of depletion	5,658	5,914
Property and equipment, net of depreciation		
Land, buildings and equipment - oil and gas operations	722	803
Other	142	134
Total property and equipment	864	937
Other assets	1,344	1,373
Total assets	\$ 8,548	\$ 8,875

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, 2016	December 31, 2015
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable - trade (including \$580,000 and \$165,000 in 2016 and 2015 due to related parties)	\$ 605	\$ 241
Accrued expenses	148	151
Current portion of long term debt	828	831
Total current liabilities	1,581	1,223
Long-term debt		
Notes payable less current portion	1,119	1,211
Asset retirement obligation	2,770	2,770
Total liabilities	5,470	5,204
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 September 30, 2016 and December 31, 2015	20	20
Additional paid-in capital	58,838	58,838
Accumulated deficit	(55,781 )	(55,188 )
	3,078	3,671
Total liabilities & equity	\$ 8,548	\$ 8,875

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,	
	2016	2015	2016	2015
Revenue				
Oil and gas operations, net of royalties	\$190	\$232	\$579	\$663
Real estate operations	653	772	1,995	2,233
	843	1,004	2,574	2,896
Operating expenses				
Oil and gas operations	295	527	924	1,437
Real estate operations	396	423	1,146	1,248
Lease expense	251	245	748	735
Corporate general and administrative	52	176	319	485
	994	1,371	3,137	3,905
Operating earnings (loss)	(151 )	(367 )	(563 )	(1,009 )
Other income (expense)				
Interest income	6	6	17	6
Interest expense	(8 )	(12 )	(26 )	(54 )
Recovery of bad debt expense	-	306	0	1,430
Other income (expense), net	(11 )	(8 )	(21 )	(24 )
Other income (expense)	(13 )	292	(30 )	1,358
Net income (loss) applicable to common shares	\$(164 )	\$(75 )	\$(593 )	\$349
Net income (loss) per common share-basic and diluted	\$(0.08 )	\$(0.04 )	\$(0.30 )	\$0.18
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,  
2016 2015

Cash flows from operating activities

Net income (loss)	\$(593)	\$349
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	393	593
Write-off (recovery) of affiliate receivable	-	(1,430)
Changes in operating assets and liabilities		
Other current and non-current assets	(20 )	122
Accounts payable and other liabilities	361	979
Net cash provided by (used) in operating activities	141	613

Cash flows from investing activities

Investment in oil and gas	-	(204 )
Fixed asset additions	(45 )	(107 )
Cash portion from the sale of land	-	116
Repayment of loan from affiliate	-	126
Net cash provided by (used in) investing activities	(45 )	(69 )

Cash flows from financing activities

Payment on notes payable	(39 )	(263 )
Net cash provided by (used in) financing activities	(39 )	(263 )

Net increase (decrease) in cash and cash equivalents 57 281

Cash and cash equivalents at beginning of year 473 300

Cash and cash equivalents at end of year \$530 \$581

Supplemental disclosures of cash flow information:

Cash paid for interest on notes payable	\$13	\$54
Cash paid for principal on notes payable	\$66	\$263
Non cash portion of sale of land	-	\$415

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, 2015. Operating results for the nine month period ended September 30, 2016 are not necessarily indicative of the results that may be expected for any subsequent quarter or for the fiscal year ending December 31, 2016.

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, LLC and Mountaineer State Operations, LLC.

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

At September 30, 2016 the company's current liabilities exceed its current assets and the company has a net loss of \$593,000 for the nine months ended September 30, 2016. The Company is in active discussions to sell its land held for investment and is in discussions with the holder of certain non-bank long-term debt to settle the amounts due or modify note to more favorable terms. Management believes that, if its plans are successful, the Company will be able to significantly improve its liquidity and its working capital.

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, 2015.

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 entered 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 tortious 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 tortious 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 tortious-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. On May 8, 2015, the Supreme Court of Texas affirmed, in part, and reversed, in part, the Court of Appeals Judgment, remanding the case to that Court for further proceedings. In its opinion, the Supreme Court concluded that the evidence supports the Jury's verdict that the individual used the Company and other entities, that it would be unjust to require Carlton to treat them separately and found that the Company was an alter ego as a matter of law. The Supreme Court determined that the Court of Appeals erred in reinstating the jury's verdict on damages in the amount of \$66.5 million as the amount was speculative and not supported by competent evidence. The court declined to reinstate the trial court's judgment of \$31.16 million. The Supreme Court did rule that there was some evidence to support an award of actual damages and therefore remanded the case to the Court of Appeals to make a factual sufficiency determination, if possible, as to as to the amount.

After remand the parties provided supplemental briefing and the Court of Appeals held additional oral argument on February 17, 2016. On August 30, 2016 the Court of Appeals entered its opinion and judgement which reinstated the trial court's actual damages award but did not address exemplary damages. The Company filed a Motion for Rehearing and asked for the full panel of the Court of Appeals to address the constitutional question of the Court of Appeals authority to decide fact questions which the record does not reflect were considered by the jury. That Motion

is still pending.

Management's preliminary analysis of these developments suggests it is reasonably possible that the claim will result in an unfavorable outcome. Management notes that in connection with the original appeal, the individual defendant deposited alternative security with the court to supersede the judgment which the court determined to have a value in excess of \$56 million. Management believes that the maximum exposure would be in an amount significantly less than the amount on deposit. Accordingly, management believes that any adverse outcome is fully secured by that deposit.

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:

<u>Three months ended September 30, 2016</u>	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$ 190	\$ 653	\$ -	\$843
Operating expenses	200	384	52	636
Depreciation, depletion and amortization	95	12	-	107
Lease expense	-	251	-	251
Total operating expenses	295	647	52	994
Interest income	6	-	0	6
Interest expense	(8 )	-	-	(8 )
Recovery of bad debt expense	-	-	-	0
Other income	(11 )	-	-	(11 )
Segment operating income	\$ (118 )	\$ 6	\$ (52 )	\$(164 )

<u>Three months ended September 30, 2015</u>	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$ 232	\$ 772	\$ -	\$1,004
Operating expenses	314	408	176	898
Depreciation, depletion and amortization	213	15	-	228
Lease expense	-	245	-	245
Total operating expenses	527	668	176	1,371
Interest income	6	-	-	6
Interest expense	(12 )	-	-	(12 )
Recovery of bad debt expense	-	-	306	306
Other income	-	-	(8 )	(8 )
Segment operating income	\$ (301 )	\$ 104	\$ 122	\$(75 )

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

<u>Nine months ended September 30, 2016</u>	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$ 579	\$ 1,995	\$ -	\$2,574
Operating expenses	582	1,108	319	2,009
Depreciation, depletion and amortization	342	38	-	380
Lease expense	-	748	-	748
Total operating expenses	924	1,894	319	3,137
Interest income	17	-	-	17
Interest expense	(26 )	-	-	(26 )
Recovery of bad debt expense	-	-	-	0
Other income	-	-	(21 )	(21 )
Segment operating income	\$ (354 )	\$ 101	\$ (340 )	\$ (593 )

<u>Nine months ended September 30, 2015</u>	Oil and Gas Operations	Retirement Facility	Corporate	Total
Operating revenue	\$ 663	\$ 2,233	\$ -	\$2,896
Operating expenses	933	1,202	485	2,620
Depreciation, depletion and amortization	504	46	-	550
Lease expense	-	735	-	735
Total operating expenses	1,437	1,983	485	3,905
Interest income	6	-	0	6
Interest expense	(54 )	-	-	(54 )
Recovery of bad debt expense	-	-	1,430	1,430
Other income	-	-	(24 )	(24 )
Segment operating income	\$ (822 )	\$ 250	\$ 921	\$ 349

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 14, 2016, 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, 2016 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, 2016, the Company had current assets of \$682,000 and current liabilities of \$1,581,000.

Cash and cash equivalents at September 30, 2016 were \$530,000 as compared to \$473,000 at December 31, 2015.

Net cash provided from operating activities was \$141,000 for the nine months ended September 30, 2016. During the nine-month period, the Company had a net loss of \$593,000.



Net cash used in investing activities was \$45,000 for the nine months ended September 30, 2016. This represents fixed assets acquired by the Company.

Net cash used in financing activities was \$39,000 for the nine months ended September 30, 2016, consisting of the repayment of bank loans.

#### Results of Operations

The following discussion is based on our Consolidated Statements of Operations for the three and nine months ended September 30, 2016 and 2015 as included in Part 1, Item 1: Financial statements of this report.

#### Comparison of the three months ended September 30, 2016 to the same period ended 2015

The Company reported a net loss of \$164,000 for the three months ended September, 30 2016, as compared to a net loss of \$75,000 for the similar period in 2015.

For the three months ended September 30, 2016, the Company recorded oil and gas revenues, net of royalty expenses of \$190,000 as compared to \$232,000 for the comparable period of 2015. The decline in oil and gas revenue was principally due to the price the Company was receiving for its oil sales in 2016 as compared to 2015.

The Company recorded revenues of \$653,000 for the three months ended September 30, 2016 from its retirement property compared to \$772,000 for the comparable period in 2015. The decrease was primarily due a drop in occupancy at the facility caused principally by the opening of a competing facility in the community where our facility is located. .

For the three months ended September 30, 2016, the Company recorded oil and gas operating expenses of \$295,000 as compared to \$527,000 for the comparable period of 2015. The decrease was due to a decrease in overall operating expenses as the Company has actively been reducing costs to compensate for the reduction in revenue.

For the three months ended September 30, 2016, operating expenses at the retirement property were \$396,000 as compared to \$423,000 for the comparable period in 2015. The decrease in operating expenses were due to an overall decrease in non-payroll related expenses.

For the three months ended September 30, 2016, corporate general & administrative expenses were \$52,000 as compared to \$176,000 for the comparable periods in 2015. The decrease is primarily due to a reduction in wages and overall operating expenses.

For the three months ended September 30, 2015 the company recorded a bad debt expense recovery of \$306,000 with respect to a note receivable that was fully reserved in a prior year (For a more complete discussion of history of the receivable, the establishment of a reserve due to concerns regarding collectability if the receivable and the recovery efforts refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 in Item 13 on page 21 and Footnote C on page 34)

#### Comparison of the nine months ended September 30, 2016 to the same period ended 2015

The Company reported a net loss of \$593,000 for the nine months ended September 30, 2016, as compared to net income of \$349,000 for the similar period in 2015.

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

For the nine months ended September 30, 2016, the Company recorded oil and gas revenues, net of royalty expenses of \$579,000 as compared to \$663,000 for the comparable period of 2015. The decline in oil and gas revenue was principally due to the price the Company was receiving for its oil sales in 2016 as compared to 2015.

The Company recorded revenues of \$1,995,000 for the nine months ended September 30, 2016 from its retirement property compared to \$2,223,000 for the comparable period in 2015. The decrease was primarily due a drop in occupancy at the facility caused principally by the opening of a competing facility in the community where our facility is located.

For the nine months ended September 30, 2016, the Company recorded oil and gas operating expenses of \$924,000 as compared to \$1,437,000 for the comparable period of 2015. The decrease was due to a decrease in overall operating expenses as the Company has actively been reducing costs to compensate for the reduction in revenue

For the nine months ended September 30, 2016, operating expenses at the retirement property were \$1,146,000 as compared to \$1,248,000 for the comparable period in 2015. The decrease in operating expenses were due to an overall decrease in non-payroll related expenses.

For the nine months ended September 30, 2016, corporate general & administrative expenses were \$319,000 as compared to \$485,000 for the comparable periods in 2015. The decrease is primarily due to a reduction in wages and overall operating expenses.

For the nine months ended September 30, 2016 the company recorded a bad debt expense recovery of \$1,430,000 with respect to a note receivable that was fully reserved in a prior year (For a more complete discussion of history of the receivable, the establishment of a reserve due to concerns regarding collectability if the receivable and the recovery efforts refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2015 in Item 13 on page 21 and Footnote C on page 34).

#### 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

Nearly 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 September 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	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)

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

- 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 14, 2016 By: /s/ Gene Bertcher  
Gene S. Bertcher, Principal Executive  
Officer, President and Chief Financial  
Officer



