

Pacific Coast Oil Trust  
Form 10-Q  
October 22, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**for the quarterly period ended September 30, 2015**

**OR**

- o 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: 1-35532**

**PACIFIC COAST OIL TRUST**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**80-6216242**

(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)

**1-512-236-6555**

(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 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 ☐

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. (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

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

As of October 21, 2015, 38,583,158 Units of Beneficial Interest in Pacific Coast Oil Trust were outstanding.

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q (this report) contains forward-looking statements about Pacific Coast Oil Trust (the Trust) and its sponsor, Pacific Coast Energy Company LP, a privately held Delaware partnership (PCEC), that are subject to risks and uncertainties. All statements other than statements of historical fact included in this report, including, without limitation, statements under Trustee's Discussion and Analysis of Financial Condition and Results of Operations and Risk Factors are forward-looking statements. When used in this document, the words believes, expects, anticipates, intends or similar expressions are intended to identify forward-looking statements. The following important factors, in addition to those discussed elsewhere in this report, could affect the future results of the energy industry in general, and PCEC and the Trust in particular, and could cause actual results to differ materially from those expressed in such forward-looking statements:

- risks associated with the drilling and operation of oil and natural gas wells;
- the amount of future direct operating expenses and development expenses;
- the effect of existing and future laws and regulatory actions, including the failure to obtain necessary discretionary permits;
- the effect of changes in commodity prices or alternative fuel prices;
- conditions in the capital markets;
- competition from others in the energy industry;
- uncertainty of estimates of oil and natural gas reserves and production; and
- cost inflation.

You should not place undue reliance on these forward-looking statements. All forward-looking statements speak only as of the date of this report. The Trust does not undertake any obligation to release publicly any revisions to the forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events, unless required by law.

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This report describes other important factors that could cause actual results to differ materially from expectations of PCEC and the Trust, including those referred to under **Risk Factors** in Section 1A of Part II hereof. All written and oral forward-looking statements attributable to PCEC or the Trust or persons acting on behalf of PCEC or the Trust are expressly qualified in their entirety by such factors.

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**GLOSSARY OF CERTAIN OIL AND NATURAL GAS TERMS**

In this report the following terms have the meanings specified below.

*API* The specific gravity or density of oil expressed in terms of a scale devised by the American Petroleum Institute.

*Bbl* One stock tank barrel of 42 U.S. gallons liquid volume, used herein in reference to crude oil and other liquid hydrocarbons.

*Bbl/d* Bbl per day.

*Boe* One stock tank barrel of oil equivalent, computed on an approximate energy equivalent basis that one Bbl of crude oil equals six Mcf of natural gas.

*Boe/d* Boe per day.

*Btu* A British Thermal Unit, a common unit of energy measurement.

*Completion* The installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

*Development Well* A well drilled into a proved oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

*Differential* The difference between a benchmark price of oil and/or natural gas, such as the NYMEX crude oil price, and the wellhead price received.

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*Dry hole or well* A well found to be incapable of producing either oil and natural gas in sufficient quantities to justify completion as an oil or natural gas well.

*Economically producible* A resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation.

*Exploratory well* A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is not a development well.

*Estimated future net revenues* Also referred to as estimated future net cash flows. The result of applying current prices of oil and natural gas to estimated future production from oil and natural gas proved reserves, reduced by estimated future expenditures, based on current costs to be incurred, in developing and producing the proved reserves, excluding overhead.

*FASB* Financial Accounting Standards Board.

*Field* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

*Gross acres or gross wells* The total acres or wells, as the case may be, in which a working interest is owned.

*ICE* -Intercontinental Exchange.

*MBbl* One thousand barrels of crude oil or condensate.

*MBoe* One thousand barrels of oil equivalent.

*Mcf* One thousand cubic feet of natural gas.

*MMBbl* One million barrels of crude oil or condensate.





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*MMBoe* One million barrels of oil equivalent.

*MMBtu* One million British Thermal Units.

*MMcf* One million cubic feet of natural gas.

*Net acres or net wells* The sum of the fractional working interests owned in gross acres or wells, as the case may be.

*NGLs* The combination of ethane, propane, butane and natural gasolines that when removed from natural gas become liquid under various levels of higher pressure and lower temperature.

*Net profits interest ( NPI )* A nonoperating interest that creates a share in gross production from an operating or working interest in oil and natural gas properties. The share is measured by net profits from the sale of production after deducting costs associated with that production.

*Net revenue interest* An interest in all oil and natural gas produced and saved from, or attributable to, a particular property, net of all royalties, overriding royalties, net profits interests, carried interests, reversionary interests and any other burdens to which the person's interest is subject.

*NYMEX* New York Mercantile Exchange.

*Oil* Crude oil and condensate.

*Oilfield* An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

*Overriding royalty interest* A fractional, undivided interest or right of participation in the oil or natural gas, or in the proceeds from the sale of oil and natural gas, that is limited in duration to the term of an existing lease and that is not

subject to the expenses of development, operation or maintenance.

*Plugging and abandonment* Activities to remove production equipment and seal off a well at the end of a well's economic life.

*Proved developed reserves* Proved reserves that can be expected to be recovered (i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well, and (ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate.

*Proved reserves* The estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be economically producible in future years from known reservoirs under existing economic and operating conditions and government regulations. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. This definition of proved reserves has been abbreviated from the applicable definitions contained in Rule 4-10(a)(2-4) of Regulation S-X.

*Proved undeveloped reserves or PUDs* Proved reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion. This definition of proved undeveloped reserves has been abbreviated from the applicable definitions contained in Rule 4-10(a)(2-4) of Regulation S-X.

*Recompletion* The completion for production of an existing well bore in another formation from which that well has been previously completed.

*Reservoir* A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

*U.S. GAAP* Generally accepted accounting principles in the United States.

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*West Texas Intermediate ( WTI )* Light, sweet crude oil with high API gravity and low sulfur content used as the benchmark for U.S. crude oil refining and trading. WTI is deliverable at Cushing, Oklahoma to fill NYMEX futures contracts for light, sweet crude oil.

*Working interest* The right granted to the lessee of a property to explore for and to produce and own oil, natural gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

*Workover* Operations on a producing well to restore or increase production.

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**PACIFIC COAST OIL TRUST**

**Statements of Assets and Trust Corpus**

**(unaudited)**

Thousands of dollars	September 30, 2015		December 31, 2014	
ASSETS				
Cash and cash equivalents	\$	51	\$	25
Investment in conveyed interests, net of amortization (Note 2)		230,308		236,108
Total assets	\$	230,359	\$	236,133
TRUST CORPUS				
Trust corpus (38,583,158 units issued and outstanding)		230,359		236,133
Total Trust corpus	\$	230,359	\$	236,133

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

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**PACIFIC COAST OIL TRUST**

**Statements of Distributable Income**

(unaudited)

Thousands of dollars except unit amounts	Three Months Ended September 30,				Nine Months Ended September 30,			
	2015		2014		2015		2014	
Income from conveyed interests	\$	4,184	\$	15,414	\$	9,891	\$	44,963
General and administrative expenses		(162)		(198)		(594)		(682)
Cash reserves used (withheld) for Trust expenses		(3)		33		(26)		37
Distributable income	\$	4,019	\$	15,249	\$	9,271	\$	44,318
Distributable income per unit (38,583,158 units)	\$	0.10414	\$	0.39523	\$	0.24028	\$	1.14864

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

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**PACIFIC COAST OIL TRUST**

**Statements of Changes in Trust Corpus**

(unaudited)

Thousands of dollars	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Trust corpus, beginning of period	\$ 233,043	\$ 242,504	\$ 236,133	\$ 250,872
Cash reserves withheld (used) for future Trust expenses	3	(33)	26	(37)
Distributable income	4,019	15,249	9,271	44,318
Distributions to unitholders	(4,019)	(15,249)	(9,271)	(44,318)
Amortization of conveyed interests	(2,687)	(3,610)	(5,800)	(11,974)
Trust corpus, end of period	\$ 230,359	\$ 238,861	\$ 230,359	\$ 238,861

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

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**PACIFIC COAST OIL TRUST**

**NOTES TO FINANCIAL STATEMENTS**

**(Unaudited)**

**Note 1. Organization of the Trust**

***Formation of the Trust***

Pacific Coast Oil Trust (the "Trust") is a Delaware statutory trust formed in January 2012 under the Delaware Statutory Trust Act pursuant to a Trust Agreement among Pacific Coast Energy Company LP ("PCEC"), as trustor, The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), and Wilmington Trust, National Association, as Delaware Trustee (the "Delaware Trustee"). The Trust Agreement was amended and restated by PCEC, the Trustee and the Delaware Trustee on May 8, 2012. References in this report to the "Trust Agreement" are to the Amended and Restated Trust Agreement, as amended.

The Trust was created to acquire and hold net profits and royalty interests (the "Net Profits Interests" and the "Overriding Royalty Interest", respectively, in certain oil and natural gas properties located in California, or collectively the "Conveyed Interests") for the benefit of the Trust unitholders pursuant to an agreement among PCEC, the Trustee and the Delaware Trustee. The Conveyed Interests represent undivided interests in underlying properties consisting of PCEC's interests in its oil and natural gas properties located onshore in California (the "Underlying Properties"). The Conveyed Interests were conveyed by PCEC to the Trust concurrent with the initial public offering ("IPO") of the Trust's common units in May 2012.

The Conveyed Interests are passive in nature and neither the Trust nor the Trustee has any control over, or responsibility for, costs relating to the operation of the Underlying Properties. The Conveyed Interests entitle the Trust to receive 80% of the net profits from the sale of oil and natural gas production from proved developed reserves on the Underlying Properties as of December 31, 2011 (the "Developed Properties") and either a 25% net profits interest from the sale of oil and natural gas production from all other development potential on the Underlying Properties (the "Remaining Properties") or a 7.5% royalty interest from the sale of oil and natural gas production from the Remaining Properties located in PCEC's Orcutt properties (the "Royalty Interest Proceeds").

The Trust calculates the net profits and royalties for the Developed Properties and Remaining Properties monthly. For any monthly period during which costs for the Remaining Properties exceed gross proceeds, the Trust will be entitled to receive the Royalty Interest Proceeds, and the Trust would continue to receive such proceeds until the first day of the month following the day on which cumulative gross proceeds for the Remaining Properties exceed the cumulative total excess costs for the Remaining Properties (herein referred to as a "NPI Payout"). Due to significant planned capital expenditures associated with the Remaining Properties for the benefit of the Trust, PCEC expects the Trust to receive payments associated with the Remaining Properties in the form of Royalty Interest Proceeds until the NPI Payout occurs in approximately 2019. In any monthly period following a NPI Payout, the Trust is entitled to receive Royalty Interest Proceeds if costs for the Remaining Properties

exceed gross proceeds.

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 as a lender provided the terms of the loan are fair to the Trust unitholders and 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, if the interest paid to the Trust at least equals amounts paid by the Trustee on similar deposits, and make other short-term investments with the funds distributed to the Trust.

***Conveyance of Net Profits Interest and Overriding Royalty Interest and Initial Public Offering***

On May 8, 2012, the Trust and PCEC entered into a Conveyance of Net Profits Interests and Overriding Royalty Interest (the "Conveyance"), pursuant to which PCEC conveyed to the Trust the Net Profits Interest and the Royalty Interest, which are collectively referred to as the Conveyed Interests.

Concurrent with the Conveyance, PCEC sold 18,500,000 units of beneficial interest in the Trust ("Trust Units") to the public in an initial public offering. Upon completion of the offering, there were 38,583,158 Trust Units issued and outstanding, of which PCEC owned 20,083,158 Trust Units, or 52% of the issued and outstanding Trust Units. On September 19, 2013, PCEC and other persons or entities (the "Other Selling Unitholders") sold 13,500,000 Trust Units at a price of \$17.10 per Trust Unit (\$16.416 per Trust unit, net of underwriting discounts and commissions). On September 23, 2013, PCEC distributed 11,216,661 Trust Units to the Other Selling



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Unitholders. Immediately following the distribution, the Other Selling Unitholders sold 8,500,000 Trust Units, and PCEC sold an additional 5,000,000 Trust Units, for a total sale of 13,500,000 Trust Units. PCEC retained 3,866,497 Trust Units, or 10% of the issued and outstanding Trust Units. The Trust received no proceeds from either sale of these Trust Units.

On June 9, 2014, PCEC distributed 3,866,497 Trust Units, or the remaining 10% of the issued and outstanding Trust Units it owned to PCEC's management and owners. Certain holders of the Trust Units affiliated with PCEC sold an aggregate of 2,654,436 Trust Units pursuant to an underwritten secondary public offering at a price of \$13.00 per Trust Unit (\$12.70 per Trust Unit, net of underwriting discounts and commissions). None of the Trust, PCEC or PCEC's management sold any Trust Units in the secondary offering nor received any proceeds from the offering. The Trust Units were sold pursuant to a prospectus supplement and an accompanying prospectus as part of an effective shelf registration statement filed by the Trust with the Securities and Exchange Commission (the "SEC").

**Note 2. Trust Significant Accounting Policies**

*Basis of Accounting*

The accompanying Statement of Assets and Trust Corpus as of December 31, 2014, which has been derived from audited financial statements, and the unaudited interim financial statements as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 have been prepared pursuant to the rules and regulations of the SEC. Accordingly, certain information and disclosures normally included in annual financial statements have been condensed or omitted pursuant to those rules and regulations. Therefore, these financial statements 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 fiscal year ended December 31, 2014 ("2014 Annual Report").

In the opinion of the Trustee, the accompanying unaudited financial statements reflect all adjustments that are necessary for a fair statement of the interim period presented and include all the disclosures necessary to make the information presented not misleading.

The preparation of financial statements requires the Trust to make estimates and assumptions that affect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Although the Trustee believes that these estimates are reasonable, actual results could differ from those estimates.

The Trust uses the modified cash basis of accounting to report Trust receipts of the Conveyed Interests and payments of expenses incurred. The Net Profits Interests represent the right to receive revenues (oil and natural gas sales), less direct operating expenses (lease operating expenses and production and property taxes) and development expenses of the Underlying Properties plus certain offsets. The Royalty Interest represents the right to receive revenues (oil and natural gas sales), less production and operating taxes and post-production costs. Cash distributions of the Trust will be made based on the amount of cash received by the Trust pursuant to terms of the conveyance creating the Conveyed Interests.

The financial statements of the Trust, as prepared on a modified cash basis, reflect the Trust's assets, liabilities, Trust corpus, earnings and distributions as follows:

- Income from the Conveyed Interests is recorded when distributions are received by the Trust;
- Distributions to Trust unitholders are recorded when paid by the Trust;
- Trust general and administrative expenses (which include the Trustee's fees as well as accounting, engineering, legal, and other professional fees) are recorded when paid;
- PCEC's operating and services fee is recorded when paid; and
- Cash reserves for Trust expenses may be established by the Trustee for certain expenditures that would not be recorded as contingent liabilities under U.S. GAAP.

The Conveyance of the Conveyed Interests to the Trust was accounted for as a transfer of properties under common control and recorded at PCEC's historical net book value of the Conveyed Interests on May 8, 2012, the date of transfer to the Trust, except for the commodity derivatives which were reflected at their fair value as of May 8, 2012.

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Amortization of the investment in the Conveyed Interests is calculated on a unit-of-production basis and is charged directly to the Trust corpus balance. For the three months ended September 30, 2015 and 2014, amortization expense was \$2.7 million and \$3.6 million, respectively. During the nine months ended September 30, 2015 and 2014, amortization expense was \$5.8 million and \$12.0 million, respectively. Such amortization does not affect cash earnings of the Trust. Accumulated amortization as of September 30, 2015 and December 31, 2014 was \$54.2 million and \$48.4 million, respectively.

Investment in the Conveyed Interests is periodically assessed to determine whether its aggregate value has been impaired below its total capitalized cost based on the Underlying Properties. If an impairment loss is indicated by the carrying amount of the assets exceeding the sum of the undiscounted expected future net cash flows, then an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its estimated fair value. Fair value is generally determined from estimated discounted cash flows. There was no impairment as of September 30, 2015 or December 31, 2014.

While these statements differ from financial statements prepared in accordance with U.S. GAAP, the modified cash basis of reporting revenues, expenses, and distributions is considered to be the most meaningful because monthly distributions to the Trust unitholders are based on net cash receipts. This comprehensive non-GAAP basis of accounting 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.

### **Note 3. Income Taxes**

#### ***Federal Income Taxes***

Tax counsel to the Trust advised the Trust at the time of formation that for U.S. federal income tax purposes, the Trust will be treated as a grantor trust and therefore is not subject to tax at the trust level. Trust unitholders are treated as owning a direct interest in the assets of the Trust, and each Trust unitholder is taxed directly on his or her pro rata share of the income and gain attributable to the assets of the Trust and entitled to claim his or her pro rata share of the deductions and expenses attributable to the assets of the Trust. The income of the Trust is deemed to have been received or accrued by each unitholder at the time such income is received or accrued by the Trust rather than when distributed by the Trust.

The deductions of the Trust consist primarily of administrative expenses. In addition, each unitholder is entitled to depletion deductions because the Net Profits Interest constitutes economic interests in oil and gas properties for federal income tax purposes. Each unitholder is entitled to amortize the cost of the Trust Units through cost depletion over the life of the Net Profits Interest or, if greater, through percentage depletion. Unlike cost depletion, percentage depletion is not limited to a unitholder's depletable tax basis in the Trust Units. Rather, a unitholder is entitled to percentage depletion as long as the applicable Underlying Properties generate gross income.

Some Trust Units are held by a middleman, as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in street name). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust ( WHFIT ) for U.S. federal income tax purposes. The Bank of New York Mellon Trust Company, N.A., 919 Congress Avenue, Austin, Texas 78701, telephone number (512) 236-6545, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust

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as a WHFIT. Notwithstanding the foregoing, the middlemen holding units on behalf of unitholders, and not the Trustee of the Trust, are solely responsible for complying with the information reporting requirements under the U.S. Treasury Regulations with respect to such units, including the issuance of IRS Forms 1099 and certain written tax statements. Unitholders whose units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the Trust Units.

The tax consequences to a unitholder of ownership of Trust Units will depend in part on the unitholder's tax circumstances. Unitholders should consult their tax advisors about the federal tax consequences relating to owning the Trust Units.

### *State Taxes*

The Trust's revenues are from sources in the state of California. Because it distributes all of its net income to unitholders, the Trust is not taxed at the trust level. California presently taxes income of nonresidents from real property located within the state. California taxes nonresidents on royalty income from the royalties located in that state and also imposes a corporate income tax which may apply to unitholders organized as corporations.

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Each unitholder should consult his or her own tax advisor regarding state tax requirements applicable to such person's ownership of Trust Units.

**Note 4. Commodity Derivative Contracts**

PCEC had commodity derivative contracts with Wells Fargo Bank, National Association in order to mitigate the effects of falling commodity prices through March 31, 2014. These contracts also limited the amount of cash available for distribution if prices had increased above the fixed hedge price. Through March 31, 2014 production, the Trust was entitled to the effect of 2,000 barrels of daily swap volumes of Brent crude oil at \$115.00 per barrel proportional to the Trust's interest in the Developed Properties.

The amounts received by PCEC from the commodity derivative contract counterparty upon settlement of the commodity derivative contracts reduced or increased the operating expenses related to the Underlying Properties in calculating the Net Profits Interests. For the three and nine months ended September 30, 2014, the Trust received from PCEC net settlements related to the commodity derivative contracts of zero and \$2.0 million. Because the commodity derivative contracts expired in 2014, the Trust did not receive any amounts related to them for the three or nine month periods ended September 30, 2015.

**Note 5. Distributions to Unitholders**

Each month, the Trustee determines the amount of funds available for distribution to the Trust unitholders. Available funds are the excess cash, if any, received by the Trust from the Conveyed Interests and other sources from that month (such as interest earned on any amounts reserved by the Trustee), over the Trust's liabilities for that month, subject to adjustments for changes made by the Trustee during the month in any cash reserves established for future liabilities of the Trust. Distributions are made to the holders of Trust units as of the applicable record date (generally within five business days after the last business day of each calendar month) and are payable on or before the 10th business day after the record date. The following table illustrates information regarding the Trust's distributions paid during the nine months ended September 30, 2015 and 2014.

**Nine Months Ended September 30, 2015**

Declaration Date	Record Date	Payment Date	Distribution per Unit	
December 23, 2014	January 6, 2015	January 15, 2015	\$	0.05256
January 23, 2015	February 4, 2015	February 13, 2015	\$	0.03212
February 24, 2015	March 6, 2015	March 13, 2015	\$	0.00614
March 23, 2015	April 6, 2015	April 14, 2015	\$	0.00775
April 23, 2015	May 6, 2015	May 14, 2015	\$	0.00897
May 26, 2015	June 5, 2015	June 12, 2015	\$	0.02860
June 23, 2015	July 3, 2015	July 14, 2015	\$	0.04289
July 24, 2015	August 5, 2015	August 14, 2015	\$	0.03844
August 24, 2015	September 4, 2015	September 15, 2015	\$	0.02281

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Nine Months Ended September 30, 2014

Declaration Date	Record Date	Payment Date	Distribution per Unit	
December 23, 2013	January 6, 2014	January 15, 2014	\$	0.12833
January 23, 2014	February 5, 2014	February 14, 2014	\$	0.13396
February 24, 2014	March 6, 2014	March 14, 2014	\$	0.12574
March 24, 2014	April 3, 2014	April 14, 2014	\$	0.12188
April 24, 2014	May 7, 2014	May 14, 2014	\$	0.12102
May 22, 2014	June 4, 2014	June 13, 2014	\$	0.12248
June 23, 2014	July 3, 2014	July 15, 2014	\$	0.14872
July 24, 2014	August 6, 2014	August 14, 2014	\$	0.13234
August 25, 2014	September 4, 2014	September 15, 2014	\$	0.11417

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**Note 6. Related Party Transactions**

*Trustee Administrative Fee.* Under the terms of the Trust Agreement, the Trust pays an annual administrative fee of \$200,000 to the Trustee and \$2,000 to the Delaware Trustee. During the three and nine months ended September 30, 2015, the Trust paid \$50,000 and \$150,000, respectively, to the Trustee and zero and \$2,000, respectively, to the Delaware Trustee. During the three and nine months ended September 30, 2014, the Trust paid \$50,000 and \$150,000, respectively, to the Trustee and zero and \$2,000, respectively, to the Delaware Trustee.

*PCEC Operating and Services Fee.* Under the terms of the Operating and Services Agreement by and between PCEC and the Trust (the Operating and Services Agreement), PCEC provides the Trust with certain operating and informational services relating to the Conveyed Interests in exchange for a monthly fee which is revised annually based on changes to the Consumer Price Index. The monthly fee was equal to \$83,333 starting April 1, 2012, and it has been increased each subsequent year to \$85,083 in 2013, \$86,330 in 2014 and \$87,730 in 2015. The Operating and Services Agreement will terminate upon the termination of the Conveyed Interests unless earlier terminated by mutual agreement of the trustee and PCEC. During each of the three and nine months ended September 30, 2015 and 2014, the Trust paid PCEC approximately \$0.3 million and \$0.8 million, respectively.

**Note 7. Funding Commitment and Letter of Credit**

PCEC has provided the Trust with a \$1.0 million letter of credit to be used by the Trust in the event that its cash on hand (including available cash reserves) is not sufficient to pay ordinary course administrative expenses as they become due. Further, if the Trust requires more than the \$1.0 million under the letter of credit to pay administrative expenses, PCEC has agreed to loan funds to the Trust necessary to pay such expenses. Any funds provided under the letter of credit or loaned by PCEC may only be used for the payment of current accounts or other obligations to trade creditors in connection with obtaining goods or services or for the payment of other accrued current liabilities arising in the ordinary course of the Trust's business, and may not be used to satisfy Trust indebtedness. If the Trust draws on the letter of credit or PCEC loans funds to the Trust, no further distributions will be made to Trust unitholders (except in respect of any previously determined monthly cash distribution amount) until such amounts drawn or borrowed, including interest thereon, are repaid. Any loan made by PCEC will be on an unsecured basis, and the terms of such loan will be substantially the same as those which would be obtained in an arm's-length transaction between PCEC and an unaffiliated third party. There were no borrowings outstanding at September 30, 2015 or at December 31, 2014.

**Note 8. Commitments and Contingencies**

*Legal Proceedings.* The Trust has been named as a defendant in a putative class action as described below.

On July 1, 2014, Thomas Welch, individually and on behalf of all others similarly situated, filed a putative class action complaint in the Superior Court of California, County of Los Angeles, against the Trust, PCEC, PCEC (GP) LLC, Pacific Coast Energy Holdings LLC, certain executive

officers of PCEC (GP) LLC and others.

The complaint asserts federal securities law claims against the Trust and other defendants and states that the claims are made on behalf of a class of investors who purchased or otherwise acquired Trust securities pursuant or traceable to the registration statement that became effective on May 2, 2012 and the prospectuses issued thereto and the registration statement that became effective purportedly on September 19, 2013 and the prospectuses issued thereto. The complaint states that the plaintiff is pursuing negligence and strict liability claims under the Securities Act of 1933 and alleges that both such registration statements contained numerous untrue statements of material facts and omitted material facts. The plaintiff seeks class certification, unspecified compensatory damages, rescission on certain of plaintiff's claims, pre-judgment and post-judgment interest, attorneys' fees and costs and any other relief the Court may deem just and proper.

On October 16, 2014, Ralph Berliner, individually and on behalf of all others similarly situated, filed a second putative class action complaint in the Superior Court of California, County of Los Angeles, against the Trust, PCEC, PCEC (GP) LLC, Pacific Coast Energy Holdings LLC, certain executive officers of PCEC (GP) LLC and others. The Berliner complaint asserts the same claims and makes the same allegations, against the same defendants, as are made in the Welch complaint. In November 2014, the Welch and Berliner actions were consolidated into a single action.

The Trust believes that it is fully indemnified by PCEC against any liability or expense it might incur in connection with the consolidated action. Nevertheless, the Trust may incur expenses in connection with the litigation. The Trust will estimate and provide for potential losses that may arise out of litigation to the extent that such losses are probable and can be reasonably estimated. Significant judgment will be required in making any such estimates and any actual liabilities of the Trust may ultimately be materially different than any such estimates. The Trust is currently unable to assess the probability of loss or estimate a range of any potential loss the Trust may incur in connection with the consolidated action described above, and has not established any



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reserves relating to the litigation. The Trust may withhold estimated amounts from future distributions to cover future costs associated with the litigation if determined necessary at any time.

**Note 9. Subsequent Events**

On October 15, 2015, the distribution of \$0.00280 per Trust Unit, which was declared on September 24, 2015, was paid to Trust unitholders owning Trust Units as of October 5, 2015.

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

The following review of the Trust's financial condition and results of operations should be read in conjunction with the financial statements and notes thereto, as well as Trustee's Discussion and Analysis of Financial Condition and Results of Operations contained in the Trust's 2014 Annual Report. The following review should also be read in conjunction with Forward-Looking Statements in this report and with Part I Item 1A Risk Factors in the Trust's 2014 Annual Report.

**Overview**

The Trust is a statutory trust formed in January 2012 under the Delaware Statutory Trust Act. The business and affairs of the Trust are administered by the Trustee. The Trust's purpose is to hold the Conveyed Interests (described below), to distribute to the Trust unitholders cash that the Trust receives in respect of the Conveyed Interests, subject to the effects of the commodity derivative contracts on production through March 31, 2014 as described in Note 4 to the financial statements contained in Part I, Item 1 of this report, and to perform certain administrative functions in respect of the Conveyed Interests and the Trust Units. The Trust does not conduct any operations or activities. The Trustee has no authority over or responsibility for, and no involvement with, any aspect of the oil and natural gas operations or other activities on the Underlying Properties. Wilmington Trust, National Association, as the Delaware Trustee (the Delaware Trustee), has only minimal rights and duties as are necessary to satisfy the requirements of the Delaware Statutory Trust Act. The Trust derives all or substantially all of its income and cash flow from the Conveyed Interests, subject to the effects of the commodity derivative contracts. The Trust is treated as a grantor trust for U.S. federal income tax purposes.

The Trust was created to acquire and hold net profits and royalty interests in certain oil and natural gas properties located in California. The Conveyed Interests represent undivided interests in underlying properties consisting of PCEC's interests in its oil and natural gas properties located onshore in California (the Underlying Properties).

Concurrent with the Trust's initial public offering, in May, 2012, the Trust and PCEC entered into a Conveyance of Net Profits Interests and Overriding Royalty Interest (the Conveyance), pursuant to which PCEC conveyed to the Trust net profits interest and an overriding royalty interest (the Conveyed Interests) in the Underlying Properties. The Conveyed Interests entitle the Trust to receive 80% of the net profits from the sale of oil and natural gas production from the proved developed reserves as of December 31, 2011 on the Underlying Properties (the Developed Properties) and either 25% of the net profits from the sale of oil and natural gas production from all other development potential on the Underlying Properties (the Remaining Properties) or a 7.5% royalty interest from the sale of oil and natural gas production from the Remaining Properties located in PCEC's Orcutt properties (the Royalty Interest Proceeds).

The Trust calculates the net profits and royalties for the Developed Properties and Remaining Properties monthly. For any monthly period during which costs for the Remaining Properties exceed gross proceeds, the Trust is entitled to receive the Royalty Interest Proceeds, and the Trust would continue to receive such proceeds until the first day of the month following the day on which cumulative gross proceeds for the Remaining Properties exceed the cumulative total excess costs for the Remaining Properties (such occurrence being herein called a NPI Payout). Due to significant planned expenditures associated with the Remaining Properties for the benefit of the Trust, PCEC expects the Trust to receive payments associated with the Remaining Properties in the form of Royalty Interest Proceeds until the NPI Payout occurs in approximately 2019. In any monthly period following an NPI Payout, the Trust is entitled to receive Royalty Interest Proceeds if costs for the Remaining Properties exceed gross proceeds.

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The Trust will make monthly cash distributions of all of its monthly cash receipts, after deduction of fees and expenses for the administration of the Trust, to holders of Trust Units as of the applicable record date (generally within five business days after the last business day of each calendar month). Distributions are payable on or before the 10th business day after the record date. Actual cash distributions to the Trust unitholders will fluctuate monthly based upon the quantity of oil and natural gas produced from the Underlying Properties, the prices received for oil and natural gas production, costs to develop and produce the oil and natural gas and other factors. Because payments to the Trust will be generated by depleting assets with the production from the Underlying Properties diminishing over time, a portion of each distribution will represent, in effect, a return of a unitholder's original investment. Oil and natural gas production from proved reserves attributable to the Underlying Properties will decline over time.

### *Commodity Prices*

Oil prices have declined since the middle of 2014. In the third quarter of 2015, the ICE Brent oil spot price averaged approximately \$50.44 per Bbl, compared with approximately \$101.90 per Bbl in the third quarter of 2014. The ICE Brent oil spot price decreased from a high of \$94.57 per Bbl in October 2014 to a low of \$41.59 per Bbl in August 2015. Lower crude oil prices may

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not only decrease our distributable income, but may also reduce the amount of crude oil that PCEC can produce economically and therefore potentially lower PCEC's crude oil reserves.

Prices for natural gas in many markets are aligned both with supply and demand conditions in their respective regional markets and with the overall U.S. market. Natural gas prices are also typically higher during the winter period when demand for heating is greatest in the U.S. Natural gas prices have declined since the middle of 2014. In the third quarter of 2015, the Henry Hub price averaged approximately \$2.76 per MMBtu, compared with approximately \$3.96 per MMBtu in the third quarter of 2014. The Henry Hub price decreased from a high of \$4.41 per MMBtu in November 2014 to a low of \$2.47 per MMBtu in September 2015.

The recent significant decline in oil and natural gas prices increases the uncertainty as to the impact of commodity prices on our estimated proved reserves. We are unable to predict future commodity prices with any greater precision than the futures market. A prolonged period of depressed commodity prices may have a significant impact on the volumetric quantities of PCEC's proved reserve portfolio. The impact of commodity prices on PCEC's estimated proved reserves can be illustrated as follows: if the SEC-mandated 2014 beginning of the prior 12 months average prices used for PCEC's December 31, 2014 reserve report had been replaced with the Brent Futures strip prices for the applicable commodity as of September 30, 2015 (without assuming any change in development plans or costs, which has historically not been the case in periods of prolonged depressed commodity prices), then the estimated proved reserves volumes as of December 31, 2014 would have decreased by approximately 39%. The prices assumed in this example were derived using Brent Future strip prices at September 30, 2015 through December 31, 2021, which averaged \$60.72 and then held flat thereafter. We believe that the use of this Brent Futures strip price may help provide investors with an understanding of the impact of sustained lower commodity price conditions on PCEC's proved reserves through an assumed period. However, the use of this pricing example does not necessarily indicate management's overall view on future commodity prices.

***2015 Capital Program Summary***

PCEC informed the Trustee at the beginning of the year that its calendar year 2015 capital program is expected to total approximately \$8.1 million and will continue to be focused on rate-generating projects at Orcutt Field and West Pico and mandatory facility upgrades, and Orcutt Diatomite permitting fees. This total includes expected investments of approximately \$3.5 million (\$2.8 million net to the Trust's interest) in the Developed Properties. Approximately \$4.6 million is expected to be spent on the Remaining Properties, which will not affect distributions in the current period, but the Trust's 25% pro rata share of \$1.1 million may affect the date on which the NPI payout occurs. During the nine months ended September 30, 2015, PCEC spent approximately \$2.6 million on Developed Properties and \$3.6 million on Remaining Properties.

***Properties***

The Underlying Properties consist of the Developed Properties and the Remaining Properties. Production from the Developed Properties that will be attributable to the Trust is produced from wells that, because they have already been drilled, require limited additional capital expenditures. Production from the Remaining Properties that will be attributable to the Trust will require capital expenditures for the drilling of wells and installation of infrastructure. PCEC will supply required capital on behalf of the Trust during this period; however, because the costs initially incurred will exceed gross proceeds, the Remaining Properties will have negative net profits during the drilling and development period. During this period of negative net profits, the Trust will be paid a 7.5% overriding royalty on the portion of the Remaining Properties located on PCEC's Orcutt properties. Once revenues from the Remaining Properties have been used to repay PCEC for the cumulative costs it has advanced on behalf of the Trust, the net profits interests on the Remaining Properties will be paid out in place of the royalty interests, as described below. The Conveyed Interests entitle the Trust to receive the following:

Developed Properties

- 80% of the net profits from the sale of oil and natural gas production from the Developed Properties.

Remaining Properties

- 7.5% of the proceeds (free of any production or development costs but bearing the proportionate share of production and property taxes and post-production costs) attributable to the sale of all oil and natural gas production from the Remaining Properties located on PCEC's Orcutt properties, including but not limited to PCEC's interest in such production (the Royalty Interest Proceeds), or
- 25% of the net profits from the sale of oil and natural gas production from all of the Remaining Properties.

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The Trust calculates the net profits and royalties for the Developed Properties and the Remaining Properties separately. Any excess costs for either the Developed Properties or the Remaining Properties will not reduce net profits calculated for the other. The amount of Royalty Interest Proceeds paid will be taken into account in the net profits interest calculation for the Remaining Properties. If at any time cumulative costs for the Developed Properties or the Remaining Properties exceed cumulative gross proceeds associated with such properties, neither the Trust nor the Trust unitholders would be liable for the excess costs, but the Trust would not receive any net profits from the Developed Properties or the Remaining Properties, as the case may be, until future cumulative net profits for such properties exceed the cumulative total excess costs for such properties.

The Trust is not subject to any pre-set termination provisions based on a maximum volume of oil or natural gas to be produced or the passage of time. The Trust will dissolve upon the earliest to occur of the following: (1) the Trust, upon approval of the holders of at least 75% of the outstanding Trust Units, sells the Net Profits Interest, (2) the annual cash available for distribution to the Trust is less than \$2 million for each of any two consecutive years, (3) the holders of at least 75% of the outstanding Trust Units vote in favor of dissolution or (4) the Trust is judicially dissolved.

On April 6, 2015, PCEC received a letter from the California Department of Conservation, Division of Oil, Gas & Geothermal Resources ( DOGGR ) mandating the suspension of cyclic steaming operations in PODS 2 and 4 at Orcutt Diatomite, citing concern over surface expressions related to two wells occurring late in 2014 and the potential for landslides on the property. This resulted in the suspension of steaming to 22 wells and curtailed production by approximately 300 barrels of oil per day. PCEC is cooperating with DOGGR to develop and implement a work plan that addresses DOGGR 's concerns.

DOGGR recently has discussed with PCEC the modification of existing well permits for approximately 21 water injections wells located at the Orcutt Field, which could require certain changes to operating procedures or well modifications. The cost and impact to operations to implement those procedures or modifications will depend on the outcome of discussions with DOGGR, but PCEC expects that any required refurbishment of those wells will increase future capital costs and may impact production if wells are shut in during that work.

### ***Commodity Derivative Contracts***

The revenues derived from the Underlying Properties depend substantially on prevailing oil prices and, to a lesser extent, natural gas prices. As a result, commodity prices also affect the amount of cash flow available for distribution to the Trust unitholders. Lower prices may also reduce the amount of oil and natural gas that PCEC or the third-party operators can economically produce.

PCEC had commodity derivative contracts with Wells Fargo Bank, National Association in order to mitigate the effects of falling commodity prices through March 31, 2014. The Trust was entitled to the effect of 2,000 barrels of daily swap volumes of Brent crude oil at \$115.00 per barrel during the twenty-four months ended March 31, 2014, proportional to the Trust 's interest in the Developed Properties. The amounts received by PCEC from the commodity derivative contract counterparty upon settlement of the commodity derivative contracts reduced or increased the amount of net profits related to the Underlying Properties. After March 31, 2014, none of the Trust 's exposure to crude oil prices is hedged. In addition, none of the Trust 's exposure to natural gas is hedged.

### **Results of Operations for the Three Months Ended September 30, 2015 and 2014**

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For the three months ended September 30, 2015, income from Conveyed Interests received by the Trust amounted to \$4.2 million compared with \$15.4 million for the three months ended September 30, 2014. The net profits income received by the Trust during the three months ended September 30, 2015 was associated with net profits for oil and natural gas production during the months of May, June, and July 2015. The net profits income received by the Trust during the three months ended September 30, 2014 was associated with net profits for oil and natural gas production during the months of May, June, and July 2014.

Oil and natural gas sales volumes are allocated to the net profits interests based upon a formula that considers oil and natural gas prices and the total amount of production expense and development costs. As oil and natural gas prices change, the Trust's share of the production volumes is impacted as the quantity of production to cover expenses and development costs in reaching the net profits break-even level changes inversely with price. Accordingly, the underlying property production volumes do not correlate with the Trust's net profit share of those volumes in any given period. Therefore, the comparative discussion of oil and natural gas volumes is based on the underlying properties as stated in the table.

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The following table displays PCEC's underlying sales volumes and average prices for the Underlying Properties, representing the amounts included in the net profits calculation for distributions paid during the three months ended September 30, 2015 and 2014.

	Three Months Ended September 30,	
	2015	2014
<b>Developed Properties:</b>		
Underlying sales volumes (Boe) (a)	282,180	318,333
Average daily production (Boe/d)	3,067	3,460
Average price (per Boe)	\$ 50.57	\$ 96.69
Production cost (per Boe) (b)	\$ 30.81	\$ 33.49
<b>Remaining Properties:</b>		
Underlying sales volumes (Boe) (c)	74,393	82,428
Average daily production (Boe/d)	809	896
Average price (per Boe)	\$ 49.02	\$ 96.50
Production cost (per Boe) (b)	\$ 19.01	\$ 28.28

(a) Crude oil sales represented 96% and 97% of sales volumes from the Developed Properties for the three months ended September 30, 2015 and 2014, respectively.

(b) Production costs include lease operating expenses and production and other taxes.

(c) Crude oil sales represented 100% of total sales volumes from the Remaining Properties for each of the three months ended September 30, 2015 and 2014.



Table of Contents*Computation of Net Profits and Royalty Income Received by the Trust*

The Trust's net profits and royalty income consist of monthly net profits and royalty income attributable to the Conveyed Interests. Net profits and royalty income for the three months ended September 30, 2015 and 2014 were determined as shown in the following table.

Thousands of dollars	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014
<b>Developed Properties 80% Net Profits Interest</b>		
Oil sales	\$ 14,090	\$ 30,449
Natural gas sales	179	330
Total revenues	14,269	30,779
Costs:		
Direct operating expenses:		
Lease operating expenses	7,805	9,809
Production and other taxes	889	853
Development expenses	318	1,212
Total costs	9,012	11,874
Total income	5,257	18,905
Net Profits Interest	80%	80%
Income from 80% Net Profits Interest	\$ 4,206	\$ 15,124
<b>Remaining Properties 25% Net Profits Interest</b>		
Oil sales	\$ 3,640	\$ 7,955
Natural gas sales	7	
Total revenues	3,647	7,955
7.5% ORRI	241	550
Costs:		
Direct operating expenses:		
Lease operating expenses	1,137	2,102
Production and other taxes	277	230
Development expenses	605	4,516
Total costs	2,019	6,848
Total income	1,387	557
Net Profits Interest	25%	25%
Income from 25% Net Profits Interest (1)	\$ 347	\$ 139
<b>Total Trust Cash Flow</b>		
80% Net Profit Interest	\$ 4,206	\$ 15,124
7.5% ORRI	241	550
Settlement of commodity derivative contracts		
PCEC operating and services fee	(263)	(260)
Total	\$ 4,184	\$ 15,414
Trust general and administrative expenses and cash withheld for expenses	(165)	(165)
Distributable income	\$ 4,019	\$ 15,249

**(1) 25% Net Profits Interest Accrued Deficit**

Beginning balance	\$	(1,924)	\$	(2,659)
Current period		347		139
Ending balance	\$	(1,577)	\$	(2,520)



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*Three Months Ended September 30, 2015 and 2014*

*Developed Properties* Revenue exceeded direct operating expenses and development expenses from the Developed Properties by approximately \$5.3 million for the three months ended September 30, 2015 compared to \$18.9 million for the three months ended September 30, 2014. The decrease is attributable principally to lower oil prices and lower production compared to the prior year quarter. Average realized prices decreased by \$46.12 per Bbl, or 47.7%, and sales volume decreased 36 MBoe, or 11.4%, contributing to a decrease in 2015 distributable income compared to 2014. The decrease in sales volume is primarily due to the suspension of cyclical steam operations for PODS 2 and 4 at Orcutt Diatomite, as previously discussed under *Properties* on page 18. Total lease operating expenses included in the net profits calculation during the quarter were approximately \$7.8 million for the three months ended September 30, 2015 compared to \$9.8 million for the three months ended September 30, 2014. The decrease is primarily attributable to lower operating expenses and workover expenditures at Orcutt Field, Orcutt Diatomite, and West Pico, which resulted from lower commodity prices and lower steaming operations at Orcutt Diatomite. Production and other taxes were approximately \$0.9 million for each of the three months ended September 30, 2015 and 2014. Total capital expenditures included in the net profit calculation during the quarter were approximately \$0.3 million for the three months ended September 30, 2015 compared to \$1.2 million for the three months ended September 30, 2014. The decrease is primarily due to lower well work at Orcutt Field and Orcutt Diatomite. Income from Net Profits Interest was approximately \$4.2 million for the three months ended September 30, 2015 compared to \$15.1 million for the three months ended September 30, 2014, a decrease of 72.2% as a result of the factors described above.

*Remaining Properties* Revenue exceeded direct operating expenses and development expenses from the Remaining Properties by approximately \$1.4 million for the three months ended September 30, 2015 compared to \$0.6 million for the three months ended September 30, 2014. Capital expenditures were \$0.6 million for the three months ended September 30, 2015 compared to \$4.5 million for the three months ended September 30, 2014. The decrease in capital expenditures was primarily due to lower expenditures for the Remaining Properties located at PCEC's Orcutt properties. Sales volumes were 74 MBoe for the three months ended September 30, 2015 compared to 82 MBoe for the three months ended September 30, 2014. The 7.5% overriding royalty on the Remaining Properties is from 37 Orcutt Diatomite wells, ten Orcutt Field wells, four East Coyote wells, and one West Pico well. Since a cumulative deficit existed on the 25% net profits interest, the Trust received approximately \$0.2 million and \$0.6 million during the three months ended September 30, 2015 and 2014, respectively, from the 7.5% overriding royalty attributable to the sale of all production from the Remaining Properties located on PCEC's Orcutt Properties. The cumulative deficit of the net profits interest on the Remaining Properties, including payments to the Trust pursuant to the 7.5% overriding royalty, was approximately \$1.6 million at September 30, 2015 compared to \$2.5 million at September 30, 2014.

*Commodity Derivatives* Net settlements related to commodity derivative contracts were zero for the three months ended September 30, 2015 and 2014.

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*PCEC Operating & Service Fees* PCEC charged the Trust approximately \$0.3 million for the operating and services fee for each of the three month periods ended September 30, 2015 and 2014. The annual amount of the operating and services fee was \$1,021,000 from April 1, 2013 through March 31, 2014. Commencing April 1, 2014, the operating and services fee increased 1.5% to \$1,035,955 based on changes to the Consumer Price Index. Commencing April 1, 2015 the fee increased 1.6% to \$1,052,761.

*Distributable Income* The total cash received by the Trust from PCEC for the three months ended September 30, 2015 and 2014 was approximately \$4.2 million and \$15.4 million, respectively. The Trustee paid general and administrative expenses of \$0.2 million during each of the three months ended September 30, 2015 and 2014, primarily consisting of auditing fees, Trustee fees, and legal fees during the third quarters of 2015 and 2014. The distributable income was approximately \$4.0 million for the quarter ended September 30, 2015 compared to \$15.2 million for the quarter ended September 30, 2014.

### **Results of Operations for the Nine Months Ended September 30, 2015 and 2014**

For the nine months ended September 30, 2015, income from Conveyed Interests received by the Trust amounted to \$9.9 million compared with \$45.0 million for the nine months ended September 30, 2014. The net profits income received by the Trust during the nine months ended September 30, 2015 was associated with net profits for oil and natural gas production during the months of November and December 2014 and January through July 2015. The net profits income received by the Trust during the nine months ended September 30, 2014 was associated with net profits for oil and natural gas production during the months of November and December 2013 and January through July 2014.

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Oil and natural gas sales volumes are allocated to the net profits interests based upon a formula that considers oil and gas prices and the total amount of production expense and development costs. As oil and gas prices change, the Trust's share of the production volumes is impacted as the quantity of production to cover expenses and development costs in reaching the net profits break-even level changes inversely with price. Accordingly, the underlying property production volumes do not correlate with the Trust's net profit share of those volumes in any given period. Therefore, the comparative discussion of oil and natural gas volumes is based on the underlying properties as stated in the table.

The following table displays PCEC's underlying sales volumes and average prices for the Underlying Properties, representing the amounts included in the net profits calculation for distributions paid during the nine months ended September 30, 2015 and 2014.

	Nine Months Ended September 30,	
	2015	2014
<b>Developed Properties:</b>		
Underlying sales volumes (Boe) (a)	859,147	962,972
Average daily production (Boe/d)	3,147	3,527
Average price (per Boe)	\$ 48.60	\$ 95.04
Production cost (per Boe) (b)	\$ 31.15	\$ 34.26
<b>Remaining Properties:</b>		
Underlying sales volumes (Boe) (c)	230,091	232,615
Average daily production (Boe/d)	843	852
Average price (per Boe)	\$ 47.55	\$ 94.70
Production cost (per Boe) (b)	\$ 17.97	\$ 23.37

(a) Crude oil sales represented 96% and 97% of sales volumes from the Developed Properties for the nine months ended September 30, 2015 and 2014, respectively.

(b) Production costs include lease operating expenses and production and other taxes.

(c) Crude oil sales represented approximately 100% of total sales volumes from the Remaining Properties for each of the nine-month periods ended September 30, 2015 and 2014.

Table of Contents*Computation of Net Profits and Royalty Income Received by the Trust*

The Trust's net profits and royalty income consist of monthly net profits and royalty income attributable to the Conveyed Interests. Net profits and royalty income for the nine months ended September 30, 2015 and 2014 were determined as shown in the following table.

Thousands of dollars	Nine Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
<b>Developed Properties 80% Net Profits Interest</b>				
Oil sales	\$	41,153	\$	90,571
Natural gas sales		598		947
Total revenues		41,751		91,518
Costs:				
Direct operating expenses:				
Lease operating expenses		23,995		30,314
Production and other taxes		2,768		2,682
Development expenses		2,565		5,800
Total costs		29,328		38,796
Total income		12,423		52,722
Net Profits Interest		80%		80%
Income from 80% Net Profits Interest	\$	9,938	\$	42,177
<b>Remaining Properties 25% Net Profits Interest</b>				
Oil sales	\$	10,931	\$	22,029
Natural gas sales		11		
Total revenues		10,942		22,029
7.5% ORRI		735		1,572
Costs:				
Direct operating expenses:				
Lease operating expenses		3,293		4,783
Production and other taxes		843		653
Development expenses		3,645		10,731
Total costs		7,781		16,167
Total income		2,426		4,290
Net Profits Interest		25%		25%
Income from 25% Net Profits Interest (1)	\$	607	\$	1,072
<b>Total Trust Cash Flow</b>				
80% Net Profit Interest	\$	9,938	\$	42,177
7.5% ORRI		735		1,572
Settlement of commodity derivative contracts				1,985
PCEC operating and services fee		(782)		(771)
Total	\$	9,891	\$	44,963
Trust general and administrative expenses and cash withheld for expenses		(620)		(645)
Distributable income	\$	9,271	\$	44,318

**(1) 25% Net Profits Interest Accrued Deficit**

Beginning balance	\$	(2,184)	\$	(3,591)
Current period		607		1,072
Ending balance	\$	(1,577)	\$	(2,519)



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*Nine Months Ended September 30, 2015 and 2014*

*Developed Properties* Revenue exceeded direct operating expenses and development expenses from the Developed Properties, before net settlements related to commodity derivative contracts, by approximately \$12.4 million for the nine months ended September 30, 2015 compared to \$52.7 million for the nine months ended September 30, 2014. The decrease is attributable principally to lower oil prices and lower production compared to the prior year period. Average realized prices decreased by \$46.44 per Bbl, or 48.9%, and sales volume decreased 104 MBoe, or 10.8%, contributing to a decrease in 2015 distributable income compared to 2014. The decrease in sales volume is primarily due to the suspension of cyclical steam operations for PODS 2 and 4 at Orcutt Diatomite, as previously discussed under *Properties* on page 18. Total lease operating expenses included in the net profits calculation during the nine months ended September 30, 2015 were approximately \$24.0 million compared to \$30.3 million for the nine months ended September 30, 2014. The decrease is primarily attributable to lower operating expenses and workover expenditures at Orcutt Field, West Pico, and Orcutt Diatomite primarily due to lower commodity prices and lower steaming operations at Orcutt Diatomite. Production and other taxes were approximately \$2.8 million for the nine months ended September 30, 2015 compared to \$2.7 million for the nine months ended September 30, 2014. Total capital expenditures included in the net profit calculation during the nine months ended September 30, 2015 were approximately \$2.6 million compared to \$5.8 million for the nine months ended September 30, 2014. The decrease is primarily due to lower well work from Orcutt Field, Orcutt Diatomite, and lower facility upgrades from West Pico properties. Income from Net Profits Interest was approximately \$9.9 million for the nine months ended September 30, 2015 compared to \$42.2 million for the nine months ended September 30, 2014, a decrease of 76.4% as a result of the factors described above.

*Remaining Properties* Revenue exceeded direct operating expenses and development expenses from the Remaining Properties, by approximately \$2.4 million for the nine months ended September 30, 2015 compared to \$4.3 million for the nine months ended September 30, 2014. Capital expenditures were \$3.6 million for the nine months ended September 30, 2015 compared to \$10.7 million for the nine months ended September 30, 2014. The decrease in capital expenditures was primarily due to lower expenditures for the Remaining Properties located at PCEC's Orcutt Properties. Sales volumes were 230 MBoe for the nine months ended September 30, 2015 compared to 233 MBoe for the nine months ended September 30, 2014. The 7.5% overriding royalty on the Remaining Properties is from 37 Orcutt Diatomite wells, nine Orcutt Field wells, four East Coyote wells, and one West Pico well. Since a cumulative deficit existed on the 25% net profits interest, the Trust received approximately \$0.7 million and \$1.6 million during the nine months ended September 30, 2015 and 2014, respectively, from the 7.5% overriding royalty attributable to the sale of all production from the Remaining Properties located on PCEC's Orcutt Properties. The cumulative deficit of the net profits interest on the Remaining Properties, including payments to the Trust pursuant to the 7.5% overriding royalty, was approximately \$1.6 million at September 30, 2015 compared to \$2.5 million at September 30, 2014.

*Commodity Derivatives* Net settlements related to commodity derivative contracts were zero for the nine months ended September 30, 2015 compared to \$2.0 million for the nine months ended September 30, 2014.



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*PCEC Operating & Service Fees* PCEC charged the Trust approximately \$0.8 million for the operating and services fee for each of the nine month periods ended September 30, 2015 and 2014. The annual amount of the operating and services fee was \$1,021,000 from April 1, 2013 through March 31, 2014. Commencing April 1, 2014, the operating and services fee increased 1.5% to \$1,035,955 based on changes to the Consumer Price Index. Commencing April 1, 2015 the fee increased 1.6% to \$1,052,761.

*Distributable Income* The total cash received by the Trust from PCEC for the nine months ended September 30, 2015 and 2014 was approximately \$9.9 million and \$45.0 million, respectively. The Trustee paid general and administrative expenses of \$0.6 million for each of the nine months ended September 30, 2015 and 2014, primarily consisting of Trustee fees, auditing fees, and New York Stock Exchange listing fees. The distributable income was approximately \$9.3 million for the nine months ended September 30, 2015 compared to \$44.3 million for the nine months ended September 30, 2014.

### **Liquidity and Capital Resources**

Other than Trust administrative expenses, including payment of the PCEC operating and services fee and any reserves established by the Trustee for future liabilities, the Trust's only use of cash is for distributions to Trust unitholders. Available funds are the excess cash, if any, received by the Trust from the Conveyed Interests and other sources (such as interest earned on any amounts reserved by the Trustee) in that month, over the Trust's expenses paid for that month. Available funds are reduced by any cash the Trustee determines to hold as a reserve against future expenses.

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The Trustee may create a cash reserve to pay for future liabilities of the Trust. If the Trustee determines that the cash on hand and the cash to be received are, or will be, insufficient to cover the Trust's liabilities, the Trustee may cause the Trust to borrow funds to pay liabilities of the Trust. The Trustee may also cause the Trust to mortgage its assets to secure payment of the indebtedness. If the Trustee causes the Trust to borrow funds, the Trust unitholders will not receive distributions until the borrowed funds are repaid.

Each month, the Trustee pays Trust obligations and expenses and distributes to the Trust unitholders the remaining proceeds received from the Conveyed Interests. The cash held by the Trustee as a reserve against future liabilities or for distribution at the next distribution date may be invested in a limited number of permitted investments. Alternatively, cash held for distribution at the next distribution date may be held in a noninterest bearing account.

PCEC has provided the Trust with a \$1.0 million letter of credit to be used by the Trust in the event that its cash on hand (including available cash reserves) is not sufficient to pay ordinary course administrative expenses as they become due. Further, if the Trust requires more than the \$1.0 million under the letter of credit to pay administrative expenses, PCEC has agreed to loan funds to the Trust necessary to pay such expenses. Any funds provided under the letter of credit or loaned by PCEC may only be used for the payment of current accounts or other obligations to trade creditors in connection with obtaining goods or services or for the payment of other accrued current liabilities arising in the ordinary course of the Trust's business, and may not be used to satisfy Trust indebtedness. If the Trust draws on the letter of credit or PCEC loans funds to the Trust, no further distributions will be made to Trust unitholders (except in respect of any previously determined monthly cash distribution amount) until such amounts drawn or borrowed, including interest thereon, are repaid. Any loan made by PCEC will be on an unsecured basis, and the terms of such loan will be substantially the same as those which would be obtained in an arm's-length transaction between PCEC and an unaffiliated third party.

The Trustee has no current plans to authorize the Trust to borrow money. During the nine months ended September 30, 2015, there were no borrowings.

**Distributions Paid and Declared After Quarter End**

On October 15, 2015, the distribution of \$0.00280 per Trust Unit, which was declared on September 24, 2015, was paid to Trust unitholders of record as of October 5, 2015.

**Off-Balance Sheet Arrangements**

The Trust has no off-balance sheet arrangements and 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.

**New Accounting Pronouncements**

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As the Trust's financial statements are prepared on the modified cash basis, most accounting pronouncements are not applicable to the Trust's financial statements. No new accounting pronouncements have been adopted or issued that would impact the financial statements of the Trust.

### Critical Accounting Policies and Estimates

Please read Item 7. Trust's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates of the Trust's 2014 Annual Report for additional information regarding the Trust's critical accounting policies and estimates. There were no material changes to the Trust's critical accounting policies or estimates during the quarter ended September 30, 2015.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk.

*Commodity Price Risk.* The Trust's most significant market risk relates to the prices received for oil and natural gas production. The revenues derived from the Underlying Properties depend substantially on prevailing oil prices and, to a lesser extent, natural gas prices. As a result, commodity prices also affect the amount of cash flow available for distribution to the Trust unitholders. Lower prices may also reduce the amount of oil and natural gas that PCEC or the third-party operators can economically produce.

*Credit Risk.* The Trust's most significant credit risk is the risk of the bankruptcy of PCEC. The bankruptcy of PCEC could impede the operation of wells and the development of the proved undeveloped reserves. Further, in the event of the bankruptcy of

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PCEC, if a court were to hold that the Net Profits Interests were part of the bankruptcy estate, the Trust might be treated as an unsecured creditor with respect to the Net Profits Interests.

**Item 4. 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 Rules 13a-15 and 15d-15 under the Securities and Exchange Act of 1934, as amended ( "Exchange Act" ), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. 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 PCEC 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 Trustee's disclosure controls and procedures. Sarah Newell, as Trust Officer of the Trustee, has concluded that the disclosure controls and procedures of the Trust are effective.

Due to the nature of the Trust as a passive entity and in light of the contractual arrangements pursuant to which the Trust was created, including the provisions of (i) the Trust Agreement, (ii) the Operating and Services Agreement and (iii) the Conveyance, the Trustee's disclosure controls and procedures related to the Trust necessarily rely on (A) information provided by PCEC, including information relating to results of operations, the costs and revenues attributable to the Trust's interests under the Conveyance and other operating and historical data, plans for future operating and capital expenditures, reserve information, information relating to projected production, and other information relating to the status and results of operations of the Underlying Properties and the Conveyed Interests and settlements under the commodity derivative contracts between PCEC and Wells Fargo Bank, National Association for the periods during which those contracts were in effect, and (B) conclusions and reports regarding reserves by the Trust's independent reserve engineers.

During the quarter ended September 30, 2015, there was no change in the Trustee's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Trustee's internal control over financial reporting related to the Trust. 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 PCEC.

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**PART II OTHER INFORMATION**

**Item 1. Legal Proceedings**

The Trust has been named as a defendant in a putative class action as described below.

On July 1, 2014, Thomas Welch, individually and on behalf of all others similarly situated, filed a putative class action complaint in the Superior Court of California, County of Los Angeles, against the Trust, PCEC, PCEC (GP) LLC, Pacific Coast Energy Holdings LLC, certain executive officers of PCEC (GP) LLC and others.

The complaint asserts federal securities law claims against the Trust and other defendants and states that the claims are made on behalf of a class of investors who purchased or otherwise acquired Trust securities pursuant or traceable to the registration statement that became effective on May 2, 2012 and the prospectuses issued thereto and the registration statement that became effective purportedly on September 19, 2013 and the prospectuses issued thereto. The complaint states that the plaintiff is pursuing negligence and strict liability claims under the Securities Act of 1933 and alleges that both such registration statements contained numerous untrue statements of material facts and omitted material facts. The plaintiff seeks class certification, unspecified compensatory damages, rescission on certain of plaintiff's claims, pre-judgment and post-judgment interest, attorneys' fees and costs and any other relief the Court may deem just and proper.

On October 16, 2014, Ralph Berliner, individually and on behalf of all others similarly situated, filed a second putative class action complaint in the Superior Court of California, County of Los Angeles, against the Trust, PCEC, PCEC (GP) LLC, Pacific Coast Energy Holdings LLC, certain executive officers of PCEC (GP) LLC and others. The Berliner complaint asserts the same claims and makes the same allegations, against the same defendants, as are made in the Welch complaint. In November 2014, the Welch and Berliner actions were consolidated into a single action.

The Trust believes that it is fully indemnified by PCEC against any liability or expense it might incur in connection with the consolidated action. Nevertheless, the Trust may incur expenses in connection with the litigation. The Trust will estimate and provide for potential losses that may arise out of litigation to the extent that such losses are probable and can be reasonably estimated. Significant judgment will be required in making any such estimates and any actual liabilities of the Trust may ultimately be materially different than any such estimates. The Trust is currently unable to assess the probability of loss or estimate a range of any potential loss the Trust may incur in connection with the consolidated action described above, and has not established any reserves relating to the litigation. The Trust may withhold estimated amounts from future distributions to cover future costs associated with the litigation if determined necessary at any time.

**Item 1A. Risk Factors.**

There have been no material changes to the Risk Factors disclosed in Part 1-Item 1A. -Risk Factors of our 2014 Annual Report, except as disclosed in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2015.

**Item 6. Exhibits.**

The exhibits listed in the accompanying index are filed as part of this Quarterly Report on Form 10-Q.

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## **SIGNATURES**

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

### **PACIFIC COAST OIL TRUST**

By: The Bank of New York Mellon Trust Company, N.A.,  
as Trustee

By: /s/ Sarah Newell  
Sarah Newell  
Vice President

Date: October 22, 2015

The Registrant, Pacific Coast Oil Trust, has no principal executive officer, principal financial officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that any such function exists pursuant to the terms of the Trust Agreement under which it serves.

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**Exhibit Index**

<b>Exhibit Number</b>	<b>Description</b>
3.1 *	Certificate of Trust of Pacific Coast Oil Trust. (Incorporated herein by reference to Exhibit 3.1 to the Registration Statement on Form S-1, filed on January 6, 2012 (Registration No. 333-178928)).
3.2 *	Amended and Restated Trust Agreement of Pacific Coast Oil Trust, dated May 8, 2012, among Pacific Coast Energy Company LP, Wilmington Trust, National Association, as Delaware trustee of Pacific Coast Oil Trust, and The Bank of New York Mellon Trust Company, N.A., as trustee of Pacific Coast Oil Trust. (Incorporated herein by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K filed on May 8, 2012 (File No. 1-35532)).
3.3 *	First Amendment to Amended and Restated Trust Agreement of Pacific Coast Oil Trust, dated June 15, 2012 (Incorporated by reference to Exhibit 3.1 to the Trust's Current Report on Form 8-K filed on June 19, 2012 (File No. 1-35532)).
10.1 *	Conveyance of Net Profits Interests and Overriding Royalty Interest, dated as of June 15, 2012, by and between Pacific Coast Energy Company LP and Pacific Coast Oil Trust (Incorporated herein by reference to Exhibit 10.1 to the Trust's Current Report on Form 8-K filed on June 19, 2012 (File No. 1-35532)).
10.2 *	Registration Rights Agreement, dated as of May 8, 2012, by and between Pacific Coast Energy Company LP and Pacific Coast Oil Trust (Incorporated herein by reference to Exhibit 10.2 to the Trust's Current Report on Form 8-K filed on May 8, 2012 (File No. 1-35532)).
10.3 *	Operating and Services Agreement, dated as of May 8, 2012, by and between Pacific Coast Energy Company LP and Pacific Coast Oil Trust (Incorporated by reference to Exhibit 10.3 to the Trust's Current Report on Form 8-K filed on May 8, 2012 (File No. 1-35532)).
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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\* Asterisk indicates exhibit previously filed with SEC and incorporated herein by reference.