

MV Oil Trust
Form 10-K
March 15, 2013

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)
[Item 9B. Other Information.](#)

[Table of Contents](#)

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

FORM 10-K

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 1-33219
-

MV OIL TRUST

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06-6554331
(I.R.S. Employer
Identification No.)

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

78701
(Zip Code)

Registrant's telephone number, including area code: **(855) 802-1094**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Units of Beneficial Interest

Name of Each Exchange on which Registered
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No .

Edgar Filing: MV Oil Trust - Form 10-K

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No .

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 checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 Act). Yes No

The aggregate market value of the 8,625,000 Units of Beneficial Interest in MV Oil Trust held by non-affiliates of the registrant, computed using the closing sales price of \$33.72 on June 29, 2012, was approximately \$290,835,000.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of March 12, 2013, 11,500,000 Units of Beneficial Interest in MV Oil Trust were outstanding.

Documents Incorporated By Reference: None

Table of Contents

TABLE OF CONTENTS

	Page
<u>Forward-Looking Statements</u>	<u>1</u>
<u>Glossary of Certain Oil and Natural Gas Terms</u>	<u>1</u>
<u>PART I</u>	
<u>Item 1. Business</u>	<u>5</u>
<u>Item 1A. Risk Factors</u>	<u>27</u>
<u>Item 1B. Unresolved Staff Comments</u>	<u>37</u>
<u>Item 2. Properties</u>	<u>37</u>
<u>Item 3. Legal Proceedings</u>	<u>37</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>37</u>
<u>PART II</u>	
<u>Item 5. Market for the Registrant's Common Equity, Related Unitholder Matters and Issuer Purchases of Equity Securities</u>	<u>38</u>
<u>Item 6. Selected Financial Data</u>	<u>39</u>
<u>Item 7. Trustee's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>39</u>
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>47</u>
<u>Item 8. Financial Statements and Supplementary Data</u>	<u>48</u>
<u>Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>61</u>
<u>Item 9A. Controls and Procedures</u>	<u>61</u>
<u>Item 9B. Other Information</u>	<u>64</u>
<u>PART III</u>	
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	<u>64</u>
<u>Item 11. Executive Compensation</u>	<u>64</u>
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters</u>	<u>64</u>
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	<u>65</u>
<u>Item 14. Principal Accountant Fees and Services</u>	<u>66</u>
<u>PART IV</u>	
<u>Item 15. Exhibits, Financial Statement Schedules</u>	<u>66</u>
<u>SIGNATURES</u>	<u>68</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, which we refer to as the "Form 10-K," contains forward-looking statements about MV Partners, LLC, which we refer to herein as "MV Partners," and MV Oil Trust, which we refer to herein as the "trust," that are subject to risks and uncertainties and that are intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended, which we refer to as the "Exchange Act". All statements other than statements of historical fact included in this document, including, without limitation, statements under "Business" and "Risk Factors" regarding the financial position, business strategy, production and reserve growth, and other plans and objectives for the future operations of MV Partners and the trust, are forward-looking statements. Such statements may be influenced by factors that could cause actual outcomes and results to differ materially from those projected. Forward-looking statements are subject to risks and uncertainties and include statements pertaining to future development activities and costs and other statements in this Form 10-K that are prospective and constitute forward-looking statements.

When used in this document, the words "believes," "expects," "anticipates," "intends" or similar expressions are intended to identify such forward-looking statements. The following important factors, in addition to those discussed elsewhere in this Form 10-K, could affect the future results of the energy industry in general, and MV Partners and the trust in particular, and could cause actual results to differ materially from those expressed in such forward-looking statements:

- risks incident to the drilling and operation of oil and natural gas wells;
- future production and development costs and plans;
- the effect of existing and future laws and regulatory actions;
- the effect of changes in commodity prices and conditions in the capital markets;
- competition from others in the energy industry;
- economic uncertainty and the credit markets generally;
- ability of commodity purchasers to make payment;
- weather conditions or force majeure events;
- uncertainty of estimates of oil and natural gas reserves and production; and
- inflation.

This Form 10-K describes other important factors that could cause actual results to differ materially from expectations of MV Partners and the trust, including under the heading "Risk Factors." All written and oral forward-looking statements attributable to MV Partners or the trust or persons acting on behalf of MV Partners or the trust are expressly qualified in their entirety by such factors.

GLOSSARY OF CERTAIN OIL AND NATURAL GAS TERMS

In this Form 10-K the following terms have the meanings specified below.

Edgar Filing: MV Oil Trust - Form 10-K

Bbl One stock tank barrel, or 42 U.S. gallons liquid volume, of crude oil or other liquid hydrocarbons.

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 and one Bbl of crude oil equals 1.54 Bbls of natural gas liquids.

Btu or British Thermal Unit The quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit.

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

Developed Acreage The number of acres that are allocated or assignable to productive wells or wells capable of production.

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

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

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. There may be two or more reservoirs in a field that are separated vertically by intervening impervious, strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms *structural feature* and *stratigraphic condition* are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

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

MBbl One thousand barrels of crude oil or other liquid hydrocarbons.

MBoe One thousand barrels of oil equivalent.

Mcf One thousand standard cubic feet of natural gas.

MMBbls One million barrels of crude oil or other liquid hydrocarbons.

MMSBoe One million barrels of oil equivalent.

MMcf One million standard cubic feet of natural gas.

Net Acres or Net Wells The sum of the fractional working interests owned in gross acres or wells, respectively.

Net Profits Interest 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, natural gas and natural gas liquids 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.

NGLs Natural gas liquids.

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

Proved Developed Non-Producing Reserves Proved developed reserves expected to be recovered from zones behind casing in existing wells.

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

Proved Developed Oil and Gas Reserves Proved Oil and Gas Reserves that can be expected to be recovered:

- (A) 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
- (B) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Proved Developed Producing Reserves Proved developed reserves that are expected to be recovered from completion intervals currently open in existing wells and capable of production to market.

Proved Oil and Gas Reserves Those quantities of oil and gas that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. 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.

- (A) The area of a reservoir considered as proved includes: (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
- (B) In the absence of data on fluid contacts, proved quantities in the reservoir are limited by the lowest known hydrocarbons, as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.
- (C) Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.
- (D) Reserves that can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities.
- (E) Existing economic conditions include prices and costs at which economic producibility from a reservoir is determined. The price is the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Proved Undeveloped Oil and Gas Reserves Proved Oil and Gas 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.

Table of Contents

- (A) Reserves on undrilled acreage are limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.
- (B) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances justify a longer time.
- (C) Under no circumstances are estimates for undeveloped reserves to be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology establishing reasonable certainty.

Recompletion The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

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.

Standardized Measure of Discounted Future Net Cash Flows Also referred to herein as "standardized measure." It is the present value of estimated future net revenues computed by discounting estimated future net revenues at a rate of 10% annually.

The Financial Accounting Standards Board requires disclosure of standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities per accounting literature for extractive activities oil and gas, as follows: A standardized measure of discounted future net cash flows relating to an enterprise's interests in (a) proved oil and gas reserves and (b) oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the enterprise participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves shall be disclosed as of the end of the year. The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes. The following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed:

- a. Future cash inflows. These shall be computed by the average of the first-day-of-the-month prices during the 12-month period preceding the end of the year for 2010, 2011 and 2012 of oil and gas relating to the enterprise's proved reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.
- b. Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.
- c. Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the enterprise's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions, tax credits and allowances relating to the enterprise's proved oil and gas reserves.

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

- d. Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.
- e. Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.
- f. Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.

Working Interest Also called an operating interest. The right granted to the lessee of a property to explore for and to produce and own oil, gas or other minerals. The working interest owner bears 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.

PART I

Item 1. Business.

General

MV Oil Trust, which we refer to as the "trust," was formed in August 2006, by MV Partners, LLC, which we refer to as "MV Partners." Much of the information disclosed herein has been provided to the trust by MV Partners, including information associated with the underlying properties such as production and well counts, major producing areas, customer relationships, competition, marketing and post-production services, and certain information on which reserve data is based.

The trust is a statutory trust created under the Delaware Statutory Trust Act. The business and affairs of the trust are managed by The Bank of New York Mellon Trust Company, N.A., as trustee. The trust maintains its offices at the office of the trustee, at 919 Congress Avenue, Austin, Texas 78701. The telephone number of the trustee is 1-855-802-1094. In addition, Wilmington Trust Company acts as the Delaware trustee of the trust. The Delaware trustee has only minimal rights and duties as are necessary to satisfy the requirements of the Delaware Statutory Trust Act. The trust does not have any employees, and the business and affairs of the trust are managed by the trustee.

The trustee does not maintain a website for filings by the trust with the Securities and Exchange Commission, which we refer to as the "SEC." Electronic filings by the trust with the SEC are available free of charge through the SEC's website at www.sec.gov and at <http://mvo.investorhq.businesswire.com>.

On January 24, 2007, MV Partners and the trust completed an initial public offering of units of beneficial interest in the trust, which we refer to as the "trust units." In connection with the completion of the initial public offering of trust units, on January 24, 2007, MV Partners conveyed a term net profits interest to the trust that represents the right to receive 80% of the net proceeds (calculated as described below) from all of MV Partners' interests in oil and natural gas properties as of January 24, 2007, which is referred to herein as the "net profits interest." These properties are located in the Mid-Continent region in the States of Kansas and Colorado. MV Partners' net interests in such properties, after deduction of all royalties and other burdens on production thereon as of January 24, 2007, is referred to herein as the "underlying properties." As of December 31, 2012, the underlying properties produced predominantly oil from approximately 1,000 wells, and the projected reserve life of the underlying properties was over 50 years. Based on the summary prepared by Cawley, Gillespie & Associates, Inc., independent petroleum and geological engineers, who we refer to as "CG&A", of its reserve report as of December 31, 2012 for the trust, which is summarized herein under "Description of the Underlying Properties Reserves" and is referred to herein as the "reserve report," the net profits interest would entitle the trust to receive net proceeds from the sale of production of not less than 11.5 MMBoe of proved reserves during the term of the trust, calculated as 80% of the proved reserves attributable to the underlying properties expected to be produced during the term of the trust.

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

Of these reserves, approximately 87% were classified as proved developed producing reserves as of December 31, 2012. Production volumes from the underlying properties for the year ended December 31, 2012 were approximately 98% oil and approximately 2% natural gas and natural gas liquids. The underlying properties are all located in mature fields that are characterized by long production histories and numerous additional development opportunities to help reduce the natural decline in production from the underlying properties.

The net profits interest will terminate on the later to occur of (1) June 30, 2026, or (2) the time when 14.4 MMBoe have been produced from the underlying properties and sold (which amount is the equivalent of 11.5 MMBoe in respect of the trust's right to receive 80% of the net proceeds from the underlying properties pursuant to the net profits interest), and the trust will soon thereafter wind up its affairs and terminate. As of December 31, 2012, cumulatively, since inception, the trust has received payment for approximately 4.8 MMBoe of the trust's 11.5 MMBoe interest. The gross proceeds used to calculate the net profits interest is based on prices realized for oil, natural gas and natural gas liquids attributable to the underlying properties for each calendar quarter during the term of the net profits interest. MV Partners deducts from the gross proceeds all hedge payments made by MV Partners to hedge contract counterparties upon monthly settlements of existing hedge contracts to which MV Partners was a party as of January 24, 2007, which is referred to as the "hedge contracts." The last hedge contract expired in December 2010. In addition, in connection with the conveyance of the net profits interest, on January 24, 2007, MV Partners also assigned to the trust the right to receive 80% of all amounts payable to MV Partners from hedge contract counterparties upon monthly settlements of the hedge contracts. In calculating the net proceeds used to calculate the net profits interest, MV Partners deducts from the gross proceeds from the underlying properties all lease operating expenses, maintenance expenses and capital expenditures (including the cost of workovers and recompletions, drilling costs and development costs), amounts that may be reserved for future capital expenditures (which reserve amounts may not exceed \$1.0 million in the aggregate at any given time), post-production costs and production and property taxes paid by MV Partners.

Net proceeds payable to the trust depend upon production quantities, sales prices of oil, natural gas and natural gas liquids, and costs to develop and produce the oil, natural gas and natural gas liquids. If at any time costs should exceed gross proceeds, neither the trust nor the trust unitholders would be liable for the excess costs; the trust, however, would not receive any net proceeds until future net proceeds exceed the total amount of those excess costs, plus interest at the prime rate.

The trust will make quarterly cash distributions of substantially all of its quarterly cash receipts, after deduction of fees and expenses for the administration of the trust, to holders of its trust units during the term of the trust. Because payments to the trust will be generated by depleting assets and the trust has a finite life with the production from the underlying properties diminishing over time, a portion of each distribution will represent a return of the original investment in the trust units.

The trust was created to acquire and hold the net profits interest for the benefit of the trust unitholders. The net profits interest is 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 business and affairs of the trust are managed by the trustee, and MV Partners and its affiliates have no ability to manage or influence the operations of the trust. The underlying properties, for which MV Partners is designated as the operator, are currently operated on a contract operator basis by Vess Oil Corporation, which we refer to as "Vess Oil," and Murfin Drilling Company, Inc., which we refer to as "Murfin Drilling," each of which is an affiliate of MV Energy, LLC, which we refer to as "MV Energy," the sole manager of MV Partners. MV Partners does not, as a matter of course, make public projections as to future sales, earnings or other results relating to the underlying properties.

Table of Contents

Description of the Trust Units

Each trust unit is a unit of beneficial interest in the trust and is entitled to receive cash distributions from the trust on a pro rata basis. Each trust unitholder has the same rights regarding each of his trust units as every other trust unitholder has regarding his units. The trust units are in book-entry form only and are not represented by certificates. The trust had 11,500,000 trust units outstanding as of March 12, 2013.

Distributions and Income Computations

Each quarter, the trustee will determine 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 net profits interest, payments from the hedge contracts and other sources (such as interest earned on any amounts reserved by the trustee) in that quarter, over the trust's expenses for that quarter. Available funds will be reduced by any cash the trustee decides to hold as a reserve against future expenses. It is expected that quarterly cash distributions during the term of the trust will be made by the trustee on or before the 25th day of the month following the end of each quarter to the trust unitholders of record on the 15th day of the month following the end of each quarter (or the next succeeding business day).

Unless otherwise advised by counsel or the Internal Revenue Service, which we refer to as the "IRS," the trustee will treat the income and expenses of the trust for each quarter as belonging to the trust unitholders of record on the quarterly record date. For federal income tax purposes, trust unitholders must take into account items of income, gain, loss, deduction and credit consistent with their methods of accounting and without regard to the taxable year or accounting method employed by the trust and without regard to the quarter the trust makes distributions related to those items to the trust unitholders. Variances between taxable income and cash distributions may occur. For example, the trustee could establish a reserve in one quarter using funds that would be included in income in the quarter in which the reserve is created but may not result in a tax deduction or a distribution until a later quarter or possibly in a later taxable year. Similarly, the trustee could also make a payment in one quarter that would be amortized for income tax purposes over several quarters. See " Federal Income Tax Matters."

Periodic Reports

The trustee files all required trust federal and state income tax and information returns. The trustee prepares and provides the tax information that trust unitholders need to correctly report their share of the income and deductions of the trust. The trustee also causes to be prepared and filed reports required to be filed under the Exchange Act and by the rules of any securities exchange or quotation system on which the trust units are listed or admitted to trading, and also causes the trust to comply with the provisions of The Sarbanes-Oxley Act of 2002, including but not limited to, by establishing, evaluating and maintaining a system of internal controls over financial reporting in compliance with the requirements of Section 404 thereof.

Each trust unitholder and his representatives may examine, for any proper purpose, during reasonable business hours, the records of the trust and the trustee.

Liability of Trust Unitholders

Under the Delaware Statutory Trust Act, trust unitholders are entitled to the same limitation of personal liability extended to stockholders of private corporations for profit under the General Corporation Law of the State of Delaware. No assurance can be given, however, that the courts in jurisdictions outside of Delaware will give effect to such limitation.

Table of Contents

Voting Rights of Trust Unitholders

The trustee or trust unitholders owning at least 10% of the outstanding trust units may call meetings of trust unitholders. The trust is responsible for all costs associated with calling a meeting of trust unitholders unless such meeting is called by the trust unitholders, in which case the trust unitholders are responsible for all costs associated with calling such meeting of trust unitholders. Meetings must be held in such location as is designated by the trustee in the notice of such meeting. The trustee must send written notice of the time and place of the meeting and the matters to be acted upon to all of the trust unitholders at least 20 days and not more than 60 days before the meeting. Trust unitholders representing a majority of trust units outstanding must be present or represented to have a quorum. Each trust unitholder is entitled to one vote for each trust unit owned.

Unless otherwise required by the trust agreement, a matter may be approved or disapproved by the vote of a majority of the trust units held by the trust unitholders at a meeting where there is a quorum. This is true even if a majority of the total trust units did not approve it. The affirmative vote of the holders of a majority of the outstanding trust units is required to:

dissolve the trust;

remove the trustee or the Delaware trustee;

amend the trust agreement (except with respect to certain matters that do not adversely affect the rights of trust unitholders in any material respect);

merge or consolidate the trust with or into another entity; or

approve the sale of all or any material part of the assets of the trust.

In addition, certain amendments to the trust agreement may be made by the trustee without approval of the trust unitholders. The trustee must consent before all or any part of the trust assets can be sold except in connection with the dissolution of the trust or limited sales directed by MV Partners in conjunction with its sale of underlying properties.

Duration of the Trust; Sale of the Net Profits Interest

The trust will remain in existence until the later to occur of (1) June 30, 2026, or (2) the time when 14.4 MMBoe have been produced from the underlying properties and sold (which amount is the equivalent of 11.5 MMBoe in respect of the trust's right to receive 80% of the net proceeds from the underlying properties pursuant to the net profits interest). The trust will dissolve prior to its termination if:

the trust sells the net profits interest;

annual gross proceeds attributable to the net profits interest are less than \$1 million for each of two consecutive years;

the holders of a majority of the outstanding trust units vote in favor of dissolution; or

there is a judicial dissolution of the trust.

Upon dissolution, the trustee would then sell all of the trust's assets, either by private sale or public auction, and distribute the net proceeds of the sale to the trust unitholders.

Table of Contents

Computation of Net Proceeds

The provisions of the conveyance governing the computation of the net proceeds are detailed and extensive. The following information summarizes the material information contained in the conveyance related to the computation of the net proceeds. For more detailed provisions concerning the net profits interest, please see the conveyance, which is referenced as an exhibit to this Form 10-K.

Net Profits Interest

The term net profits interest was conveyed to the trust by MV Partners on January 24, 2007 by means of a conveyance instrument that has been recorded in the appropriate real property records in each county in Kansas and Colorado where the oil and natural gas properties to which the underlying properties relate are located. The net profits interest burdens the net interests owned by MV Partners in the underlying properties in existence as of January 24, 2007.

The amounts paid to the trust for the net profits interest are based on the definitions of "gross proceeds" and "net proceeds" contained in the conveyance and described below. Under the conveyance, net proceeds are computed quarterly, and 80% of the aggregate net proceeds attributable to a computation period will be paid to the trust on or before the 25th day of the month following the computation period. MV Partners will not pay to the trust any interest on the net proceeds held by MV Partners prior to payment to the trust. The trustee will make distributions to trust unitholders quarterly, if sufficient funds are available. See " Description of the Trust Units Distributions and Income Computations."

"Gross proceeds" means:

the aggregate amount received by MV Partners from sales of oil, natural gas and natural gas liquids produced from the underlying properties (other than amounts received for certain future non-consent operations), *less*

the aggregate amounts paid by MV Partners upon settlement of the hedge contracts on a quarterly basis, as specified in the hedge contracts.

Gross proceeds does not include consideration for the transfer or sale of any underlying property by MV Partners or any subsequent owner to any new owner unless the net profits interest is released (as is permitted in certain circumstances). Gross proceeds also does not include any amount for oil, natural gas or natural gas liquids lost in production or marketing or used by the owner of the underlying properties in drilling, production and plant operations. Gross proceeds includes payments for future production if they are not subject to repayment in the event of insufficient subsequent production.

"Net proceeds" means gross proceeds less the following:

all payments to mineral owners or landowners, such as royalties or other burdens against production, delay rentals, shut-in oil and natural gas payments, minimum royalty or other payments for drilling or deferring drilling;

any taxes paid by the owner of an underlying property to the extent not deducted in calculating gross proceeds, including estimated and accrued general property (ad valorem), production, severance, sales, gathering, excise and other taxes;

any extraordinary taxes or windfall profits taxes that may be assessed in the future that are based on profits realized or prices received for production from the underlying properties;

costs paid by an owner of a property comprising the underlying properties under any joint operating agreement;

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

all other costs and expenses, capital costs and liabilities of exploring for, drilling, recompleting, workovers, operating and producing oil, natural gas and natural gas liquids, including allocated expenses such as labor, vehicle and travel costs and materials and any plugging and abandonment liabilities (net of any capital costs for which a reserve had already been made to the extent such capital costs are incurred during the computation period) other than costs and expenses for certain future non-consent operations;

costs or charges associated with gathering, treating and processing oil, natural gas and natural gas liquids;

any overhead charge incurred pursuant to any operating agreement relating to an underlying property, including the overhead fee payable by MV Partners to Vess Oil and Murfin Drilling as described below;

costs paid to counterparties under the hedge contracts or to the persons that provide credit to maintain any hedge contracts, excluding any hedge settlement amounts;

amounts previously included in gross proceeds but subsequently paid as a refund, interest or penalty;

costs and expenses for renewals or extensions of leases; and

at the option of MV Partners (or any subsequent owner of the underlying properties), amounts reserved for approved capital expenditure projects, including well drilling, recompletion and workover costs, which amounts will at no time exceed \$1.0 million in the aggregate, and will be subject to the limitations described below.

During each twelve-month period beginning on the later to occur of (1) June 30, 2023 and (2) the time when 13.2 MMBoe have been produced from the underlying properties and sold (which is the equivalent of 10.6 MMBoe in respect of the net profits interest), which we refer to, in either case, as the "Capital Expenditure Limitation Date", the sum of the capital expenditures and amounts reserved for approved capital expenditure projects for such twelve-month period may not exceed the Average Annual Capital Expenditure Amount. The "Average Annual Capital Expenditure Amount" means the quotient of (x) the sum of the capital expenditures and amounts reserved for approved capital expenditure projects with respect to the three twelve-month periods ending on the Capital Expenditure Limitation Date, divided by (y) three. Commencing on the Capital Expenditure Limitation Date, and each anniversary of the Capital Expenditure Limitation Date thereafter, the Average Annual Capital Expenditure Amount will be increased by 2.5% to account for expected increased costs due to inflation.

As is customary in the oil and natural gas industry, MV Partners pays an overhead fee to Vess Oil and Murfin Drilling to operate the underlying properties on behalf of MV Partners. The operating activities include various engineering, accounting and administrative functions. The fee is based on a monthly charge per active operated well, which totaled \$2.8 million in 2010, \$2.8 million in 2011 and \$2.9 million in 2012 for all of the underlying properties for which MV Partners was designated as the operator. The fee is adjusted annually and will increase or decrease each year based on changes in the year-end index of average weekly earnings of crude petroleum and natural gas workers.

In the event that the net proceeds for any computation period is a negative amount, the trust will receive no payment for that period, and any such negative amount plus accrued interest at the prime rate will be deducted from gross proceeds in the following computation period for purposes of determining the net proceeds for that following computation period.

Gross proceeds and net proceeds are calculated on a cash receipts and cash disbursements basis.

Table of Contents

Hedge Contracts

Prior to the entry of the conveyance, MV Partners had entered into certain hedge contracts related to the oil production from the underlying properties through the year ended December 31, 2010. MV Partners has not entered into hedge contracts relating to oil volumes expected to be produced after December 31, 2010, and the terms of the conveyance of the net profits interest prohibit MV Partners from entering into new hedging arrangements for the benefit of the trust.

Additional Provisions

If a controversy arises as to the sales price of any production, then for purposes of determining gross proceeds:

amounts withheld or placed in escrow by a purchaser are not considered to be received by the owner of the underlying property until actually collected;

amounts received by the owner of the underlying property and promptly deposited with a nonaffiliated escrow agent will not be considered to have been received until disbursed to it by the escrow agent; and

amounts received by the owner of the underlying property and not deposited with an escrow agent will be considered to have been received.

The trustee is not obligated to return any cash received from the net profits interest. Any overpayments made to the trust by MV Partners due to adjustments to prior calculations of net proceeds or otherwise will reduce future amounts payable to the trust until MV Partners recovers the overpayments plus interest at the prime rate.

The conveyance generally permits MV Partners to transfer without the consent or approval of the trust unitholders all or any part of its interest in the underlying properties, subject to the net profits interest. The trust unitholders are not entitled to any proceeds of a sale or transfer of MV Partners' interest unless the trust is required to sell the net profits interest as to such interest. Following a sale or transfer, the underlying properties will continue to be subject to the net profits interest, and the net proceeds attributable to the transferred property will be calculated as part of the computation of net proceeds described in this Form 10-K.

In addition, MV Partners may, without the consent of the trust unitholders, require the trust to release the net profits interest associated with any lease that accounts for less than or equal to 0.25% of the total production from the underlying properties in the prior 12 months and provided that the net profits interest covered by such releases cannot exceed, during any 12-month period, an aggregate fair market value to the trust of \$500,000. These releases will be made only in connection with a sale by MV Partners of the relevant underlying properties and are conditioned upon the trust receiving an amount equal to the fair value to the trust of such net profits interest. Any net sales proceeds paid to the trust are distributable to trust unitholders for the quarter in which they are received.

As the designated operator of a property comprising the underlying properties, MV Partners may enter into farm-out, operating, participation and other similar agreements to develop the property. MV Partners may enter into any of these agreements without the consent or approval of the trustee or any trust unitholder.

MV Partners and any transferee of an underlying property will have the right to abandon its interest in any well or property if it reasonably believes the well or property ceases to produce or is not capable of producing in commercially paying quantities. In making such decisions, MV Partners or any transferee of an underlying property is required under the applicable conveyance to act as a reasonably prudent operator in the State of Kansas under the same or similar circumstances would act if it were acting with respect to its own properties, disregarding the existence of the net profits interest as a

Table of Contents

burden on such property. Upon termination of the lease, the portion of the net profits interest relating to the abandoned property will be extinguished.

MV Partners must maintain books and records sufficient to determine the amounts payable for the net profits interest to the trust. Quarterly and annually, MV Partners must deliver to the trustee a statement of the computation of the net proceeds for each computation period. The trustee has the right to inspect and copy the books and records maintained by MV Partners during normal business hours and upon reasonable notice.

Federal Income Tax Matters

The following is a summary of certain U.S. federal income tax matters that may be relevant to trust unitholders. This summary is based upon current provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the "Code," existing and proposed Treasury regulations thereunder and current administrative rulings and court decisions, all of which are subject to changes that may or may not be retroactively applied. No attempt has been made in the following summary to comment on all U.S. federal income tax matters affecting the trust or the trust unitholders.

The summary is limited to trust unitholders who are individual citizens or residents of the United States. Accordingly, the following summary has limited application to domestic corporations and persons subject to specialized federal income tax treatment. **Each trust unitholder should consult his own tax advisor with respect to his particular circumstances.**

Classification and Taxation of the Trust

Tax counsel to the trust advised the trust at the time of formation that, for federal income tax purposes, in its opinion the trust will be treated as a grantor trust and not as an unincorporated business entity. No ruling has been or will be requested from the IRS with respect to the federal income tax treatment of the trust, including as to the status of the trust as a grantor trust for such purposes. Thus, no assurance can be provided that the tax treatment of the trust would be sustained by a court if contested by the IRS or another taxing authority. The remainder of the discussion below is based on tax counsel's opinion, at the time of formation, that the trust will be classified as a grantor trust for federal income tax purposes. As a grantor trust, the trust will not be subject to federal income tax at the trust level. Rather, each trust unitholder will be considered for federal income tax purposes to own its proportionate share of the trust's assets directly as though no trust were in existence. The income of the trust is deemed to be received or accrued by the trust unitholder at the time such income is received or accrued by the trust, rather than when distributed by the trust. Each trust unitholder will be subject to tax on its proportionate share of the income and gain attributable to the assets of the trust and will be entitled to claim its proportionate share of the deductions and expenses attributable to the assets of the trust, subject to applicable limitations, in accordance with the trust unitholder's tax method of accounting and without regard to the taxable year or accounting method employed by the trust.

The trust will allocate items of income, gain, loss, deductions and credits to trust unitholders based on record ownership at each quarterly record date. It is possible that the IRS or another taxing authority could disagree with this allocation method and could assert that income and deductions of the trust should be determined and allocated on a daily, prorated or other basis, which could require adjustments to the tax returns of the trust unitholders affected by this issue and result in an increase in the administrative expense of the trust in subsequent periods.

Classification of the Net Profits Interest

Tax counsel to the trust also advised the trust at the time of formation that, for federal income tax purposes, based upon representations made by MV Partners regarding the expected economic life of

Table of Contents

the underlying properties and the expected duration of the net profits interest, in its opinion the net profits interest should be treated as a "production payment" under Section 636 of the Code or otherwise as a debt instrument. On the basis of that advice, the trust will treat the net profits interest as indebtedness subject to Treasury regulations applicable to contingent payment debt instruments, and by purchasing trust units, a trust unitholder will agree to be bound by the trust's application of those regulations, including the trust's determination of the rate at which interest will be deemed to accrue on the net profits interest. No assurance can be given that the IRS or another taxing authority will not assert that the net profits interest should be treated differently. Any such different treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in trust units and could require a trust unitholder to accrue income at a rate different than that determined by the trust.

Tax counsel to the trust advised the trust at the time of formation that, for federal income tax purposes, in its opinion the net profits interest should not be integrated with the hedge contracts. Although not definitively addressed by existing authorities, the federal income tax treatment of the net profits interest may be affected by the right to receive payments under the hedge contracts. Specifically, the right to receive payments on the hedge contracts could be integrated with the net profits interest and deemed to be a source other than production for repayment of the net profits interest, which characterization could adversely affect the treatment of the net profits interest as a production payment, and thus a debt instrument, for federal income tax purposes.

Widely Held Fixed Investment Trust Reporting Information

The trustee assumes that some trust units are held by a middleman, as such term is broadly defined in 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 1-855-802-1094, is the representative of the trust that will provide tax information in accordance with applicable Treasury regulations governing the information reporting requirements of the trust as a WHFIT. Notwithstanding the foregoing, the middlemen holding trust units on behalf of trust unitholders, and not the trustee of the trust, are solely responsible for complying with the information reporting requirements under the Treasury regulations with respect to such trust units, including the issuance of IRS Forms 1099 and certain written tax statements. Trust unitholders whose trust 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. Any generic tax information provided by the trustee of the trust is intended to be used only to assist trust unitholders in the preparation of their federal and state income tax returns.

Available Trust Tax Information

In compliance with the reporting requirements for WHFITs and the dissemination of trust tax reporting information, the trustee provides a generic tax information reporting booklet that is intended to be used only to assist unitholders in the preparation of their 2012 federal and state income tax returns. The projected payment schedule for the net profits interest is included with the tax information booklet. This tax information booklet can be obtained at <http://mvo.investorhq.businesswire.com>.

Description of the Underlying Properties

The underlying properties consist of MV Partners' net interests in all of its oil and natural gas properties as of January 24, 2007, which properties are located in the Mid-Continent region in the States of Kansas and Colorado. Affiliates of MV Partners are the contract operators of substantially all of the underlying properties.

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

MV Partners' interests in the underlying properties require MV Partners to bear its proportionate share, along with the other working interest owners, of the costs of development and operation of such properties. The underlying properties are burdened by non-working interests owned by third parties, consisting primarily of royalty interests retained by the owners of the land subject to the working interests. These landowners' royalty interests typically entitle the landowner to receive 12.5% of the revenue derived from oil and natural gas production resulting from wells drilled on their land, without any deduction for drilling costs or other costs related to production of oil and natural gas. A working interest percentage represents a working interest owner's proportionate ownership interest in a property in relation to all other working interest owners in that property, whereas a net revenue interest percentage is a working interest owner's percentage of production after reducing such percentage by the percentage of burdens on such production such as royalties and overriding royalties.

Based on the reserve report, the net profits interest would entitle the trust to receive net proceeds from the sale of production of not less than 11.5 MMBoe of proved reserves attributable to the underlying properties expected to be produced during the term of the net profits interest, calculated as 80% of the proved reserves attributable to the underlying properties expected to be produced during the term of the net profits interest. The reserves attributable to the underlying properties include all reserves expected to be economically produced during the life of the properties, whereas the trust is entitled to only receive 80% of the net proceeds from the sale of production of oil, natural gas and natural gas liquids attributable to the underlying properties during the term of the net profits interest.

The Mid-Continent region is a mature producing region with well-known geologic characteristics. Most of the production from the underlying properties consists of desirable crude oil of a quality level between sweet and sour with 33 to 34 gravity averages. Most of the producing wells to which the underlying properties relate are relatively shallow, ranging from 600 to 4,500 feet, and many are completed to multiple producing zones. In general, the producing wells to which the underlying properties relate have stable production profiles and their production is generally long-lived, often with total projected economic lives over 50 years.

Reserves

The engineering departments of each of Vess Oil and Murfin Drilling, who together manage MV Partners and operate the underlying properties on behalf of MV Partners, maintain oversight and compliance responsibility for the internal reserve estimate process and, in accordance with internal policies and procedures, provide appropriate data to independent third party engineers for the annual estimation of year-end reserves. These engineering departments accumulate historical production data for the underlying properties, calculate historical lease operating expenses and differentials, update working interests and net revenue interests, and obtain logs, 3-D seismic and other geological and geophysical information. This data is forwarded to CG&A, thereby allowing CG&A to prepare estimated proved reserves in their entirety based on such data.

Estimates of the proved oil and gas reserves attributable to the trust as of December 31, 2010, 2011 and 2012 are based on reports prepared by CG&A. CG&A has been in business since 1961 and serves many organizations and individuals in the petroleum industry, including owners and operators of oil and gas properties, exploration groups, planners, and professionals in investment and finance. One of the principal businesses of CG&A is providing detailed assessment of producing reservoirs. CG&A is an independent firm of petroleum engineers, geologists, geophysicists and petrophysicists and does not own an interest in the underlying properties and is not employed on a contingent basis. Mr. W. Todd Brooker, Senior Vice President, is the technical person at CG&A who is primarily responsible for overseeing CG&A's preparation of the reserve estimates. Mr. Brooker is a graduate of the University of Texas at Austin with a Bachelor of Science degree in Petroleum Engineering and has 21 years of experience in petroleum engineering. He is a licensed professional engineer in the State of Texas (License #83462).

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

Oil and gas proved reserves are disclosed by significant geographic area, using the 12-month average beginning-of-month price for the year, based on the use of reliable technologies to estimate proved oil and gas reserves, if those technologies have been demonstrated to result in reliable conclusions about reserves volumes. Reserve and related information for 2010, 2011 and 2012 is presented consistent with these requirements.

Proved Reserves of MV Oil Trust. The following table sets forth, as of December 31, 2012, estimated proved reserves attributable to the trust derived from the reserve report. A summary of the reserve report is included below.

	Oil (MBbls)	Natural gas (MMcf)	Natural gas liquids (MBbls)	Oil equivalents (MBoe)
Proved Developed	6,270	482	23	6,365
Proved Undeveloped	836			836
Total Proved	7,106	482	23	7,201

Information concerning historical changes in net proved reserves attributable to the trust, and the calculation of the standardized measure of discounted future net revenues related thereto, is contained in Note J to the financial statements of the trust included in this Form 10-K. MV Partners has not filed reserve estimates covering the underlying properties with any other federal authority or agency.

The following table summarizes the changes in estimated proved reserves of the trust for the periods indicated.

	MV Oil Trust			
	Oil (MBbl)	Natural Gas (MMcf)	Natural Gas Liquids (MBbl)	Oil Equivalents (MBoe)
Proved Reserves:				
Balance, December 31, 2009	8,683	582	31	8,800
Revisions, extensions, discoveries and additions	305	22	8	315
Production	(756)	(62)	(3)	(769)
Balance, December 31, 2010	8,232	542	36	8,346
Revisions, extensions, discoveries and additions	247	115	(1)	264
Production	(729)	(56)	(3)	(740)
Balance, December 31, 2011	7,750	601	32	7,870
Revisions, extensions, discoveries and additions	67	(63)	(6)	53
Production	(711)	(56)	(3)	(722)
Balance, December 31, 2012	7,106	482	23	7,201
Proved Developed Reserves:				
Balance, December 31, 2009	7,397	582	31	7,514
Balance, December 31, 2010	7,282	542	36	7,396
Balance, December 31, 2011	6,814	601	32	6,934
Balance, December 31, 2012	6,270	482	23	6,365
Proved Undeveloped Reserves:				
Balance, December 31, 2009	1,286			1,286
Balance, December 31, 2010	950			950
Balance, December 31, 2011	936			936
Balance, December 31, 2012	836			836

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

The reserves above represent the trust's 80% net profits interest in the underlying properties for the remainder of the term of the trust.

The following table sets forth the estimates of total proved reserves and forecasts of economics attributable to the underlying properties as of December 31, 2012 for the remainder of the term of the trust, as presented in the summary prepared by CG&A of its reserve report as of December 31, 2012 for the trust. The estimates of proved reserves have not been filed with or included in reports to any federal authority or agency. The discounted cash flow value shown in the table is not intended to represent the current market value of the trust's estimated oil and natural gas reserves.

	Proved Developed Producing	Proved Developed Non-Producing	Proved Undeveloped	Total Proved
	(dollars in thousands)			
Net Reserves				
Oil (MBbl)	7,757.9	79.6	1,045.5	8,882.9
Gas (MMcf)	456.7	145.8	0.0	602.5
NGL (MBbl)	28.4	0.0	0.0	28.4
Revenue				
Oil	\$ 679,667.4	\$ 6,970.2	\$ 91,592.0	\$ 778,229.6
Gas	1,202.7	389.1	0.0	1,591.8
NGL	1,194.7	0.0	0.0	1,194.7
Severance Taxes	3,134.1	327.8	3,938.5	7,400.4
Ad Valorem Taxes	20,426.1	214.2	2,724.8	23,365.1
Operating Expenses	179,150.3	1,144.2	8,274.2	188,568.7
Workover Expenses	10,946.7	0.0	0.0	10,946.7
COPAS	33,952.3	117.2	809.9	34,879.3
Investments	0.0	1,139.0	11,054.5	12,193.5
80% NPI Net Operating Income(1)	\$ 347,564.3	\$ 3,533.5	\$ 51,832.1	\$ 402,929.9
80% Net Profits Interest (NPI)(2)	\$ 218,087.3	\$ 2,063.6	\$ 32,287.4	\$ 252,438.3

(1) Before interest and taxes.

(2) Discounted at 10%.

The net profits interest entitles the trust to receive 80% of the net proceeds attributable to MV Partners' interest from the sale of production from the underlying properties. The net profits interest will terminate on the later to occur of (1) June 30, 2026, or (2) the time when 14.4 MMBoe have been produced from the underlying properties and sold, and the trust will soon thereafter wind up its affairs and terminate. Based on the reserve report, CG&A estimated that the trust would terminate June 30, 2026 based on the calculation that 14.4 MMBoe would have been produced from the underlying properties and sold (which amount is the equivalent of 11.5 MMBoe in respect of the trust's right to receive 80% of the net proceeds from the underlying properties pursuant to the net profits interest) prior to this date.

Oil and gas prices were adjusted to a WTI Cushing oil price of \$94.71 per Bbl and a Henry Hub natural gas price of \$2.757 per MMBtu. As specified by the SEC, these prices are 12-month averages based upon the price on the first day of each month during 2012. The price adjustments were based on oil price differentials forecast at -\$7.10 per Bbl for all properties. Oil price differentials were not escalated. Gas and NGL price differentials were forecast on a per property basis as provided by MV Partners and were also not escalated. Price differentials include adjustments for transportation and basis differential. Gas prices were further adjusted with a heating value (Btu content) applied on a per-property basis. Operating expenses, workover expenses, COPAS overhead charges and investments were forecast on a per property basis as furnished by MV Partners. Expenses and investments were

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

held constant in accordance with SEC rules and guidelines. Severance tax rates were applied at normal state percentages of oil and gas revenue, except for those Kansas producing properties that are severance tax exempt. Ad valorem taxes of 3.0% of total revenue were applied to each property as provided by MV Partners. Oil and gas conservation tax rates were applied to all Kansas properties at the applicable rates.

The estimates of proved oil and natural gas reserves attributable to the underlying properties are based on estimates prepared by CG&A. Rules and guidelines established by the SEC regarding the present value of future net revenues were used to prepare these reserve estimates. Oil and natural gas reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner, and estimates of other engineers might differ materially from those included in the report. The accuracy of any reserve estimate is a function of the quality of available data and engineering, and estimates may justify revisions based on the results of drilling, testing, and production activities. Accordingly, reserve estimates are inherently imprecise and should not be construed as representing the actual quantities of future production or cash flows to be realized from oil and natural gas properties or the fair market value of such properties.

Producing Acreage and Well Counts

For the following data, "gross" refers to the total wells or acres in which MV Partners owns a working interest and "net" refers to gross wells or acres multiplied by the percentage working interest owned by MV Partners. Although many of MV Partners' wells produce both oil and natural gas, a well is categorized as an oil well or a natural gas well based upon the ratio of oil to natural gas production.

The underlying properties are interests in developed properties located in oil and natural gas producing regions of Kansas and eastern Colorado. The following is a summary of the approximate acreage of the underlying properties at December 31, 2012.

	Gross	Net
	(acres)	
Developed Acreage:		
El Dorado Area	15,365	15,353
Northwest Kansas Area	11,885	11,840
Other	20,350	16,649
Total	47,640	43,882

Undeveloped Acreage:

The following is a summary of the producing wells on the underlying properties as of December 31, 2012:

	Operated Wells		Non-Operated Wells		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	924	907	64	9	988	916
Natural gas	5	4	1		6	4
Total	929	911	65	9	994	920

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

The following is a summary of the number of developmental wells drilled by MV Partners on the underlying properties during the last three years. MV Partners did not drill any exploratory wells during the periods presented.

	Year Ended December 31,					
	2010		2011		2012	
	Gross	Net	Gross	Net	Gross	Net
Completed:						
Oil wells	8	8	8	8	7	7
Natural gas wells						
Non-productive	1	1	0	0	3	3
Total	9	9	8	8	10	10

During the years ended December 31, 2010, 2011 and 2012, MV Partners drilled, completed and commenced production with respect to 8, 8 and 7 wells, respectively, on the underlying properties. As of December 31, 2012, no wells were being drilled. Capital expenditures associated with proved undeveloped reserves for the year ended December 31, 2012, were \$2.14 million. MV Partners continues to develop further proved undeveloped reserves pursuant to its planned development and workover program. See "Trustee's Discussion and Analysis of Financial Condition and Results of Operations Planned Development and Workover Program."

The following table shows the average sales prices per Bbl of oil and Mcf of natural gas produced and the production costs and production and property taxes per Boe for the underlying properties. Sales volumes for natural gas liquids during the periods presented were not significant. Average prices do not include the effect of hedge activity.

	Year Ended December 31,		
	2010	2011	2012
Sales prices:			
Oil (per Bbl)	\$ 72.61	\$ 88.31	\$ 87.68
Natural gas (per Mcf)	\$ 3.72	\$ 3.56	\$ 2.55
Lease operating expense (per Boe)	\$ 15.28	\$ 16.82	\$ 17.70
Lease maintenance (per Boe)	\$ 1.72	\$ 2.10	\$ 2.67
Lease overhead (per Boe)	\$ 2.98	\$ 3.09	\$ 3.30
Production and property taxes (per Boe)	\$ 3.09	\$ 3.56	\$ 3.93

Major Producing Areas

Approximately 62% of the net acres included in the underlying properties are located in the El Dorado Area, which is located in southeastern Kansas, and in the Northwest Kansas Area. The underlying properties are all located in mature fields that are characterized by long production histories. The properties provide continual workover and developmental opportunities which MV Partners has pursued to reduce the natural decline in production from the underlying properties.

El Dorado Area

The underlying properties located in the El Dorado Area are operated on behalf of MV Partners by Vess Oil and are located in the El Dorado, Augusta and Valley Center Fields. Vess Oil has actively pursued infill drilling, well re-entries, plugback and deepening recompletion operations, various types of restimulation work and equipment optimization programs to reduce the natural decline in production from these fields.

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

El Dorado Field. The El Dorado Field is located atop the Nemaha Ridge in Central Butler County, Kansas and was first discovered in 1915. Up to 15 horizons have been reported to contain hydrocarbons, ranging from the Admire Sands, at a depth of 650 feet, to the Arbuckle Dolomite, at a depth of 2,500 feet. The primary producing intervals are the Admire, Lansing-Kansas City, Viola, Simpson and Arbuckle. Cumulative production of all producers from the El Dorado Field has exceeded 300 MMBbls of oil with production peaking between 1916 and 1918 at 116,000 Bbls per day in 1918.

Augusta Field. The Augusta Field is on a trend similar to the nearby El Dorado Field and strikes northeast parallel to the Nemaha Ridge. The field was first discovered in 1914 and covers approximately 10 square miles of Butler County, Kansas. The primary producing interval has been the Arbuckle with additional production coming from the Simpson and Lansing-Kansas City intervals. Cumulative production of all producers from the Augusta Field has exceeded 48 MMBbls of oil. The Augusta Field is largely an extension of the El Dorado Field and has very similar geological characteristics.

Vess Oil has maintained constant activity in these fields to increase production. Vess Oil plans to drill additional infill developmental wells in the Arbuckle, Lansing-Kansas City, Simpson and Whitecloud intervals in the El Dorado area during the next five years. Vess Oil also plans to maintain its annual recompletion and workover program over the next five years. Vess Oil has commenced a waterflood program to enhance production from the Whitecloud formation. Vess Oil plans to convert wells as the infill developmental drilling program proceeds.

Valley Center Field. The Valley Center Field was first discovered in 1928 and covers approximately 60 square miles of Sedgwick County, Kansas. Production is primarily from the Viola interval, which is located at an average depth of 2,500 feet. Cumulative production of all producers from the Valley Center Field has exceeded 25 MMBbls of oil. The Valley Center Field has similar geological characteristics as the El Dorado Field.

Northwest Kansas Area

Each of Vess Oil and Murfin Drilling operate leases on behalf of MV Partners included in the underlying properties that are located in the Northwest Kansas Area. The primary fields in this area are the Bemis-Shutts, Trapp, Ray and Hansen Fields. Vess Oil and Murfin Drilling have actively pursued polymer treatments, stimulation workovers and recompletion operations to reduce the natural decline in production from these fields.

Bemis-Shutts Field. The Bemis-Shutts Field is located on the Fairport Anticline within the Central Kansas Uplift and was first discovered in 1928. The field consists of 17,080 acres in northeastern Ellis and southeastern Rooks Counties, Kansas. Production has been from multiple pay zones with the primary formation being the Arbuckle interval at a depth of 3,300 feet and the Lansing- Kansas City interval at a depth of 2,800 feet. Cumulative production of all producers from the Bemis-Shutts Field has exceeded 248 MMBbls of oil.

Both Vess Oil and Murfin Drilling have pursued polymer treatment programs with success in the Bemis-Shutts Field and plan to continue these workovers. MV Partners has continued to acquire 3-D seismic surveys over portions of the field to further define the boundaries of the Arbuckle structure in the field and to evaluate undrilled infill locations. This data is processed as received and currently there are over 17 potential infill drilling locations that have been identified. MV Partners plans to drill these locations over the next five years.

Trapp Field. The Trapp Field consists of 35,900 acres in Russell and Barton Counties, Kansas and was first discovered in 1929. Production has primarily been from the Lansing-Kansas City and Shawnee limestones and the Arbuckle dolomite. Cumulative production of all producers from the Trapp Field has exceeded 239 MMBbls of oil.

Table of Contents

Hansen and Ray Fields. The Hansen Field is located along the crest of the Stuttgart-Huffstutor Anticline and was first discovered in 1943. Production from this field has primarily come from the Lansing-Kansas City limestone. Cumulative production of all producers from the Hansen Field has exceeded 9.2 MMBbls of oil.

The Ray Field is located on the eastern flank of the Central Kansas Uplift and was first discovered in 1940. Production has primarily been from the Arbuckle dolomite and the Gorham sands with additional production from the Lansing-Kansas City interval along the eastern flank of the field. Cumulative production of all producers from the Ray Field has exceeded 18 MMBbls of oil.

The Hansen and Ray Fields consist of over 7,000 acres in Philips and Norton Counties, Kansas.

Murfin Drilling operates the leases held by MV Partners in the Trapp, Hansen and Ray Fields. Murfin Drilling has informed the trustee that it plans to drill and workover and recomplete additional wells, including acid stimulations, over the next five years.

Marketing and Post-Production Services

Pursuant to the terms of the conveyance that created the net profits interest, MV Partners has the responsibility to market, or cause to be marketed, the oil, natural gas and natural gas liquid production attributable to the underlying properties. The terms of the conveyance that created the net profits interest do not permit MV Partners to charge any marketing fee when determining the net proceeds upon which the net profits interest is calculated. As a result, the net proceeds to the trust from the sales of oil, natural gas and natural gas liquid production from the underlying properties are determined based on the same price that MV Partners receives for oil, natural gas and natural gas liquid production attributable to MV Partners' remaining interest in the underlying properties.

Vess Oil and Murfin Drilling, as contract operators, generally sell production from the underlying properties to several purchasers, including MV Purchasing, LLC, which we refer to as "MV Purchasing," under short-term arrangements using market sensitive pricing. MV Purchasing is majority owned by the indirect equity owners of MV Partners. These sales to purchasers are under terms ranging from one month to six months, using market sensitive pricing. Two purchasers, including MV Purchasing, have been purchasing substantially all of the crude oil production, and a substantial portion of the crude oil production may continue be acquired by one or more single purchasers. For the years ended December 31, 2010, 2011 and 2012, MV Purchasing purchased 72%, 74% and 76%, respectively, of the production sold from the underlying properties. MV Partners does not believe that loss of any of these parties as a purchaser would have a material adverse impact on the business of MV Partners, as substitute purchasers are generally available; however, a purchaser's failure to pay for purchased crude oil could have a significant adverse impact on MV Partners' business.

Oil production is typically transported by truck from the field to the closest gathering facility or refinery. MV Partners sells the majority of the oil production from the underlying properties under short-term arrangements using market sensitive pricing. The price received by MV Partners for the oil production from the underlying properties is usually based on the NYMEX price applied to equal daily quantities on the month of delivery, which price is then reduced for differentials based upon delivery location and oil quality. The average differential for oil production during the years ended December 31, 2010, 2011 and 2012 were \$7.10, \$6.91 and \$6.60 per barrel, respectively.

All natural gas produced by MV Partners is marketed and sold to third-party purchasers. The natural gas is sold on a contract basis and, in all but one case, the contracts are in their secondary terms and are on a month-to-month basis. In all cases, the contract price is based on a percentage of a published regional index price, after adjustments for Btu content, transportation and related charges.

Table of Contents

Sale and Abandonment of Underlying Properties

MV Partners and any transferee of any of the underlying properties will have the right to abandon its interest in any well or property comprising a portion of the underlying properties if, in its opinion, such well or property ceases to produce or is not capable of producing in commercially paying quantities. To reduce or eliminate the potential conflict of interest between MV Partners and the trust in determining whether a well is capable of producing in commercially paying quantities, MV Partners is required under the conveyance to act as a reasonably prudent operator in the State of Kansas under the same or similar circumstances would act if it were acting with respect to its own properties, disregarding the existence of the net profits interest as a burden on such property. For the years ended December 31, 2010, 2011 and 2012, MV Partners plugged and abandoned two, 13 and 15 wells, respectively, based on its determination that such wells were no longer economical to operate or restore to production.

MV Partners generally may sell all or a portion of its interests in the underlying properties, subject to and burdened by the net profits interest, without the consent of the trust unitholders. In addition, MV Partners may, without the consent of the trust unitholders, require the trust to release the net profits interest associated with any lease that accounts for less than or equal to 0.25% of the total production from the underlying properties in the prior 12 months and provided that the net profits interest covered by such releases cannot exceed, during any 12-month period, an aggregate fair market value to the trust of \$500,000. These releases will be made only in connection with a sale by MV Partners of the relevant underlying properties and are conditioned upon the trust receiving an amount equal to the fair value to the trust of such net profits interest. Any net sales proceeds paid to the trust are distributable to trust unitholders for the quarter in which they are received.

Title to Properties

The underlying properties are subject to certain burdens that are described in more detail below. To the extent that these burdens and obligations affect MV Partners' rights to production and the value of production from the underlying properties, they have been taken into account in calculating the trust's interests and in estimating the size and the value of the reserves attributable to the underlying properties.

MV Partners' interests in the underlying properties are typically subject, in one degree or another, to one or more of the following:

royalties, overriding royalties and other burdens, express and implied, under oil and natural gas leases;

overriding royalties, production payments and similar interests and other burdens created by MV Partners or its predecessors in title;

a variety of contractual obligations arising under operating agreements, farm-out agreements, production sales contracts and other agreements that may affect the underlying properties or their title;

liens that arise in the normal course of operations, such as those for unpaid taxes, statutory liens securing unpaid suppliers and contractors and contractual liens under operating agreements that are not yet delinquent or, if delinquent, are being contested in good faith by appropriate proceedings;

pooling, unitization and communitization agreements, declarations and orders;

easements, restrictions, rights-of-way and other matters that commonly affect property;

Table of Contents

conventional rights of reassignment that obligate MV Partners to reassign all or part of a property to a third party if MV Partners intends to release or abandon such property; and

rights reserved to or vested in the appropriate governmental agency or authority to control or regulate the underlying properties and the net profits interest therein.

MV Partners has informed the trustee that MV Partners believes that the burdens and obligations affecting the underlying properties are conventional in the industry for similar properties. MV Partners also has informed the trustee that MV Partners believes that the existing burdens and obligations do not, in the aggregate, materially interfere with the use of the underlying properties and do not materially adversely affect the value of the net profits interest.

MV Partners acquired the underlying properties in two transactions, the first of which was in 1998 when it acquired a substantial portion of the underlying properties from a major oil and gas company and the second of which was in 1999 when it acquired the remaining portion of the underlying properties from a large independent oil and gas company. At the time of its acquisition of the underlying properties, MV Partners believes that it undertook a thorough title examination of the underlying properties.

MV Partners has recorded the conveyance of the net profits interest in the real property records in each Kansas county where the properties are located. MV Partners has informed the trustee that MV Partners believes that the delivery and recording of the conveyance constituted fully conveyed and vested property interests in the trust under Kansas law. Although no assurance can be given, MV Partners has informed the trustee that MV Partners believes that, if, during the term of the trust, MV Partners becomes involved as a debtor in a bankruptcy proceeding, the conveyance of the net profits interest, as vested and recorded property interests, cannot be avoided by a bankruptcy trustee. If in such a proceeding a determination were made that the conveyance constitutes an executory contract and the net profits interest is not a fully conveyed property interest under the laws of Kansas, and if such contract were not to be assumed in a bankruptcy proceeding involving MV Partners, the trust would be treated as an unsecured creditor of MV Partners with respect to such net profits interest in the pending bankruptcy proceeding.

Oil and gas leases are real property interests under Colorado law. Net profits interests are non-operating, non-possessory interests carved out of the oil and gas leasehold estate. MV Partners has informed the trustee that MV Partners believes that it is possible that the net profits interest for the underlying properties located in Colorado may not be treated as a real property interest under the laws of Colorado. MV Partners has recorded the conveyance of the net profits interest in the real property records of Colorado in accordance with local recording acts. MV Partners has informed the trustee that MV Partners believes that, if, during the term of the trust, MV Partners becomes involved as a debtor in a bankruptcy proceeding, the net profits interest relating to the underlying properties located in Colorado should be treated as a fully conveyed personal property interest under the laws of Colorado. In such a proceeding, however, a determination could be made that the conveyance constitutes an executory contract and the net profits interest is not a fully conveyed personal property interest under the laws of Colorado, and if such contract were not to be assumed in a bankruptcy proceeding involving MV Partners, the trust would be treated as an unsecured creditor of MV Partners with respect to such net profits interest in the pending bankruptcy proceeding. Although no assurance can be given, MV Partners does not believe that the conveyance of the net profits interest relating to the underlying properties located in Colorado should be subject to rejection in a bankruptcy proceeding as an executory contract.

Competition and Markets

The oil and natural gas industry is highly competitive. MV Partners competes with major oil and natural gas companies and independent oil and natural gas companies for oil and natural gas,

Table of Contents

equipment, personnel and markets for the sale of oil and natural gas. Many of these competitors are financially stronger than MV Partners, but even financially troubled competitors can affect the market because of their need to sell oil and natural gas at any price to attempt to maintain cash flow. The trust is subject to the same competitive conditions as MV Partners and other companies in the oil and natural gas industry.

Oil and natural gas compete with other forms of energy available to customers, primarily based on price. These alternate forms of energy include electricity, coal and fuel oils. Changes in the availability or price of oil, natural gas or other forms of energy, as well as business conditions, conservation, legislation, regulations and the ability to convert to alternate fuels and other forms of energy may affect the demand for oil and natural gas.

Future price fluctuations for oil, natural gas and natural gas liquids will directly impact trust distributions, estimates of reserves attributable to the trust's interests and estimated and actual future net revenues to the trust. In view of the many uncertainties that affect the supply and demand for oil and natural gas, neither the trust nor MV Partners can make reliable predictions of future oil and natural gas supply and demand, future product prices or the effect of future product prices on the trust.

Regulation

The production of oil and gas from the underlying properties is affected by many state and federal regulations with respect to allowable rates of production, drilling permits, well spacing, marketing, environmental matters and pricing. Future regulations could change allowable rates of production or the manner in which oil and gas operations may be lawfully conducted.

FERC Regulation

Historically, the transportation and sale for resale of natural gas in interstate commerce has been regulated by the Federal Energy Regulatory Commission, or FERC, under the Natural Gas Act of 1938, or NGA, the Natural Gas Policy Act of 1978, or NGPA, and regulations issued under those statutes. Over the last two decades, the FERC has issued orders and adopted regulations resulting in a restructuring of the natural gas industry. The principal elements of this restructuring were the requirement that interstate pipelines separate, or "unbundle," into individual components the various services offered on their systems, with all transportation services to be provided on a non-discriminatory basis, and the prohibition against an interstate pipeline providing gas sales services except through separately organized affiliates. In various rulemaking proceedings following its initial unbundling requirement, the FERC has refined its regulatory program applicable to interstate pipelines in various respects, and it has announced that it will continue to monitor these and other regulations to determine whether further changes are needed. In addition to rulemaking proceedings, the FERC establishes new policies and regulations through policy statements and adjudications of individual pipeline matters. Further, additional changes to regulations may occur based on actions taken by the United States Congress and/or the courts.

In the past, the federal government has regulated the prices at which natural gas could be sold. While sales by producers of natural gas can currently be made at market prices, Congress could reenact price controls in the future. Deregulation of wellhead natural gas sales began with the enactment of the NGPA and culminated in adoption of the Natural Gas Wellhead Decontrol Act which removed all price controls affecting wellhead sales of natural gas effective January 1, 1993.

Sales of crude oil, condensate, and natural gas liquids are not currently regulated and are made at negotiated prices. Nevertheless, Congress could reenact price controls in the future. Sales of crude oil are affected by the availability, terms and cost of transportation. The transportation of oil in common carrier pipelines is subject to rate and access regulation. The FERC regulates interstate oil pipeline

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

transportation rates under the Interstate Commerce Act. In general, interstate oil pipeline rates must be just and reasonable and may not be unduly discriminatory or confer any undue preference upon any shipper. Rates generally are cost-based, although settlement rates agreed to by all shippers are permitted and market-based rates may be permitted in certain circumstances.

Although the price at which MV Partners sells oil, natural gas and natural gas liquids is not currently subject to federal rate regulation and, for the most part, is not subject to state regulation, with regard to physical sales of natural gas and oil, MV Partners is required to observe anti-market manipulation laws and related regulations enforced by the FERC and/or the Commodity Futures Trading Commission, or the CFTC, and the Federal Trade Commission, or FTC. If MV Partners were to violate the anti-market manipulation laws and regulations, MV Partners could also be subject to related third party damage claims by, among others, sellers, royalty owners and taxing authorities.

As to these various developments, MV Partners has advised the trust that the on-going and evolving nature of these regulatory initiatives makes it impossible to predict their ultimate impact on the prices, markets or terms of sale of natural gas related to the trust.

State and Other Regulation

In general, the jurisdictions in which royalty properties are located have statutory provisions regulating the production and sale of crude oil and natural gas. The regulations often require permits for the drilling of wells but extend also to the spacing of wells, the prevention of waste of oil and gas resources, the rate of production, prevention and clean-up of pollution and other matters.

Environmental Matters and Regulation

General. The operations of the underlying properties are subject to stringent and complex federal, state and local laws and regulations governing environmental protection as well as the discharge of materials into the environment. These laws and regulations may, among other things:

restrict the types, quantities and concentration of various substances that can be released into the environment in connection with oil and natural gas drilling and production activities;

limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; and

require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells.

These laws, rules and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible. The regulatory burden on the oil and natural gas industry increases the cost of doing business in the industry and consequently affects profitability. Additionally, Congress and federal and state agencies frequently revise environmental laws and regulations, and any changes that result in more stringent and costly waste handling, disposal and cleanup requirements for the oil and natural gas industry could have a significant impact on the operating costs of the underlying properties.

The following is a summary of the existing laws, rules and regulations to which the operations of the underlying properties are subject that are material to the operation of the underlying properties.

Waste Handling. The Resource Conservation and Recovery Act, or RCRA, and comparable state statutes, regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the federal Environmental Protection Agency, or EPA, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Drilling fluids, produced waters and most of the other wastes associated with the exploration, development and production of crude oil or natural gas are

Table of Contents

currently regulated under RCRA's non-hazardous waste provisions. However, it is possible that certain oil and natural gas exploration and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. Any such change could result in an increase in the costs to manage and dispose of wastes, which could have a material adverse effect on the cash distributions to the trust unitholders.

Comprehensive Environmental Response, Compensation and Liability Act. The Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, also known as the Superfund law, imposes joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of a hazardous substance into the environment. These persons include the owner or operator of the site where the release occurred, and anyone who disposed or arranged for the disposal of a hazardous substance released at the site. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third-parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

The underlying properties may have been used for oil and natural gas exploration and production for many years. Although MV Partners believes that it has utilized operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes or hydrocarbons may have been released on or under the properties, or on or under other locations, including off-site locations, where such substances have been taken for disposal. In addition, the underlying properties may have been operated by third parties or by previous owners or operators whose treatment and disposal of hazardous substances, wastes or hydrocarbons was not under MV Partners' control. These properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, MV Partners could be required to remove previously disposed substances and wastes, remediate contaminated property, or perform remedial plugging or pit closure operations to prevent future contamination.

Water Discharges. The Federal Water Pollution Control Act, or the Clean Water Act, and analogous state laws, impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with discharge permits or other requirements of the Clean Water Act and analogous state laws and regulations.

The Oil Pollution Act of 1990, or the OPA, as amended, which amends the Clean Water Act, imposes strict liability on owners and operators of facilities that are the site of a release of oil into waters of the United States. OPA and its associated regulations impose a variety of requirements on responsible parties related to the prevention of oil spills and liability for damages resulting from such spills.

Air Emissions. The Federal Clean Air Act, and comparable state laws, regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants at specified sources. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal Clean Air Act and associated state laws and regulations.

Climate Change. There has been support in various regions of the country for legislation that requires reductions in greenhouse gas emissions, and some states have already adopted legislation

Table of Contents

addressing greenhouse gas emissions from various sources, primarily power plants. Kansas and Colorado have joined Western Climate Initiative, or WCI, a regional organization that is examining measures to reduce greenhouse gas emissions. The EPA has determined that greenhouse gases from certain sources "endanger" public health or welfare. As a result, the EPA has begun to promulgate certain regulations and interpretations that will require new and modified stationary sources of greenhouse gases above certain thresholds to report, limit or control such emissions. Currently, certain oil and gas operations must inventory and report greenhouse gas emissions. Laws, regulations, treaties or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on the future operations of MV Partners if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on MV Partners' operations. In addition to potential impacts on MV Partners' operations directly or indirectly resulting from climate-change legislation or regulations, MV Partners' operations also could be negatively affected by climate-change related physical changes or changes in weather patterns including drought and severe storms. At this time, it is not possible to estimate accurately how potential future laws or regulations addressing greenhouse gas emissions would impact the operations of MV Partners.

The operations of the underlying properties are not adversely impacted by the current state and local climate change initiatives and, at this time, it is not possible to accurately estimate how potential future laws or regulations addressing greenhouse gas emissions would impact the operations of the properties.

Endangered Species Act. The federal Endangered Species Act, or ESA, restricts activities that may affect endangered and threatened species or their habitats. The designation of previously unidentified endangered or threatened species could cause MV Partners to incur additional costs or become subject to operating delays, restrictions or bans in the affected areas. While some of MV Partners' facilities or leased acreage may be located in areas that are designated as habitat for endangered or threatened species, MV Partners believes that it is in substantial compliance with the ESA.

OSHA and Other Laws and Regulation. MV Partners is subject to the requirements of the federal Occupational Safety and Health Act, or OSHA, and comparable state statutes. The OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of CERCLA and similar state statutes require that MV Partners organize and/or disclose information about hazardous materials used or produced in its operations. MV Partners believes that it is in substantial compliance with these applicable requirements and with other OSHA and comparable requirements.

MV Partners believes that it is in substantial compliance with all existing environmental laws and regulations applicable to the current operations of the underlying properties and that its continued compliance with existing requirements will not have a material adverse effect on the cash distributions to the trust unitholders. For instance, MV Partners did not incur any material capital expenditures for remediation or pollution control activities for the years ended December 31, 2010, 2011 and 2012. Additionally, MV Partners has informed the trust that MV Partners is not aware of any environmental issues or claims that will require material capital expenditures during 2013. However, there is no assurance that the passage of more stringent laws or regulations in the future will not have a negative impact on the operations of the underlying properties and the cash distributions to the trust unitholders.

Table of Contents

Item 1A. Risk Factors.

Prices of oil, natural gas and natural gas liquids fluctuate and lower prices could reduce proceeds to the trust and cash distributions to unitholders.

The reserves attributable to the underlying properties and the quarterly cash distributions of the trust are highly dependent upon the prices realized from the sale of oil, natural gas and natural gas liquids. Prices of oil, natural gas and natural gas liquids can fluctuate widely on a quarter-to-quarter basis in response to a variety of factors that are beyond the control of the trust and MV Partners. These factors include, among others:

political conditions or hostilities in oil and natural gas producing regions, including the Middle East, North Africa and South America;

weather conditions or force majeure events;

regional, domestic and foreign levels of supply of and demand for oil, natural gas and natural gas liquids;

U.S. and worldwide economic conditions;

the price and availability of alternative fuels;

the proximity to, and capacity of, refineries and gathering and transportation facilities;

governmental regulations and taxation; and

energy conservation and environmental measures.

Crude oil prices have been volatile the last several years and in 2012, ranged from a high of \$109.77 to a low of \$77.69. The NYMEX crude oil spot prices per Bbl were \$91.38, \$98.83 and \$91.82 as of December 31, 2010, 2011 and 2012, respectively. Neither MV Partners nor the trust can predict the timing or the duration of any economic cycle and, depending on the prices realized, the operating results of MV Partners and the financial condition of the trust could be materially and adversely affected.

Although MV Partners was permitted to, and did enter into, hedge contracts relating to a portion of the oil volumes expected to be produced from the underlying properties, those hedge contracts expired in 2010. MV Partners has not entered into any hedge contracts relating to oil volumes, and the terms of the conveyance of the net profits interest prohibit MV Partners from entering into hedging arrangements for the benefit of the trust. As a result, the amounts of cash distributions by the trust may fluctuate significantly as a result of changes in commodity prices because there will be no hedge contracts in place to reduce the effects of any changes in commodity prices.

Lower prices of oil, natural gas and natural gas liquids will reduce the amount of the net proceeds to which the trust is entitled and may ultimately reduce the amount of oil, natural gas and natural gas liquids that is economic to produce from the underlying properties. As a result, the operator of any of the underlying properties could determine during periods of low commodity prices to shut in or curtail production from wells on the underlying properties. In addition, the operator of the underlying properties could determine during periods of low commodity prices to plug and abandon marginal wells that otherwise may have been allowed to continue to produce for a longer period under conditions of higher prices. Because the underlying properties are mature, with many of them being in production since the early 1900s, decreases in commodity prices could have a more significant effect on the economic viability of these properties compared to more recently discovered properties. The commodity price sensitivity of these mature wells is due to a culmination of factors that vary from well-to-well, including the

Edgar Filing: MV Oil Trust - Form 10-K

additional costs associated with water handling and disposal, chemicals, surface equipment maintenance, downhole casing repairs and reservoir pressure maintenance activities that are necessary

Table of Contents

to maintain production. As a result, the volatility of commodity prices may cause the amount of future cash distributions to trust unitholders to fluctuate, and a substantial decline in the price of oil, natural gas or natural gas liquids will reduce the amount of cash available for distribution to the trust unitholders.

Actual reserves and future production may be less than current estimates of proved reserves, which could reduce cash distributions by the trust and the value of the trust units.

The value of the trust units and the amount of future cash distributions to the trust unitholders will depend upon, among other things, the accuracy of the production and reserves estimated to be attributable to the underlying properties and the net profits interest. Estimating production and reserves is inherently uncertain. Ultimately, actual production, revenues and expenditures for the underlying properties will vary both positively and negatively from estimates and those variations could be material. Petroleum engineers consider many factors and make assumptions in estimating production and reserves. Those factors and assumptions include:

historical production from the area compared with production rates from other producing areas;

the assumed effect of governmental regulation; and

assumptions about future prices of oil, natural gas and natural gas liquids, production and development expenses, gathering and transportation costs, severance and excise taxes and capital expenditures.

Changes in these assumptions can materially increase or decrease production and reserve estimates.

The estimated reserves attributable to the net profits interest and the estimated future net revenues attributable to the net profits interest are based on estimates of reserve quantities and revenues for the underlying properties. See "Item 1. Business Description of the Underlying Properties Reserves" for a discussion of the method of allocating proved reserves to the underlying properties and the net profits interest. The quantities of reserves attributable to the underlying properties and the net profits interest may decrease in the future as a result of future decreases in the price of oil, natural gas or natural gas liquids.

Risks associated with the production, gathering, transportation and sale of oil, natural gas and natural gas liquids could adversely affect cash distributions by the trust.

The revenues of the trust, the value of the trust units and the amount of cash distributions to the trust unitholders depend upon, among other things, the costs incurred by MV Partners to develop and exploit oil and natural gas reserves attributable to the underlying properties. Drilling, production or transportation accidents that temporarily or permanently halt the production and sale of oil, natural gas and natural gas liquids at any of the underlying properties will reduce trust distributions by reducing the amount of net proceeds available for distribution. For example, accidents may occur that result in personal injuries, property damage, damage to productive formations or equipment and environmental damages. Any costs incurred by MV Partners in connection with any such accidents that are not insured against will have the effect of reducing the net proceeds available for distribution to the trust. In addition, curtailments or damage to pipelines used by MV Partners to transport oil, natural gas and natural gas liquid production to markets for sale could reduce the amount of net proceeds available for distribution. Any such curtailment or damage to the gathering systems used by MV Partners could also require MV Partners to find alternative means to transport the oil, natural gas and natural gas liquid production from the underlying properties, which alternative means could require MV Partners to incur additional costs that will have the effect of reducing net proceeds available for distribution by the trust.

Table of Contents

Production of oil, natural gas and natural gas liquids on the underlying properties could be materially and adversely affected by severe or unseasonable weather.

Production of oil, natural gas and natural gas liquids on the underlying properties could be materially and adversely affected by severe weather. Repercussions of severe weather conditions may include:

evacuation of personnel and curtailment of operations;

weather-related damage to drilling rigs or other facilities, resulting in suspension of operations;

inability to deliver materials to worksites; and

weather-related damage to pipelines and other transportation facilities.

The trust and the public trust unitholders have no voting or managerial rights with respect to MV Partners, the operator of the underlying properties. As a result, public trust unitholders have no ability to influence the operation of the underlying properties.

Oil and natural gas properties are typically managed pursuant to an operating agreement among the working interest owners of oil and natural gas properties. The typical operating agreement contains procedures whereby the owners of the working interests in the property designate one of the interest owners to be the operator of the property. Under these arrangements, the operator is typically responsible for making all decisions relating to drilling activities, sale of production, compliance with regulatory requirements and other matters that affect the property.

MV Partners is currently designated as the operator of substantially all of the underlying properties. MV Partners has contracted with two of its affiliates, Vess Oil and Murfin Drilling, to operate these properties on its behalf. Neither the trustee nor the public trust unitholders has any contractual ability to influence or control the field operations of, sale of oil and natural gas from, or future development of, these properties. The public trust unitholders also have no voting rights with respect to MV Partners and, therefore, have no managerial, contractual or other ability to influence MV Partners' or its affiliates' activities as operator of the oil and natural gas properties to which substantially all of the underlying properties relate.

Shortages or increases in costs of oil field equipment, services and qualified personnel available to MV Partners could reduce the amount of cash available for distribution to the trust unitholders.

The demand for qualified and experienced field personnel to drill wells and conduct field operations, geologists, geophysicists, engineers and other professionals in the oil and natural gas industry can fluctuate significantly, often in correlation with oil and natural gas prices, causing periodic shortages. Historically, there have been shortages of drilling rigs and other oilfield equipment as demand for rigs and equipment has increased along with the number of wells being drilled. These factors also cause significant increases in costs for equipment, services and personnel. Higher oil and natural gas prices generally stimulate demand and result in increased prices for drilling rigs, crews and associated supplies, equipment and services. As part of its development plan for the underlying properties, MV Partners expects to drill 24 development wells and conduct recompletion and workover operations on existing wells included in the underlying properties over the five years ending December 31, 2017. See "Item 7. Trustee's Discussion and Analysis of Financial Condition and Results of Operations Planned Development and Workover Program" for a description of MV Partners' development plans. Shortages of field personnel and equipment or price increases could significantly decrease the amount of cash available for distribution to the trust unitholders, or restrict the ability of MV Partners to drill the wells and conduct the operations which it currently has planned for the underlying properties.

Table of Contents

MV Partners may transfer all or a portion of the underlying properties at any time, subject to specified limitations, and MV Partners may abandon individual wells or properties that it reasonably believes to be uneconomic. Under these circumstances, trust unitholders have no ability to prevent MV Partners from transferring the underlying properties to another operator, even if the trust unitholders do not believe that operator would operate the underlying properties in the same manner as MV Partners.

MV Partners may at any time transfer all or part of the underlying properties. Trust unitholders are not entitled to vote on any transfer of the underlying properties, and the trust will not receive any proceeds from any such transfer, except in the limited circumstances when the net profits interest is released in connection with such transfer, in which case the trust will receive an amount equal to the fair market value of the net profits interest released. See "Business Description of the Underlying Properties Sale and Abandonment of Underlying Properties." Following any material sale or transfer of any of the underlying properties, such underlying properties will continue to be subject to the net profits interest of the trust, and the net proceeds attributable to the transferred property will be calculated as part of the computation of net proceeds described in this Form 10-K. MV Partners may delegate to the transferee responsibility for all of MV Partners' obligations relating to the net profits interest on the portion of the underlying properties transferred.

MV Partners or any transferee of the underlying properties may abandon any well or property if it reasonably believes that the well or property can no longer produce oil or natural gas in commercially economic quantities. This could result in termination of the net profits interest relating to the abandoned well or property. In making such decisions, MV Partners and any such transferee will be required under the applicable conveyance to act as a reasonably prudent operator in the State of Kansas under the same or similar circumstances would act if it were acting with respect to its own properties, disregarding the existence of the net profits interest as a burden on such property.

The reserves attributable to the underlying properties are depleting assets and production from those reserves will diminish over time. Furthermore, the trust is precluded from acquiring other oil and natural gas properties or net profits interests to replace the depleting assets and production.

The net proceeds payable to the trust from the net profits interest are derived from the sale of oil, natural gas and natural gas liquids produced from the underlying properties. The reserves attributable to the underlying properties are depleting assets, which means that the reserves attributable to the underlying properties will decline over time. As a result, the quantity of oil and natural gas produced from the underlying properties is expected to decline over time. Based on the estimated production volumes in the reserve report, the oil and natural gas production from proved reserves attributable to the underlying properties is projected to decline at an average annual rate of approximately 6.4% over the next 20 years assuming no additional developmental drilling or other capital expenditures are made after 2017 on the underlying properties. The anticipated rate of decline is an estimate and actual decline rates may vary from those estimated. The net profits interest will terminate on the later to occur of (1) June 30, 2026, or (2) the time when 14.4 MMBoe have been produced from the underlying properties and sold (which amount is the equivalent of 11.5 MMBoe in respect of the trust's right to receive 80% of the net proceeds from the underlying properties pursuant to the net profits interest).

Future maintenance projects on the underlying properties beyond those which are currently estimated may affect the quantity of proved reserves that can be economically produced from the underlying properties. The timing and size of these projects will depend on, among other factors, the market prices of oil, natural gas and natural gas liquids. In addition, because MV Partners has agreed to limit the amount of capital expenditures that may be taken into account in calculating net proceeds attributable to the net profits interest during a specified period preceding the termination of the net profits interest, MV Partners may choose to delay certain capital projects that may otherwise benefit the trust unitholders until the termination of the net profits interest. If operators of the wells to which the underlying properties relate do not implement required maintenance projects when warranted, the

Table of Contents

future rate of production decline of proved reserves may be higher than the rate currently expected by MV Partners or estimated in the reserve report.

The trust agreement provides that the trust's business activities are limited to owning the net profits interest and any activity reasonably related to such ownership, including activities required or permitted by the terms of the conveyance related to the net profits interest. As a result, the trust is not permitted to acquire other oil and natural gas properties or net profits interests to replace the depleting assets and production attributable to the net profits interest.

Because the net proceeds payable to the trust are derived from the sale of depleting assets, the portion of the distributions to unitholders attributable to depletion may be considered a return of capital as opposed to a return on investment. Eventually, the net profits interest may cease to produce in commercial quantities and the trust may, therefore, cease to receive any distributions of net proceeds therefrom.

The amount of cash available for distribution by the trust will be reduced by the amount of any production and development costs, taxes, capital expenditures and post-production costs.

Production and development costs on the underlying properties are deducted in the calculation of the trust's share of net proceeds. In addition, production and property taxes, capital expenditures or post-production costs are deducted in the calculation of the trust's share of net proceeds. Accordingly, higher or lower production and development expenses, taxes, capital expenditures and post-production costs will directly decrease or increase the amount received by the trust in respect of its net profits interest. For a summary of these costs for the last three years, see "Item 1. Business Description of the Underlying Properties Producing Acreage and Well Counts." Historical costs may not be indicative of future costs.

If development and production costs of the underlying properties exceed the proceeds of production from the underlying properties, the trust will not receive net proceeds from those properties until future proceeds from production exceed the total of the excess costs plus accrued interest during the deficit period. Development activities may not generate sufficient additional revenue to repay the costs.

A purchaser's failure to pay MV Partners for purchased production could have a significant adverse impact on MV Partners, which in turn could result in MV Partners not having sufficient net proceeds attributable to the net profits interest for MV Partners to distribute cash to the trust.

A purchaser's failure to pay for purchased production could have a significant adverse impact on MV Partners' business, which could in turn impact the trust. The recent tightening of credit in the financial markets may make it more difficult for purchasers to obtain financing and depending on the degree to which this occurs, there may be a material increase in the nonpayment and nonperformance by such purchasers.

The trustee may, under certain circumstances, sell the net profits interest and dissolve the trust prior to the expected termination of the trust. As a result, trust unitholders may not recover their investment.

The trustee must sell the net profits interest if the holders of a majority of the trust units approve the sale or vote to dissolve the trust. The trustee must also sell the net profits interest if the annual gross proceeds from the underlying properties attributable to the net profits interest are less than \$1.0 million for each of any two consecutive years. The sale of the net profits interest will result in the dissolution of the trust. The net proceeds of any such sale will be distributed to the trust unitholders.

Table of Contents

The disposal by the two members of MV Partners of their remaining trust units may reduce the market price of the trust units.

As of the date this Form 10-K, the two members of MV Partners, MV Energy and VAP-I, owned 25% of the outstanding trust units. The two members of MV Partners may use some or all of the remaining trust units they own for a number of corporate purposes, including:

selling them for cash; and

exchanging them for interests in oil and natural gas properties or securities of oil and natural gas companies.

If they sell additional trust units or exchange trust units in connection with acquisitions, then additional trust units will be available for sale in the market. The sale of additional trust units may reduce the market price of the trust units. MV Partners and the trust have entered into a registration rights agreement pursuant to which the trust has agreed to file a registration statement or a shelf registration statement to register the resale of the remaining trust units held by MV Partners and any transferee of the trust units upon request by such holders. See "Item 13. Certain Relationships and Related Transactions, and Director Independence Registration Rights."

The market price for the trust units may not reflect the value of the net profits interest held by the trust.

The trading price for publicly traded securities similar to the trust units tends to be tied to recent and expected levels of cash distributions. The amounts available for distribution by the trust will vary in response to numerous factors outside the control of the trust, including prevailing prices for sales of oil, natural gas and natural gas liquid production from the underlying properties. Consequently, the market price for the trust units may not necessarily be indicative of the value that the trust would realize if it sold the net profits interest to a third-party buyer. In addition, such market price may not necessarily reflect the fact that since the assets of the trust are depleting assets, a portion of each cash distribution paid on the trust units should be considered by investors as a return of capital, with the remainder being considered as a return on investment. As a result, distributions made to a unitholder over the life of these depleting assets may not equal or exceed the purchase price paid by the unitholder.

Conflicts of interest could arise between MV Partners and the trust unitholders.

The interests of MV Partners and the interests of the trust and the trust unitholders with respect to the underlying properties could at times differ. As a working interest owner in the underlying properties, MV Partners could have interests that conflict with the interests of the trust and the trust unitholders. For example:

MV Partners' interests may conflict with those of the trust and the trust unitholders in situations involving the development, maintenance, operation or abandonment of the underlying properties. MV Partners may make decisions with respect to development expenditures that adversely affect the underlying properties. These decisions include reducing development expenditures on these properties, which could cause oil and natural gas production to decline at a faster rate and thereby result in lower cash distributions by the trust in the future, or increasing development expenditures on the underlying properties during the final years of the term of the trust, which expenditures will benefit the unitholders only to the extent that they reduce the natural decline in oil and natural gas production during the term of the trust by an amount that more than offsets the cost of these development expenditures.

MV Partners may sell some or all of the underlying properties and such sale may not be in the best interests of the trust unitholders. In the event MV Partners sells all or any portion of the underlying properties, the purchaser of such underlying properties will acquire such underlying properties subject to the net profits interest relating thereto and, in connection therewith, such

Table of Contents

purchaser will be subject to the same standards of conduct with respect to development, operation and abandonment of such underlying properties as are imposed on MV Partners. MV Partners also has the right, subject to significant limitations as described herein, to cause the trust to release all or a portion of the net profits interest in connection with a sale of a portion of the underlying properties to which such net profits interest relates. In such an event, the trust is entitled to receive its proportionate share of the proceeds from the sale attributable to the net profits interest released. See "Business Description of the Underlying Properties Sale and Abandonment of Underlying Properties."

In addition, affiliates of MV Partners may engage in activities whereby such affiliates could have interests that conflict with the interests of MV Partners, which could, depending on the circumstances, negatively impact MV Partners' business.

In making decisions with respect to the development, operation, abandonment or sale of the underlying properties, MV Partners and any successor operator will be required under the applicable conveyance to act as a reasonably prudent operator in the State of Kansas under the same or similar circumstances would act if it were acting with respect to its own properties, disregarding the existence of the net profits interest. Except for specified matters that require approval of the trust unitholders, the documents governing the trust do not provide a mechanism for resolving these conflicting interests.

The trust is managed by a trustee who cannot be replaced except at a special meeting of trust unitholders.

The business and affairs of the trust are managed by the trustee. The voting rights of a trust unitholder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of trust unitholders or for an annual or other periodic re-election of the trustee. The trust agreement provides that the trustee may only be removed and replaced by the holders of a majority of the outstanding trust units at a special meeting of trust unitholders called by either the trustee or the holders of not less than 10% of the outstanding trust units. MV Energy and VAP-I collectively own 25% of the outstanding trust units. As a result, it will be difficult to remove or replace the trustee, particularly without the approval of the members of MV Partners.

Trust unitholders have limited ability to enforce provisions of the net profits interest.

The trust agreement permits the trustee to sue MV Partners or any other future owner of the underlying properties on behalf of the trust to enforce the terms of the conveyance creating the net profits interest. If the trustee does not take appropriate action to enforce provisions of the conveyance, recourse of the trust unitholders would be limited to bringing a lawsuit against the trustee to compel the trustee to take specified actions. The trust agreement expressly limits the trust unitholders' ability to directly sue MV Partners or any other third party other than the trustee. As a result, the unitholders will not be able to sue MV Partners or any future owner of the underlying properties to enforce these rights.

Courts outside of Delaware may not recognize the limited liability of the trust unitholders provided under Delaware law.

Under the Delaware Statutory Trust Act, trust unitholders are entitled to the same limitation of personal liability extended to stockholders of private corporations under the General Corporation Law of the State of Delaware. Courts in jurisdictions outside of Delaware, however, may not give effect to such limitation.

Table of Contents

The operations of the underlying properties are subject to environmental laws and regulations and operational safety matters that may result in significant costs and liabilities, which could reduce the amount of cash available for distribution to trust unitholders.

Significant costs and liabilities can be incurred as a result of environmental and safety requirements applicable to the oil and natural gas exploration, development and production activities of the underlying properties. These costs and liabilities could arise under a wide range of federal, state and local environmental and safety laws and regulations, including regulations and enforcement policies, which have tended to become increasingly strict over time. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, and to a lesser extent, issuance of injunctions to limit or cease operations. In addition, claims for damages to persons or property may result from environmental and other impacts of the operations of the underlying properties.

Strict, joint and several liability may be imposed under certain environmental laws, which could cause liability for the conduct of others or for the consequences of one's own actions that were in compliance with all applicable laws at the time those actions were taken. New laws, regulations or enforcement policies could be more stringent and impose unforeseen liabilities or significantly increase compliance costs. If it were not possible to recover the resulting costs through insurance or increased revenues, this could have a material adverse effect on the cash distributions to the trust unitholders. Please read "Item 1. Business Description of the Underlying Properties Regulation Environmental Matters and Regulation" for more information.

Governmental authorities may enact climate change regulations that could increase MV Partners' costs to operate and, therefore, adversely affect distributions to the trust unitholders.

Congress has considered recent proposed legislation directed at reducing greenhouse gas emissions and President Obama has indicated his support of legislation aimed at reducing greenhouse gases. The EPA has proposed rules to regulate greenhouse gases and regional initiatives have formed to control greenhouse gases. Additionally, the states in which MV Partners operates may implement air pollution control regulations that are more stringent than existing and proposed federal regulations, in particular the regulation of emissions of greenhouse gases. The adoption of laws and regulations to implement controls of greenhouse gases, including the imposition of fees or taxes, could adversely affect MV Partners' operations and, therefore, distributions to the trust unitholders.

Regulation of greenhouse gases and climate change could adversely affect trust distributions.

Some scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases, including carbon dioxide and methane, may be contributing to the warming of the Earth's atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of greenhouse gas emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide. Legislative and regulatory measures to address concerns that emissions of greenhouse gases are contributing to climate change are in various phases of discussions or implementation at the international, national, regional and state levels.

The EPA has determined that greenhouse gases from certain sources "endanger" public health or welfare. As a result, the EPA has begun to promulgate certain regulations and interpretations that will require new and modified stationary sources of greenhouse gases above certain thresholds to report, limit or control such emissions. Currently, certain oil and gas operations must inventory and report greenhouse gas emissions.

Existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on the operations of the underlying properties and the trust if such laws,

Table of Contents

regulations, treaties or international agreements reduce the worldwide demand for oil and natural gas or otherwise result in reduced economic activity generally. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on the operations of the underlying properties and the trust. In addition to potential impacts on the operations of the underlying properties and the trust directly or indirectly resulting from climate-change legislation or regulations, the operations of the underlying properties and the trust also could be negatively affected by climate-change related physical changes or changes in weather patterns.

The operations of the underlying properties are subject to complex federal, state, local and other laws and regulations that could adversely affect the cash distributions to the trust unitholders.

The exploration, development and production operations of the underlying properties are subject to complex and stringent laws and regulations. In order to conduct its operations in compliance with these laws and regulations, MV Partners must obtain and maintain numerous permits, approvals and certificates from various federal, state and local governmental authorities. MV Partners may incur substantial costs and experience delays in order to maintain compliance with these existing laws and regulations, and the net profits interest will bear its share of these costs. In addition, the costs of compliance may increase or the operations of the underlying properties may be otherwise adversely affected if existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to such operations. Such costs could have a material adverse effect on the cash distributions to the trust unitholders.

Laws and regulations governing exploration and production may also affect production levels. MV Partners is required to comply with federal and state laws and regulations governing conservation matters, including: provisions related to the unitization or pooling of oil and natural gas properties; the establishment of maximum rates of production from wells; the spacing of wells; the plugging and abandonment of wells; and the removal of related production equipment. These and other laws and regulations can limit the amount of oil and natural gas MV Partners can produce from its wells, limit the number of wells it can drill, or limit the locations at which it can conduct drilling operations, which in turn could negatively impact trust distributions, estimated and actual future net revenues to the trust and estimates of reserves attributable to the trust's interests.

New laws or regulations, or changes to existing laws or regulations, may unfavorably impact MV Partners, could result in increased operating costs or have a material adverse effect on MV Partners' financial condition and results of operations and reduce the amount of cash received by the trust. For example, Congress is currently considering legislation that, if adopted in its proposed form, would subject companies involved in oil and natural gas exploration and production activities to, among other items, additional regulation of and restrictions on hydraulic fracturing of wells, the elimination of certain U.S. federal tax incentives and deductions available to oil and natural gas exploration and production activities, and the prohibition or additional regulation of private energy commodity derivative and hedging activities. These and other potential regulations could increase the operating costs of the underlying properties, reduce MV Partners' liquidity, delay MV Partners' operations or otherwise alter the way MV Partners conducts its business, any of which could have a material adverse effect on the net profits interest and the trust's cash flows.

Table of Contents

The trust has not requested a ruling from the IRS regarding the tax treatment of ownership of the trust units or the tax treatment of the net profits interest. If the IRS were to determine (and be sustained in that determination) that the trust is not a grantor trust for federal income tax purposes, or that the net profits interest is not a debt instrument for federal income tax purposes, the trust unitholders may receive different and less advantageous tax treatment than that described in this Form 10-K.

Tax counsel to MV Partners advised the trust at the time of formation that, for federal income tax purposes, in its opinion MV Partners will be treated as a grantor trust and not as an unincorporated business entity. Tax counsel to MV Partners also advised the trust at the time of formation that, for federal income tax purposes, based upon representations made by MV Partners regarding the expected economic life of the underlying properties and the expected duration of the net profits interest, in its opinion the net profits interest should be treated as a "production payment" under Section 636 of the Code or otherwise as a debt instrument.

If the net profits interest were not treated as a debt instrument, or if the trust were not treated as a grantor trust, for federal income tax purposes, the tax treatment of tax items in respect of an investment in trust units may be affected. The effects of this different tax treatment may be less advantageous to trust unitholders.

Neither MV Partners nor the trustee has requested a ruling from the IRS regarding these tax questions, and neither MV Partners nor the trust can assure the trust unitholders that such a ruling would be granted if requested or that the IRS will not challenge these positions on audit. See "Item 1. Business Federal Income Tax Matters" for more information about the various matters described under this risk factor.

The tax treatment of an investment in trust units could be affected by recent and potential legislative changes, possibly on a retroactive basis.

In taxable years beginning after December 31, 2012, an individual having modified adjusted gross income in excess of \$200,000 (or \$250,000 for married taxpayers filing joint returns) is subject to a "Medicare tax" equal generally to 3.8% of the lesser of such excess or the individual's net investment income, which appears to include interest income derived from investments such as the trust units as well as any net gain from the disposition of trust units.

The trust's net profits interest may be characterized as an executory contract in bankruptcy, which could be rejected in bankruptcy, thus relieving MV Partners from its obligations to make payments to the trust with respect to the net profits interest.

MV Partners has recorded the conveyance of the net profits interest in Kansas in the real property records in each Kansas county where the properties are located. MV Partners has informed the trustee that MV Partners believes that the delivery and recording of the conveyance constitute fully conveyed and vested property interests in the trust under Kansas law. If in a bankruptcy proceeding in which MV Partners becomes involved as a debtor a determination were made that the conveyance constitutes an executory contract and the net profits interest is not a fully conveyed property interest under the laws of Kansas, and if such contract were not to be assumed in a bankruptcy proceeding involving MV Partners, the trust would be treated as an unsecured creditor of MV Partners with respect to such net profits interest in the pending bankruptcy proceeding.

Oil and gas leases are real property interests under Colorado law. The net profits interest is a non-operating, non-possessory interest carved out of the oil and gas leasehold estate. MV Partners has informed the trustee that MV Partners believes that it is possible that the net profits interest for the underlying properties located in Colorado may not be treated as a real property interest under the laws of Colorado. MV Partners has recorded the conveyance of the net profits interest in the real property records of Colorado in accordance with local recording acts. MV Partners has informed the trustee that

Table of Contents

MV Partners believes that, if, during the term of the trust, MV Partners becomes involved as a debtor in a bankruptcy proceeding, the net profits interest relating to the underlying properties located in Colorado should be treated as a fully conveyed personal property interest under the laws of Colorado. In such a proceeding, however, a determination could be made that the conveyance constitutes an executory contract and the net profits interest is not a fully conveyed personal property interest under the laws of Colorado, and if such contract were not to be assumed in a bankruptcy proceeding involving MV Partners, the trust would be treated as an unsecured creditor of MV Partners with respect to such net profits interest in the pending bankruptcy proceeding.

If the financial position of MV Partners degrades in the future, MV Partners may not be able to satisfy its obligations to the trust.

MV Partners is a privately held limited liability company engaged in the exploration, development, production, gathering and aggregation and sale of oil and natural gas, primarily in the Mid-Continent region in the United States, and it is responsible for operating substantially all of the underlying properties. The operating agreement of MV Partners provides that Vess Oil and Murfin Drilling will operate the underlying properties on behalf of MV Partners for which MV Partners is designated as the operator. The conveyance provides that MV Partners is obligated to market, or cause to be marketed, the production related to the underlying properties.

The ability of MV Partners to perform its obligations related to the operation of the underlying properties will depend on MV Partners' future financial condition and economic performance, which in turn will depend upon the supply and demand for oil and natural gas, prevailing economic conditions, collections of payments due from third parties, and upon financial, business and other factors, many of which are beyond the control of MV Partners.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Reference is made to "Item 1 Business" and "Item 7 Trustee's Discussion and Analysis of Financial Condition and Results of Operations Planned Development and Workover Program," which are incorporated herein by reference.

Item 3. Legal Proceedings.

Currently, there are no legal proceedings pending to which the trust is a party or of which any of its property is the subject.

Item 4. Mine Safety Disclosures.

None.

Table of Contents**PART II****Item 5. Market for the Registrant's Common Equity, Related Unitholder Matters and Issuer Purchases of Equity Securities.**

The trust units commenced trading on the New York Stock Exchange on January 19, 2007 under the symbol "MVO." Prior to January 19, 2007, there was no established public trading market for the trust units. The following table sets forth, for the periods indicated, the high and low sales prices per unit, as reported on the New York Stock Exchange, and the amount of cash distributions declared per unit.

	High	Low	Cash Distributions
2011			
First Quarter (January 1, 2011 through March 31, 2011)	\$ 43.73	\$ 34.11	\$ 0.675
Second Quarter (April 1, 2011 through June 30, 2011)	\$ 42.24	\$ 36.40	\$ 0.820
Third Quarter (July 1, 2011 through September 30, 2011)	\$ 46.76	\$ 34.57	\$ 1.030
Fourth Quarter (October 1, 2011 through December 31, 2011)	\$ 39.97	\$ 32.74	\$ 0.925
2012			
First Quarter (January 1, 2012 through March 31, 2012)	\$ 44.38	\$ 38.00	\$ 0.830
Second Quarter (April 1, 2012 through June 30, 2012)	\$ 43.43	\$ 31.30	\$ 1.020
Third Quarter (July 1, 2012 through September 30, 2012)	\$ 38.17	\$ 31.68	\$ 0.950
Fourth Quarter (October 1, 2012 through December 31, 2012)	\$ 36.94	\$ 22.16	\$ 0.750

As of March 5, 2013, the 11,500,000 units outstanding were held by 10 unitholders of record.

Each quarter, 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 net profits interest, payments from hedge contracts that were in effect through 2010 and other sources (such as interest earned on any amounts reserved by the trustee) that quarter, over the trust's expenses for that quarter. Available funds will be reduced by any cash that the trustee decides to hold as a reserve against future expenses. It is expected that quarterly cash distributions during the term of the trust will be made by the trustee on or before the 25th day of the month following the end of each quarter to the trust unitholders of record on the 15th day of the month following the end of each quarter (or the next succeeding business day).

Equity Compensation Plans

The trust does not have any employees and, therefore, does not maintain any equity compensation plans.

Recent Sales of Unregistered Securities

There were no equity securities sold by the trust during the year ended December 31, 2012 that were not registered under the Securities Act of 1933, as amended, which we refer to as the "Securities Act."

Purchases of Equity Securities

There were no purchases of trust units by the trust or any affiliated purchaser during the fourth quarter of the year ended December 31, 2012.

Table of Contents**Item 6. Selected Financial Data.**

The following table sets forth selected data for the trust as of December 31, 2008, 2009, 2010, 2011 and 2012, and for the years ended December 31, 2008, 2009, 2010, 2011 and 2012 based on the audited statements of assets and trust corpus as of December 31, 2008, 2009, 2010, 2011 and 2012 and the audited statements of distributable income for the years ended December 31, 2008, 2009, 2010, 2011 and 2012.

	For the Year Ended				
	December 31, 2008	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012
Net profits income	\$ 21,356,403	\$ 19,024,707	\$ 32,526,515	\$ 40,585,083	\$ 41,538,965
Distributable income	\$ 20,776,411	\$ 17,944,404	\$ 31,682,500	\$ 39,675,000	\$ 40,825,000
Distributions per trust unit	\$ 1.8066	\$ 1.5604	\$ 2.7550	\$ 3.4500	\$ 3.5500
Total assets at year-end	\$ 42,794,682	\$ 39,432,385	\$ 36,121,659	\$ 33,191,655	\$ 30,068,995

Item 7. 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. The trust's purpose is, in general, to hold the net profits interest and assigned interest in hedge contracts, to distribute to the trust unitholders cash that the trust receives in respect of the net profits interest and assigned interest in the hedge contracts (through 2010 when they expired) and to perform certain administrative functions in respect of the net profits interest and the trust units. The trust derives substantially all of its income and cash flows from the net profits interest.

Critical Accounting Policies

The trust's financial statements are prepared on the following basis:

- (a) Net profits are recorded when received, including the effect of negative or positive adjustments, by the trustee on the last business day of each calendar quarter;
- (b) Trust general and administrative expenses are recorded when paid;
- (c) The investment in net profits interest is amortized over the life of the trust based on units of production using the total estimated proved reserves; and
- (d) The trustee reviews the carrying value of the net profits interest annually for impairment based on the projected income as estimated within the current reserve report.

This manner of reporting income and expenses is considered to be the most meaningful because the quarterly distributions to trust unitholders are based on net cash receipts received from MV Partners. The financial statements of the trust differ from financial statements prepared in accordance with generally accepted accounting principles, because, under such principles, net profits and general and administrative expenses of the trust for a quarter would be recognized on an accrual basis.

Comparison of Results of the Trust for the Years Ended December 31, 2012 and 2011

Income for the trust from the net profits interest and hedge activities was \$41.5 million for the year ended December 31, 2012 compared to \$40.6 million for the year ended December 31, 2011. General and administrative expense for the trust was \$0.9 million for 2012 and \$0.7 million for 2011. The trust paid administration fees of \$0.1 million to MV Partners for each of 2012 and 2011. In addition, the trustee used \$158,000 of cash on hand for future trust expenses for the year ended December 31, 2012 and reserved \$184,000 for future trust expenses for the year ended December 31,

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

2011 which resulted in distributable income of \$40.8 million or \$3.550 per unit in 2012 compared to \$39.7 million or \$3.450 per unit in 2011.

The revenues from oil production are typically received by MV Partners one month after production; thus, the cash received by the trust during the year ended December 31, 2012 substantially represented the production by MV Partners from September 2011 through August 2012, and the cash received by the trust during the year ended December 31, 2011 substantially represented the production by MV Partners from September 2010 through August 2011. MV Partners computes net proceeds quarterly on a calendar basis and distributes to the trust 80% of the aggregate of such net proceeds attributable to a computation period on or before the 25th day of the month following the computation period. As a result, for the year ended December 31, 2012, the trust's net profits interest represented the cash proceeds received by the trust, which was based upon the cash receipts for the oil and gas production collected by MV Partners from October 1, 2011 through September 30, 2012. For the year ended December 31, 2011, the trust's net profits interest represented the cash proceeds received by the trust, which was based upon the cash receipts for the oil and gas production collected by MV Partners from October 1, 2010 through September 30, 2011.

Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties was \$51.5 million for the period from October 1, 2011 through September 30, 2012. The trust's net profits interest (80%) of this total was \$41.2 million for the year ended December 31, 2012. In addition, during 2012, MV Partners released and paid to the trust a net of \$350,000 of the reserve for future capital expenditures, which resulted in total cash proceeds received by the trust of \$41.5 million for the year ended December 31, 2012.

Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties was \$50.4 million for the period from October 1, 2010 through September 30, 2011. Included in this amount are payments to settle hedges totaling \$3.8 million. In addition, amounts received to settle hedges was \$0 for the period from October 1, 2010 through September 30, 2011, which resulted in total cash receipts over cash disbursements of \$50.4 million. The trust's net profits interest (80%) of this total was \$40.3 million for the year ended December 31, 2011. In addition, during 2011, MV Partners released and paid to the trust a net of \$250,000 of the reserve for future capital expenditures, which resulted in total cash proceeds received by the trust of \$40.6 million for the year ended December 31, 2011.

The average price received for crude oil sold during 2012 was \$88.30 per Bbl, while the average price received for crude oil sold during 2011 was \$86.46 per Bbl. The average price received for natural gas sold during 2012 was \$3.21 per Mcf, while the average price received for natural gas sold during 2011 was \$3.33 per Mcf. The average prices for 2012 related to production by MV Partners from September 2011 through August 2012, and the average prices for 2011 related to production by MV Partners from September 2010 through August 2011.

The overall production volumes sold and delivered to purchasers attributable to the 80% net profits interest that was for the oil and gas production sold and delivered during the period from October 1, 2011 to September 30, 2012 were 721,869 Bbls of oil, 51,044 Mcf of natural gas and 2,976 Bbls of natural gas liquids for a total equivalent barrels of oil of 732,311. The overall production volumes sold and delivered to purchasers attributable to the 80% net profits interest that was for the oil and gas production sold and delivered during the period from October 1, 2010 to September 30, 2011 were 736,473 Bbls of oil, 62,610 Mcf of natural gas and 3,442 Bbls of natural gas liquids for a total equivalent barrels of oil of 749,145.

As noted above, the amounts reflected in the accompanying financial statements for the trust's year ended December 31, 2012 reflect cash received by the trust during the year. Such cash is primarily derived from production by MV Partners from September 2011 through August 2012. The amounts reflected in the accompanying financial statements for the trust's year ended December 31, 2011 reflect

Table of Contents

cash received by the trust during the year. Such cash is primarily derived from production by MV Partners from September 2010 through August 2011.

Comparison of Results of the Trust for the Years Ended December 31, 2011 and 2010

Income for the trust from the net profits interest and hedge activities was \$40.6 million for the year ended December 31, 2011 compared to \$32.5 million for the year ended December 31, 2010. General and administrative expense for the trust was \$0.7 million for 2011 and \$0.8 million for 2010. The trust paid administration fees of \$0.1 million to MV Partners for each of 2011 and 2010. In addition, the trustee reserved \$184,000 of cash on hand for future trust expenses for the year ended December 31, 2011 and \$25,000 for future trust expenses for the year ended December 31, 2010 which resulted in distributable income of \$39.7 million or \$3.450 per unit in 2011 compared to \$31.7 million or \$2.755 per unit in 2010.

The revenues from oil production are typically received by MV Partners one month after production; thus, the cash received by the trust during the year ended December 31, 2011 substantially represented the production by MV Partners from September 2010 through August 2011, and the cash received by the trust during the year ended December 31, 2010 substantially represented the production by MV Partners from September 2009 through August 2010. MV Partners computes net proceeds quarterly on a calendar basis and distributes to the trust 80% of the aggregate of such net proceeds attributable to a computation period on or before the 25th day of the month following the computation period. As a result, for the year ended December 31, 2011, the trust's net profits interest represented the cash proceeds received by the trust, which was based upon the cash receipts for the oil and gas production collected by MV Partners from October 1, 2010 through September 30, 2011. For the year ended December 31, 2010, the trust's net profits interest represented the cash proceeds received by the trust, which was based upon the cash receipts for the oil and gas production collected by MV Partners from October 1, 2009 through September 30, 2010.

Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties was \$50.4 million for the period from October 1, 2010 through September 30, 2011. Included in this amount are payments to settle hedges totaling \$3.8 million. In addition, amounts received to settle hedges was \$0 for the period from October 1, 2010 through September 30, 2011, which resulted in total cash receipts over cash disbursements of \$50.4 million. The trust's net profits interest (80%) of this total was \$40.3 million for the year ended December 31, 2011. In addition, during 2011, MV Partners released and paid to the trust a net of \$250,000 of the reserve for future capital expenditures, which resulted in total cash proceeds received by the trust of \$40.6 million for the year ended December 31, 2011.

Excess of revenues over direct operating expenses and lease equipment and development costs from the underlying properties was \$40.6 million for the period from October 1, 2009 through September 30, 2010. Included in this amount are payments to settle hedges totaling \$7.4 million. In addition, amounts received to settle hedges was \$18,000 for the period from October 1, 2009 through September 30, 2010, which resulted in total cash receipts over cash disbursements of \$40.7 million. The trust's net profits interest (80%) of this total was \$32.5 million for the year ended December 31, 2010. In April 2010, MV Partners received payment of \$5.6 million in connection with the SemGroup bankruptcy discussed in Note I of the Notes to Financial Statements, representing 100% of its claims for oil and gas sold to Eaglewing on and between July 2, 2008 and July 22, 2008. Such amount was included in the calculation of net proceeds attributable to the net profits interest of the trust for the year ended December 31, 2010.

The average price received for crude oil sold during 2011 was \$86.46 per Bbl, while the average price received for crude oil sold during 2010 was \$75.61 per Bbl. The average price received for natural gas sold during 2011 was \$3.33 per Mcf, while the average price received for natural gas sold during

Edgar Filing: MV Oil Trust - Form 10-K

Table of Contents

2010 was \$3.46 per Mcf. The average prices for 2011 related to production by MV Partners from September 2010 through August 2011, and the average prices for 2010 related to production by MV Partners from September 2009 through August 2010.

The overall production volumes sold and delivered to purchasers attributable to the 80% net profits interest that was for the oil and gas production sold and delivered during the period from October 1, 2010 to September 30, 2011 were 736,473 Bbls of oil, 62,610 Mcf of natural gas and 3,442 Bbls of natural gas liquids for a total equivalent barrels of oil of 749,145. The overall production volumes sold and delivered to purchasers attributable to the 80% net profits interest that was for the oil and gas production sold and delivered during the period from October 1, 2009 to September 30, 2010 were 757,887 Bbls of oil, 64,115 Mcf of natural gas and 3,464 Bbls of natural gas liquids for a total equivalent barrels of oil of 770,825.

As noted above, the amounts reflected in the accompanying financial statements for the trust's year ended December 31, 2011 reflect cash received by the trust during the year. Such cash is primarily derived from production by MV Partners from September 2010 through August 2011. The amounts reflected in the accompanying financial statements for the trust's year ended December 31, 2010 reflect cash received by the trust during the year. Such cash is primarily derived from production by MV Partners from September 2009 through August 2010.

Historical Results of the Underlying Properties

The following table sets forth revenues, direct operating expenses and the excess of revenues over direct operating expenses relating to the underlying properties for the three years in the period ended December 31, 2012. The historical results of the underlying properties are not indicative of the future distributions of the trust.

	(unaudited) (in thousands)		
	Year ended December 31,		
	2010	2011	2012
Revenues:			
Oil sales	\$ 68,516	\$ 80,458	\$ 77,894
Natural gas sales	281	251	178
Natural gas liquid sales	180	214	157
2006	8.9		
2007	5.1		
Thereafter	4.8		
	<hr/>		
Total minimum future lease payments	\$92.0		
	<hr/>		

Our lease commitments have not materially changed during the three months ended November 30, 2002.

Guarantees:

We are a guarantor for lines of credit for related companies totaling up to \$86.2 million, of which \$39.0 million was outstanding as of November 30, 2002. Our bank covenants allow maximum guarantees of \$100.0 million. All outstanding loans with respective creditors were current as of November 30, 2002.

Debt:

There is no material off balance sheet debt.

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires the use of estimates as well as management's judgments and assumptions regarding matters that are subjective, uncertain or involve a high degree of complexity, all of which affect the results of operations and financial condition for the periods presented. We believe that of its significant accounting policies, the following may involve a higher degree of estimates, judgments, and complexity.

Allowances for Doubtful Accounts

The allowances for doubtful accounts are maintained at a level considered appropriate by management based on analyses of credit quality for specific accounts, historical trends of charge-offs and recoveries, and current and projected economic and market conditions. Different assumptions, changes in economic circumstances or the deterioration of the financial condition of

our customers could result in additional provisions to the allowances for doubtful accounts and increased bad debt expense.

Inventory Valuation and Reserves

Grain, processed grain, oilseed and processed oilseed are stated at net realizable values, which approximates market values. All other inventories are stated at the lower of cost or market. The cost of certain energy inventories (wholesale refined products, crude oil and asphalt) are determined on the last-in, first-out (LIFO) method; all other energy inventories are valued on the first-in, first-out (FIFO) and average cost methods. Estimates are used in determining the net realizable value of grain and oilseed and processed grain and oilseed inventories. These estimates include the measurement of grain in bins and other storage facilities, which use formulas in addition to actual measurements taken to arrive at appropriate quantity. Other determinations

40

made by management include quality of the inventory and estimates for freight. Grain shrink reserves and other reserves that account for spoilage also affect inventory valuation. If estimates regarding the valuation of inventory or the adequacy of reserves are less favorable than management's assumptions, then additional reserves or write-downs of inventory may be required.

Derivative Financial Instruments

We enter into exchange-traded commodity futures and options contracts to hedge its exposure to price fluctuations on energy, grain and oilseed transactions to the extent considered practicable for minimizing risk. We do not use derivatives for speculative purposes. Futures and options contracts used for hedging are purchased and sold through regulated commodity exchanges. Fluctuations in inventory valuations, however, may not be completely hedged, due in part to the absence of satisfactory hedging facilities for certain commodities and geographical areas and in part to our assessment of our exposure from expected price fluctuations. We also manage our risks by entering into fixed price purchase contracts with pre-approved producers and establishing appropriate limits for individual suppliers. Fixed price sales contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. We are exposed to loss in the event of nonperformance by the counterparties to the contracts. However, we do not anticipate nonperformance by counterparties. The fair value of futures and options contracts are determined primarily from quotes listed on regulated commodity exchanges. Fixed price purchase and sales contracts are with various counterparties, and the fair values of such contracts are determined from the market price of the underlying product.

We adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, as amended, a standard related to the accounting for derivative transactions and hedging activities, effective September 1, 2000.

Pension and Postretirement Benefits

Pension and other postretirement benefits costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, health care cost trend rates, benefits earned, interest cost, expected return on plan assets, mortality rates, and other factors. In accordance with accounting principles generally accepted in the United States of America, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect our pension and other postretirement obligations and future expense.

Deferred Tax Assets

We assess whether a valuation allowance is necessary to reduce our deferred tax assets to the amount that we believe is more likely than not to be realized. While we have considered future taxable income as well as other factors in assessing the need for the valuation allowance, in the event that we were to determine that we would not be able to realize all or part of our net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

Long-Lived Assets

Depreciation and amortization of our property, plant and equipment is provided on the straight-line method by charges to operations at rates based upon the expected useful lives of individual or groups of assets. Economic circumstances or other factors may cause management's estimates of expected useful lives to differ from actual.

All long-lived assets, including property plant and equipment, goodwill, investments in unconsolidated affiliates and other identifiable intangibles, are evaluated for impairment on the basis of undiscounted cash flows at least annually for goodwill, and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An

impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows and may differ from actual.

Environmental Liabilities

Liabilities related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of these costs are based on current available facts, existing technology, undiscounted site-specific costs and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is considered probable. It is often difficult to estimate the cost of environmental compliance, remediation and potential claims given the uncertainties regarding the interpretation and enforcement of applicable environmental laws and regulations, the extent of environmental contamination and the existence of alternate cleanup methods. All liabilities are monitored and adjusted as new facts or changes in law or technology occur and management believes adequate provisions have been made for environmental liabilities. Changes in facts or circumstances may have an adverse impact on our financial results.

Effect of Inflation and Foreign Currency Transactions

We believe that inflation and foreign currency fluctuations have not had a significant effect on our operations.

Recent Accounting Pronouncements

The Financial Accounting Standards Board (FASB) issued SFAS No. 143, Accounting for Asset Retirement Obligations which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. We are in the process of finalizing our analysis of adopting this standard. Our Energy segment operates oil refineries and related pipelines for which we would be subject to Asset Retirement Obligations (ARO) if such assets were to be dismantled. We, however, expect to operate our refineries and related pipelines indefinitely. Since the time period to dismantle these assets is indeterminate, a corresponding ARO is not currently estimable and therefore has not been recorded. We continue to assess whether any other AROs exist related to our remaining operations, however, based on available information to date, no other AROs have been identified. As such, we believe that the effects of adopting this standard do not have a material effect on us.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

We utilize futures and options contracts offered through regulated commodity exchanges to reduce risk. We are exposed to risk of loss in the market value of inventories and fixed or partially fixed purchase and sales contracts. So as to reduce that risk, we generally take opposite and offsetting positions using futures contracts or options.

Certain commodities cannot be hedged with futures or options contracts because such contracts are not offered for these commodities by regulated commodity exchanges. Inventories and purchase contracts for those commodities are hedged with forward sales contracts to the extent practical so as to arrive at a net commodity position within the formal position limits set by us and deemed prudent for each of those commodities. Commodities for which futures contracts and options are available are also typically hedged first in this manner, with futures and options used to hedge within position limits that portion not covered by forward contracts. These futures and options contracts and forward purchase and sales cash contracts used to hedge against price level

change risks are effective economic hedges of specified risks, but they are not designated as and accounted for as hedging instruments for accounting purposes.

Unrealized gains and losses on futures contracts and options used as economic hedges of grain and oilseed inventories and fixed price contracts are recognized in cost of goods sold for financial reporting. Inventories and fixed price contracts are marked to market so that gains or losses on the derivative contracts are offset by gains or losses on inventories and fixed priced contracts during the same accounting period.

Through August 31, 2000, unrealized gains and losses on futures contracts and options used to hedge energy inventories and fixed price contracts were deferred until such futures contracts and options were closed. Effective September 1, 2000 those gains and losses are recognized as a component of net income for financial reporting. The inventories hedged with these derivatives are valued at lower of cost or market, and effective September 1, 2000, the fixed price contracts are marked to market. Some derivatives related to propane in the Energy segment meet the normal purchase and sales exemption, and thus are not required to be marked to fair value.

A 10% adverse change in market prices would not materially affect our results of operations, financial position or liquidity, since our operations have effective economic hedging requirements as a general business practice.

Interest Rate Risk

We manage interest expense using a mix of fixed and floating rate debt. These debt instruments are carried at amounts approximating estimated fair value. Short-term debt used to finance inventories and receivables is represented by notes payable within thirty days or less so that the blended interest rate to us for all such notes approximates current market rates. Long-term debt used to finance non-current assets carries various fixed interest rates and is payable at various dates as to minimize the effect of market interest rate changes. The effective interest rate to us on fixed rate debt outstanding on August 31, 2002 was approximately 6.4%; a 10% adverse change in market rates would not materially affect our results of operations, financial position or liquidity.

In August 2002, we entered into interest rate swap instruments related to private placement debt issued on October 18, 2002 in order to protect against a potential increase in interest rates. In fact, interest rates declined between the dates of the interest swaps and the closing of the borrowing transaction. These derivative instruments are designated and effective as cash flow hedges for accounting purposes and the changes in fair values of these instruments are recorded as a component of other comprehensive income. We expect to record additional interest expense of \$0.8 million during the year ending August 31, 2003 related to these derivative instruments as an offset to the lower interest rates actually obtained on the debt instruments.

Foreign Currency Risk

We conduct essentially all of our business in U.S. dollars and had essentially no risk regarding foreign currency fluctuations on August 31, 2002. Foreign currency fluctuations do, however, impact the ability of foreign buyers to purchase U.S. agricultural products and the competitiveness of U.S. agricultural products compared to the same products offered by alternative sources of world supply.

DESCRIPTION OF THE PREFERRED STOCK

The following section describes the general terms and provisions of the preferred stock being offered by this prospectus. This summary is not complete in all respects and is qualified in its entirety by reference to our restated articles of incorporation, as amended, and the resolution of our board of directors establishing the preferred stock.

General

The shares of preferred stock are shares of a series of preferred equity securities created by our board of directors. Subject to the restrictions noted below under Limitations and Restrictions on Future Issuances, there is no limit on the number of shares in the series and shares may be issued from time to time. Our board of directors has expressly authorized the initial sale and subsequent transfer of the shares of preferred stock in accordance with our articles of incorporation.

Edgar Filing: MV Oil Trust - Form 10-K

The shares of preferred stock will be fully paid and nonassessable when issued.

Rank

The preferred stock will have priority as to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up over:

- any patronage refund (as that term is used in our bylaws), whether or not represented by a certificate, and any redemption thereof;
- any other class or series of our capital stock designated by our board of directors as junior to the preferred stock; and
- our common stock, if any.

Shares of any class or series of our capital stock that are not junior to the preferred stock, including our existing class of preferred stock entitled 8% Preferred Stock, will rank equally with the preferred stock as to the payment of dividends and the distribution of assets.

Dividends

Holders of the preferred stock are entitled to receive quarterly dividends when, as and if declared by our board of directors out of funds legally available for that purpose at the rate of \$2.00 per share per year. Dividends will be payable on March 31, June 30, September 30 and December 31 of each year (each a payment date) beginning March 31, 2003, except that if a payment date is a Saturday, Sunday or legal holiday, the dividend will be payable without interest on the next day that is not a Saturday, Sunday or legal holiday. Dividends on the preferred stock are fully cumulative and will accumulate without interest from and including the latest of:

- the initial closing date of this offering; or
- the day immediately following the most recent date as to which dividends have been paid.

Dividends are computed on the basis of a 360-day year of twelve 30-day months. Each payment of dividends will include dividends to and including the date on which paid.

Dividends will be paid to holders of record as they appear on our books five business days prior to the relevant payment date. We may, in our sole discretion, pay dividends by any one or more of the following means:

- check mailed to the address of the record holder as it appears on our books;
- electronic transfer in accordance with instructions provided by the record holder; or
- any other means mutually agreed between us and the record holder.

We may not make any distribution to the holders of any security that ranks junior to the preferred stock unless and until all accumulated and unpaid dividends on the preferred stock and on any other class or series of our capital stock that ranks equally with the preferred stock, including the full dividend for the then-current dividend period have been paid or declared and set apart for payment. For these purposes, a distribution does not include any distribution made in connection with a liquidation, dissolution or winding up, which will be governed by the provisions summarized under Liquidation Preference below.

Liquidation Preference

In a liquidation, dissolution or winding up of CHS, whether voluntary or involuntary, the holders of the preferred stock will be entitled to receive out of our available assets \$25.00 per share plus all dividends accumulated and unpaid on that share, whether or not declared, to and including the date of distribution. This distribution to the holders of the preferred stock will be made before any payment is made or assets distributed to the holders of any security that ranks junior to the preferred stock but after the payment of the liquidation preference of any of our securities that rank senior to the preferred stock. Any distribution to the holders of the preferred stock will be made ratably among the holders of the preferred stock and any other of our capital stock which ranks on a parity as to liquidation rights with the preferred stock in proportion to the respective preferential amounts to which each is entitled. After payment in full of the liquidation preference of the shares of preferred stock, the holders of the preferred stock will not participate further in the distribution of our assets.

Edgar Filing: MV Oil Trust - Form 10-K

Neither a consolidation or merger with another entity nor a sale or transfer of all or part of our assets for cash, securities or other property will constitute a liquidation, dissolution or winding up if, following the transaction, the preferred stock remains outstanding as duly authorized stock of us or any successor entity.

Redemption

At Our Option

From and after February 1, 2008 we may, at our option, redeem at any time all, or from time to time any portion, of the preferred stock. An optional redemption will be at a price of \$25.00 per share plus all dividends accumulated and unpaid on that share, whether or not declared, to and including the date fixed for redemption. If we redeem less than all of the then outstanding shares of preferred stock, we will designate the shares to be redeemed either by lot or in any other manner that our board of directors may determine or may effect the redemption pro rata. However, we may not redeem less than all of the then outstanding shares of preferred stock until all dividends accumulated and unpaid on all then outstanding shares of preferred stock have been paid for all past dividend periods.

At the Holder's Option

If at any time there has been a change in control (as defined below), each record holder of shares of the preferred stock will have the right, for a period of 90 days from the date of the change in control, to require us to redeem all or any portion of the shares of preferred stock owned by that record holder. Not later than 130 days after the date of the change in control (or, if that date is a Saturday, Sunday or legal holiday, the next day that is not a Saturday, Sunday or legal holiday) we will redeem all shares the record holder has elected to have redeemed in a written notice delivered to us on or prior to the 90th day after the change in control. The redemption price will be \$25.00 per share plus all dividends accumulated and unpaid on that share, whether or not declared, to and including the date fixed for redemption.

A change in control will have occurred if, in connection with a merger or consolidation that has been approved by our board of directors (prior to submitting the merger or consolidation to our members for approval), whether or not we are the surviving entity, those persons who were members of our board of directors on January 1, 2003, together with those persons who became members of our board of directors after that date at our annual meeting, have ceased to constitute a majority of our board of directors. Under the Minnesota cooperative statute, our members could initiate a merger or consolidation without the approval of our board of directors; a member-initiated merger or consolidation would not meet this definition and thus would not trigger a redemption right.

Mechanics of Redemption

Not less than 30 days prior to any redemption date pursuant to the exercise of our optional redemption right, we will give written notice to the holders of record of the shares of preferred stock to be redeemed. This notice will specify:

- the redemption date;
- the redemption price;
- the number of shares of preferred stock held by the record holder that are subject to redemption;
- the time, place and manner in which the holder should surrender the certificate or certificates, if any, representing the shares of preferred stock to be redeemed, including the steps that a holder should take with respect to any certificates which have been lost, stolen or destroyed or to any uncertificated shares; and
- that from and after the redemption date, dividends will cease to accumulate on the shares and the shares will no longer be deemed outstanding.

On or after the redemption date, once a holder surrenders the certificate or certificates representing the shares of preferred stock called for redemption in the manner provided in the redemption notice or takes the appropriate steps with respect to lost, stolen or destroyed certificates or uncertificated shares, the holder will be entitled to receive payment of the redemption price. If fewer than all of the shares of preferred stock represented by a surrendered certificate or certificates are redeemed, we will issue a new certificate representing the unredeemed shares.

Effect of Redemption

From and after the redemption date, if funds necessary for the redemption are and have been irrevocably deposited or set aside, then:

Edgar Filing: MV Oil Trust - Form 10-K

- dividends will cease to accumulate with respect to the shares of preferred stock called for redemption;
- the shares will no longer be deemed outstanding;
- the holders of the shares will cease to be shareholders; and
- all rights with respect to the shares of preferred stock will terminate except the right of the holders to receive the redemption price, without interest.

Purchases

We may at any time and from time to time in compliance with applicable law purchase shares of preferred stock on the open market, pursuant to a tender offer or otherwise, at whatever price or prices and other terms we determine. We may not make any purchases at a time when there are accumulated but unpaid dividends for past dividend periods.

Voting

Except as described below, the holders of the preferred stock will have only those voting rights that are required by applicable law. As a result, the holders of the preferred stock will have very limited voting rights and, among other things, will not have any right to vote for the election of directors.

Unless the preferred stock is redeemed pursuant to its terms, the affirmative vote of the holders of at least two-thirds of the outstanding shares of the preferred stock, voting separately as a class, will be required:

- for any amendment, alteration or repeal, whether by merger or consolidation or otherwise, of our articles of incorporation or the resolutions establishing the terms of the preferred stock, if the amendment, alteration or repeal adversely affects the rights or preferences of the preferred stock; and
- to establish, by board resolution or otherwise, any class or series of our equity securities having rights senior to the preferred stock as to the payment of dividends or distribution of assets upon the liquidation, dissolution or winding up of CHS, whether voluntary or involuntary.

46

The creation and issuance of any other class of our securities ranking on a parity with or junior to the preferred stock, including an increase in the authorized number of shares of any such securities, will not be deemed to adversely affect the rights or preferences of the preferred stock.

Our board of director's ability to authorize, without shareholder approval, the issuance of additional classes or series of preferred stock with conversion and other rights may adversely affect you as a holder of preferred stock or the rights of holders of any series of preferred stock that may be outstanding.

Limitations and Restrictions on Future Issuances

We may not offer to issue additional shares of preferred stock in exchange for or in redemption of outstanding patrons' equities or other equity securities held by our members more than one time per calendar year. If, in connection with an offer of this type, any member would receive more than 0.25% of the number of shares of preferred stock outstanding at the end of the prior calendar year, that member will instead be entitled to receive the shares in quarterly installments as nearly equal as possible. After December 31, 2003, in any calendar year, we may not issue additional shares of preferred stock in exchange for or in redemption of outstanding patrons' equities or other equity securities held by our members in excess of:

- for issuances during the years 2004, 2005 and 2006, 20% of the number of shares of preferred stock outstanding at the end of the prior calendar year or 400,000 shares, whichever is greater; and
- for issuances during any calendar year after the year 2006, 25% of the number of shares of preferred stock outstanding at the end of the prior calendar year or 400,000 shares, whichever is greater.

We may not issue additional shares of preferred stock in exchange for or in redemption of outstanding patrons' equities owned by an estate of one of our former individual members or in redemption of outstanding patrons' equities owned by individual members who have reached age 72, pursuant to our current policy.

We have also agreed with the underwriters to limit issuances of additional shares of preferred stock during 2003. See Underwriting.

No Exchange or Conversion Rights; No Sinking Fund

Shares of the preferred stock are not exchangeable or convertible into other class or series of our capital stock or other securities or property. The preferred stock is not subject to the operation of a purchase, retirement or sinking fund.

Certain Charter Provisions

For a description of some of the provisions of our articles of incorporation that might have an effect of delaying, deferring or preventing a change in control of us, see Business Membership and Authorized Capital Certain Antitakeover Measures.

As noted above under Business Membership and Authorized Capital Debt and Equity Instruments, all equity we issue (including the preferred stock) is subject to a first lien in favor of us for all indebtedness of the holder to us.

No Preemptive Rights

Holders of the preferred stock will have no preemptive right to acquire shares of any class or series of our capital stock.

Market for the Preferred Stock

The preferred stock is a new issue of securities with no established trading market. Although we have received approval to list the preferred stock on the Nasdaq National Market under the

47

symbol CHSCP, we cannot assure you that a secondary trading market for the preferred stock will ever develop or, if one develops, that it will be maintained or provide any significant liquidity. As a result, if you decide to sell your preferred stock there may be either no or only a limited number of potential buyers. This, in turn, may affect the price you receive for your preferred stock or your ability to sell your preferred stock at all. We cannot predict at what price the preferred stock will trade, and that price may be less than its initial public offering price or liquidation value at any time.

Transfer Agent and Registrar

Wells Fargo Bank Minnesota, National Association will serve as transfer agent and registrar with respect to the preferred stock.

CERTAIN MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the material federal income tax consequences of the purchase, ownership, redemption and disposition of the preferred stock. This summary is based upon the provisions of the Internal Revenue Code (Code), the final temporary and proposed regulations promulgated thereunder and administrative rulings and judicial decisions now in effect, all of which are subject to change (possibly with retroactive effect). This summary addresses only the tax consequences of the purchase, ownership, redemption and disposition of the preferred stock by a person who is a U.S. holder. You are a U.S. holder if you are:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or any entity treated as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S. or any political subdivision of the U.S.;
- an estate if its income is subject to U.S. federal income tax regardless of its source; or
- a trust if a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust.

This summary assumes that you will hold your shares of preferred stock as a capital asset within the meaning of Section 1221 of the Code. The summary also assumes that all dividends will be paid as they accrue and that, if the preferred stock is redeemed, there will not be any dividend arrearages at the time of redemption. The summary does not purport to deal with all aspects of federal income taxation that may be relevant to your decision to purchase the preferred stock, such as estate and gift tax consequences or tax consequences arising under the laws of any state, local or other taxing jurisdiction. This summary also does not apply to you if you belong to a category of investors subject to special tax rules, such as dealers in securities, financial institutions, insurance companies, tax-exempt organizations, foreign persons, qualified retirement plans, individual retirement accounts, regulated investment companies, U.S. expatriates, investors in pass-through entities or persons subject to the alternative minimum tax.

Edgar Filing: MV Oil Trust - Form 10-K

We can give no assurance that the Internal Revenue Service (IRS) will take a similar view with respect to the tax consequences described below. We have not requested, nor do we plan to request, a ruling from the IRS on any tax matters relating to the preferred stock. You should consult your own tax advisor regarding the federal, state, local, and foreign tax consequences of the purchase, ownership, redemption, and disposition of the preferred stock.

Dividends and Other Distributions

Distributions on the preferred stock will be treated as dividends and taxable as ordinary income to the extent of our current or accumulated earnings and profits, as determined for federal income tax purposes. Any distribution in excess of current or accumulated earnings and profits will be treated first as a nontaxable return of capital reducing your tax basis in the preferred stock. Any amount in excess of your tax basis will be treated as a capital gain.

48

Dividends received by corporate holders of the preferred stock are eligible for a dividends received deduction equal to 70% of the amount of the distribution, subject to applicable limitations, including limitations related to debt financed portfolio stock under Section 246A of the Code and to the holding period requirements of Section 246 of the Code. In addition, any amount received by a corporate holder that is treated as a dividend may constitute an extraordinary dividend subject to the provisions of Section 1059 of the Code (except as may otherwise be provided in Treasury Regulations yet to be promulgated). Under Section 1059, a corporate holder generally must reduce the tax basis of all of the holder's shares (but not below zero) by the nontaxed portion of any extraordinary dividend and, if the nontaxed portion exceeds the holder's tax basis for the shares, must treat any excess as gain from the sale or exchange of the shares in the year the payment is received. If you are a corporate holder, you should consult your own tax advisor regarding the extent, if any, to which these provisions may apply to you in light of your individual facts and circumstances.

Sale or Exchange of Preferred Stock

On the sale or exchange of preferred stock to a party other than us, you generally will realize capital gain or loss in an amount equal to the difference between (a) the amount of cash and the fair market value of any property you receive on the sale and (b) your adjusted tax basis in the preferred stock. You should consult your own tax advisor regarding applicable rates, holding periods and netting rules for capital gains and losses. Certain limitations exist on the deduction of capital losses by both corporate and noncorporate taxpayers.

Redemption of Preferred Stock

If we exercise our right to redeem the preferred stock, your surrender of the preferred stock for the redemption proceeds will be treated either as a payment received upon sale or exchange of the preferred stock or as a distribution with respect to all of your equity interests in us. Resolution of this issue will turn on the application of Section 302 of the Code to your individual facts and circumstances.

The redemption will be treated as gain or loss from the sale or exchange of the preferred stock (as discussed above under Sale or Exchange of Preferred Stock) if:

- the redemption is substantially disproportionate with respect to you within the meaning of Section 302(b)(2) of the Code; or
- your interest in the preferred stock and any other equity interest in us is completely terminated (within the meaning of Section 302(b)(3) of the Code) as a result of such redemption; or
- the redemption is not essentially equivalent to a dividend (within the meaning of Section 302(b)(1) of the Code). In general, redemption proceeds are not essentially equivalent to a dividend if the redemption results in a meaningful reduction of your interest in the issuer.

In determining whether any of these tests has been met, you must take into account not only shares of preferred stock and other equity interests in us (including patrons' equities and other equity interests) that you actually own, but also shares and other equity interests that you constructively own within the meaning of Section 318 of the Code.

If none of the above tests giving rise to sale treatment is satisfied, then a payment made in redemption of the preferred stock will be treated as a distribution that is subject to the tax treatment described above under Dividends and other Distributions. The amount of the distribution will be measured by the amount of cash and the fair market value of property you receive without any offset for your basis in the preferred stock. Your adjusted tax basis in the redeemed shares of preferred stock will

Edgar Filing: MV Oil Trust - Form 10-K

be transferred to any of your remaining stock holdings in us. If, however, you have no remaining stock holdings in us, your basis could be lost.

You should consult your own tax advisor regarding:

49

- whether the redemption payment will qualify for sale or exchange treatment under Section 302 of the Code or, alternatively, will be characterized as a distribution; and
- the resulting tax consequences to you in light of your individual facts and circumstances.

Backup Withholding

We may be required to withhold federal income tax at a rate of 30% (in 2002 and 2003) from dividends and redemption proceeds paid to you if (i) you fail to furnish us with your correct taxpayer identification number in the manner required (ii) the IRS notifies us that your taxpayer identification number is incorrect (iii) the IRS notifies us that you have failed to report properly certain interest and dividend income to the IRS and to respond to notices to that effect or (iv) when required to do so, you fail to certify that you are not subject to backup withholding. Any amounts withheld may be credited against your federal income tax liability.

UNDERWRITING

D.A. Davidson & Co., U.S. Bancorp Piper Jaffray Inc. and Fahnestock & Co. Inc. are acting as the representatives of the underwriters named below. Subject to the terms and conditions set forth in the underwriting agreement, each underwriter named below has agreed severally to purchase, and we have agreed to sell to each underwriter, the number of shares of preferred stock set forth opposite the underwriter's name below:

<u>Underwriters</u>	<u>Number of Shares</u>
D.A. Davidson & Co.	1,375,000
U.S. Bancorp Piper Jaffray Inc.	1,375,000
Fahnestock & Co. Inc.	250,000
<hr/>	
Total	3,000,000

The underwriters are obligated to purchase all of the shares of preferred stock offered hereby (other than those shares covered by the over-allotment option described below) if they purchase any shares.

The underwriters are offering the shares of preferred stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel and other conditions contained in the underwriting agreement. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

At our request, the underwriters have reserved up to 20,000 shares of the preferred stock for sale, at the initial public offering price, to our employees, officers and directors through a directed share program. The number of shares available for sale to the general public will be reduced to the extent these persons purchase the reserved shares. We cannot assure you that any of the reserved shares will be purchased. The underwriters will offer any reserved shares not purchased through the directed share program to the general public on the same basis as other shares of our preferred stock.

We have agreed to indemnify the underwriters against liabilities arising from this offering, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

Over-Allotment Option

We have granted an option to the underwriters to purchase up to 450,000 additional shares of preferred stock at the public offering price set forth on the cover page of this prospectus, less the underwriting discount plus accumulated dividends from and including the initial closing date of this offering. The underwriters may exercise this option, in whole or part, at any time within 30 days after the date of this prospectus solely to cover over-allotments, if any. If the underwriters exercise this option, each of D.A. Davidson & Co. and U.S. Bancorp Piper Jaffray Inc. will be obligated, subject to conditions set forth in the underwriting agreement, to purchase 50% of such additional shares.

Discounts and Commissions

The underwriters propose to offer the shares of preferred stock directly to the public at the public offering price and to certain dealers at this price less a concession not to exceed \$0.50 per share. Any underwriter may allow, and such dealers may reallocate, a concession not to exceed \$0.45 per share on sales to other underwriters or to certain dealers. After the commencement of the offering, the public offering price and other selling terms may be changed.

The following table shows the public offering price, underwriting discount and proceeds to us before expenses. The information assumes no exercise or full exercise, as the case may be, of the underwriters' over-allotment option.

	Per Share	Without Option	With Option
Public offering price	\$ 25.00	\$75,000,000	\$86,250,000 ⁽¹⁾
Underwriting discount	\$ 0.9375	\$ 2,812,500	\$ 3,234,375
Proceeds, before expenses, to us	\$24.0625	\$72,187,500	\$83,015,625 ⁽¹⁾

(1) Plus accumulated dividends from and including the initial closing date of this offering.

Limitation on Future Issuances of Preferred Stock

We have agreed with the representatives that:

- during calendar year 2003, we will not, without the prior written consent of D.A. Davidson & Co. and U.S. Bancorp Piper Jaffray Inc., offer or sell, directly or indirectly, any additional shares of preferred stock or any securities convertible into, or exchangeable for, preferred stock other than:
 - pursuant to any dividend reinvestment plan we may adopt;
 - in exchange for our currently outstanding preferred stock; or
 - in an underwritten public offering; and
- for the period commencing January 1, 2004 and ending February 1, 2008, we will not, without the prior written consent of D.A. Davidson & Co. and U.S. Bancorp Piper Jaffray Inc., issue shares of preferred stock other than as described in Description of Preferred Stock Limitations and Restrictions on Future Issuances.

In addition, we have advised the representatives that, if we elect to offer the holders of our existing 8% preferred stock the opportunity to exchange their shares for shares of this preferred stock, we will concurrently offer them the opportunity to have those outstanding shares of preferred stock redeemed for cash.

The resolutions creating the preferred stock contain additional limitations and restrictions on our issuances of preferred stock that cannot be modified without the affirmative vote of the holders of at least two-thirds of the outstanding preferred stock. See Description of the Preferred Stock Limitations and Restrictions on Future Issuances.

Stabilizing Transactions

In connection with the offering, the underwriters and their affiliates may engage in transactions that are intended to stabilize, maintain or otherwise affect the market price of the preferred stock, including transactions in which the underwriters:

- create a short position for their own account by selling more preferred stock than they are committed to purchase from us in this offering, in which case they may purchase preferred stock in the open market to cover all or part of the short position; or

- bid for or purchase the preferred stock at a price above that which might otherwise prevail in the public market to peg, fix or maintain the price of the preferred stock.

The underwriters also may reclaim selling concessions allowed to an underwriter or dealer in the offering if the underwriters repurchase shares of preferred stock previously distributed by any such underwriter or dealer to cover syndicate short positions, make stabilizing purchases or otherwise.

Any of these activities may have the affect of preventing or retarding a decline in the market price of the preferred stock or causing the market price to be higher than it otherwise would be. The underwriters may conduct these transactions on the Nasdaq National Market, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

No Prior Public Market; Listing

The preferred stock is a new issue of securities with no established trading market and we cannot assure you that a secondary trading market for the preferred stock will ever develop or, if one develops, that it will be maintained or provide any significant liquidity. We have received approval to list the preferred stock on the Nasdaq National Market under the symbol

CHSCP. The representatives have advised us that they intend to make a market in the preferred stock. However, they are not obligated to do so and may discontinue any such market activity at any time without notice.

Other Relationships

In the ordinary course of their respective businesses, certain of the underwriters or their affiliates may in the future provide investment banking and other financial services to us or our affiliates for which they would be paid customary fees and commissions. An affiliate of U.S. Bancorp Piper Jaffray Inc. provides commercial banking services to us and is a member of the creditors' syndicate under our outstanding credit facility.

Expenses of Offering

In addition to the underwriting fees, we have agreed to pay the representatives a non-accountable expense allowance of \$100,000. We estimate that the total expenses of the offering, excluding the underwriting discount and commissions (but including the expense allowance), will be approximately \$465,000.

LEGAL MATTERS

Dorsey & Whitney LLP, Minneapolis, Minnesota, has represented us and will provide us with an opinion that the shares of preferred stock offered by this prospectus have been duly authorized and validly issued and will be fully paid and nonassessable. The underwriters have been represented by Stoel Rives LLP, Seattle, Washington.

EXPERTS

The consolidated financial statements of Cenex Harvest States Cooperatives and Subsidiaries as of August 31, 2002 and 2001 and for each of the three years in the period ended August 31, 2002 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements of Ventura Foods, LLC incorporated in this prospectus by reference from the Annual Report on Form 10-K of Cenex Harvest States Cooperatives for the year ended August 31, 2002 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report, which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934 and file reports and other information with the Securities and Exchange Commission. Our SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at its Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its Public Reference Room.

The SEC allows us to incorporate by reference into this prospectus the information we have filed with it. The information incorporated by reference is an important part of this prospectus and the information that we file subsequently with the SEC will automatically update this prospectus. The information incorporated by reference is considered to be part of this prospectus. We incorporate by reference our Annual Report on Form 10-K for the fiscal year ended August 31, 2002, our Quarterly Report on Form 10-Q for the quarter ended November 30, 2002, and any filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, after the initial filing of this registration statement that contains this prospectus and prior to the time that all the securities offered by this prospectus are sold.

You may request a copy of these filings, at no cost, by writing or telephoning us at the following address:

Cenex Harvest States Cooperatives
Attention: Jodell M. Heller
5500 Cenex Drive
Inver Grove Heights, Minnesota 55077
(651) 451-5151

If more recent information incorporated by reference in this prospectus is inconsistent with information in this prospectus, then that information will supersede the information in this prospectus.

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
CENEX HARVEST STATES COOPERATIVES**

	<u>Page</u>
CENEX HARVEST STATES COOPERATIVES	
Consolidated Balance Sheets as of August 31, 2002 and 2001	F-1
Consolidated Statements of Operations for the years ended August 31, 2002, 2001 and 2000	F-2
Consolidated Statements of Equities and Comprehensive Income for the years ended August 31, 2002, 2001 and 2000	F-3
Consolidated Statements of Cash Flows for the years ended August 31, 2002, 2001 and 2000	F-5
Notes to Consolidated Financial Statements	F-6
Report of Independent Accountants	F-27

**FINANCIAL STATEMENTS
CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS
for the Years Ended August 31,

	2002	2001
<i>(dollars in thousands)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 108,192	\$ 113,458
Receivables	741,578	686,140
Inventories	759,663	510,443
Other current assets	140,944	60,995
	1,750,377	1,371,036
Investments	496,607	467,953
Property, plant and equipment	1,057,421	1,023,872
Other assets	177,322	194,458
	\$ 3,481,727	\$ 3,057,319
LIABILITIES AND EQUITIES		
Current liabilities:		
Notes payable	\$ 332,514	\$ 97,195
Current portion of long-term debt	89,032	17,754
Customer credit balances	26,461	38,486
Customer advance payments	169,123	109,135
Checks and drafts outstanding	84,251	87,808
Accounts payable	517,667	495,198
Accrued expenses	225,704	148,026
Patronage dividends and equity retirements payable	56,510	72,154
	1,501,262	1,065,756
Total current liabilities	1,501,262	1,065,756
Long-term debt	483,092	542,243
Other liabilities	118,280	99,906
Minority interests in subsidiaries	89,455	88,261
Commitments and contingencies		
Equities	1,289,638	1,261,153
	\$ 3,481,727	\$ 3,057,319

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

F-1

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the Years Ended August 31,

	2002	2001	2000
<i>(dollars in thousands)</i>			
Revenues:			

Edgar Filing: MV Oil Trust - Form 10-K

	2002	2001	2000
Net sales	\$ 7,731,867	\$ 7,753,012	\$ 8,497,850
Patronage dividends	3,885	5,977	5,494
Other revenues	109,459	116,254	97,471
	7,845,211	7,875,243	8,600,815
Cost of goods sold	7,513,369	7,470,203	8,300,494
Marketing, general and administrative	187,292	184,046	155,266
Operating earnings	144,550	220,994	145,055
Interest	42,455	61,436	57,566
Equity income from investments	(58,133)	(28,494)	(28,325)
Minority interests	15,390	35,098	24,546
Income Before Income Taxes	144,838	152,954	91,268
Income Taxes	18,700	(25,600)	3,880
Net Income	\$ 126,138	\$ 178,554	\$ 87,388
Distribution of Net Income:			
Patronage refunds	\$ 92,900	\$ 128,900	\$ 87,400
Unallocated capital reserve	33,238	49,654	(12)
Net income	\$ 126,138	\$ 178,554	\$ 87,388

The accompanying notes are an integral part of the consolidated statements.

F-2

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITIES AND COMPREHENSIVE INCOME
for the Years Ended August 31, 2002, 2001 and 2000**

	Capital Equity Certificates	Nonpatronage Equity Certificates	Preferred Stock	Wheat Milling EPUs
	<i>(dollars in thousands)</i>			
Balances, September 1, 1999	\$ 912,294	\$ 28,785		\$ 9,258
Patronage and equity retirement determination	25,750			
Patronage distribution	41,182			
Equities retired	(28,615)	(82)		
Equities issued	7,921			
Other, net	(178)	(194)		(12)
Comprehensive income:				
Net income				
Other comprehensive loss				
Total comprehensive income				
Patronage dividends and equity retirements payable	(17,474)			

Edgar Filing: MV Oil Trust - Form 10-K

	Capital Equity Certificates	Nonpatronage Equity Certificates	Preferred Stock	Wheat Milling EPU's
Balances, August 31, 2000	940,880	28,509		9,246
Patronage and equity retirement determination	17,474			
Patronage distribution	60,304			
Equities retired	(18,662)	(74)		
Equities issued	5,481			
Equity Participation Units issued				
Equity Participation Units redeemed				(9,066)
Other, net	(120)	(277)		(180)
Comprehensive income:				
Net income				
Other comprehensive income				
Total comprehensive income				
Patronage dividends and equity retirements payable	(33,484)			
Balances, August 31, 2001	971,873	28,158		
Patronage and equity retirement determination	33,484			
Patronage distribution	92,484			
Equities retired	(31,099)	(46)		
Equities issued	2,600			
Preferred stock issued, net			\$ 9,325	
Preferred stock dividends				
Other, net	(106)	(339)		
Comprehensive income:				
Net income				
Other comprehensive loss				
Total comprehensive income				
Patronage dividends and equity retirements payable	(28,640)			
Balances, August 31, 2002	\$ 1,040,596	\$ 27,773	\$ 9,325	\$

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

F-3

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITIES AND COMPREHENSIVE INCOME
for the Years Ended August 31, 2002, 2001 and 2000 (Continued)**

Oilseed Processing & Refining EPU's	Patronage Refunds	Unallocated Capital Reserve	Accumulated Other Comprehensive Income (Loss)	Allocated Capital Reserve	Total Equities

Edgar Filing: MV Oil Trust - Form 10-K

	Oilseed Processing & Refining EPU's	Patronage Refunds	Unallocated Capital Reserve	Accumulated Other Comprehensive Income (Loss)	Allocated Capital Reserve	Total Equities
<i>(dollars in thousands)</i>						
Balances, September 1, 1999	\$ 4,188	\$ 40,250	\$ 115,883	\$ (1,170)	\$ 8,148	\$ 1,117,636
Patronage and equity retirement determination		17,250				43,000
Patronage distribution		(57,500)	(1,588)			(17,906)
Equities retired						(28,697)
Equities issued						7,921
Other, net	(6)		453		(28)	35
Comprehensive income:						
Net income		87,400	(12)			87,388
Other comprehensive loss				(1,257)		(1,257)
Total comprehensive income						86,131
Patronage dividends and equity retirements payable		(26,220)				(43,694)
Balances, August 31, 2000	4,182	61,180	114,736	(2,427)	8,120	1,164,426
Patronage and equity retirement determination		26,220				43,694
Patronage distribution		(87,400)	967			(26,129)
Equities retired						(18,736)
Equities issued						5,481
Equity Participation Units issued	1,045		(1,045)			
Equity Participation Units redeemed	(5,227)					(14,293)
Other, net			445		(70)	(202)
Comprehensive income:						
Net income		128,900	49,654			178,554
Other comprehensive income				512		512
Total comprehensive income						179,066
Patronage dividends and equity retirements payable		(38,670)				(72,154)
Balances, August 31, 2001		90,230	164,757	(1,915)	8,050	1,261,153
Patronage and equity retirement determination		38,670				72,154
Patronage distribution		(128,900)	(3,666)			(40,082)
Equities retired						(31,145)
Equities issued						2,600
Preferred stock issued, net			(3,428)			5,897
Preferred stock dividends			(240)			(240)
Other, net			100			(345)
Comprehensive income:						
Net income		92,900	33,238			126,138
Other comprehensive loss				(49,982)		(49,982)
Total comprehensive income						76,156
Patronage dividends and equity retirements payable		(27,870)				(56,510)
Balances, August 31, 2002	\$	\$ 65,030	\$ 190,761	\$ (51,897)	\$ 8,050	\$ 1,289,638

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the Years Ended August 31,

	2002	2001	2000
	<i>(dollars in thousands)</i>		
Cash Flows from Operating Activities:			
Net income	\$ 126,138	\$ 178,554	\$ 87,388
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	103,986	109,180	92,699
Noncash net income from equity investments	(58,133)	(28,494)	(28,325)
Minority interests	15,390	35,098	24,546
Noncash portion of patronage dividends received	(2,327)	(3,896)	(6,825)
(Gain) loss on sale of property, plant and equipment	(6,418)	(13,941)	1,167
Deferred tax expense (benefit)	4,400	(46,625)	(467)
Other, net	5,467	(801)	(3,130)
Changes in operating assets and liabilities:			
Receivables	(32,881)	147,641	(229,067)
Inventories	(259,209)	37,543	1,717
Other current assets and other assets	(88,941)	(24,129)	(7,041)
Customer credit balances	(12,025)	1,707	(8,191)
Customer advance payments	59,988	(22,800)	4,180
Accounts payable and accrued expenses	93,802	(129,258)	202,980
Other liabilities	9,079	13,050	(3,244)
	<u>(41,684)</u>	<u>252,829</u>	<u>128,387</u>
Cash Flows from Investing Activities:			
Acquisition of property, plant and equipment	(140,169)	(97,610)	(153,796)
Proceeds from disposition of property, plant and equipment	20,205	35,263	7,655
Investments	(6,211)	(14,247)	(35,297)
Equity investments redeemed	37,689	30,104	41,250
Investments redeemed	6,310	1,672	2,638
Changes in notes receivable	(22,031)	533	600
Acquisitions of intangibles	(29,501)	(7,328)	(26,513)
Distribution to minority owners	(7,413)	(19,256)	(21,089)
Other investing activities, net	(685)	1,775	(339)
	<u>(141,806)</u>	<u>(69,094)</u>	<u>(184,891)</u>
Cash Flows from Financing Activities:			
Changes in notes payable	235,319	(120,731)	20,940
Long-term debt borrowings	30,000	116,861	49,914
Principal payments on long-term debt	(17,968)	(67,364)	(22,502)
Changes in checks and drafts outstanding	(3,557)	3,722	35,481
Proceeds from sale of preferred stock, net of expenses	5,897		
Preferred stock dividends paid	(240)		
Retirements of equity	(31,145)	(18,736)	(28,697)
Equity Participation Units redeemed		(14,293)	
Cash patronage dividends paid	(40,082)	(26,129)	(17,906)

Edgar Filing: MV Oil Trust - Form 10-K

	2002	2001	2000
	<u> </u>	<u> </u>	<u> </u>
Net cash provided by (used in) financing activities	178,224	(126,670)	37,230
Net (Decrease) Increase in Cash and Cash Equivalents	(5,266)	57,065	(19,274)
Cash and Cash Equivalents at Beginning of Period	113,458	56,393	75,667
Cash and Cash Equivalents at End of Period	<u>\$ 108,192</u>	<u>\$ 113,458</u>	<u>\$ 56,393</u>

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

F-5

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

Cenex Harvest States Cooperatives (CHS Cooperatives or the Company) is an agricultural cooperative organized for the mutual benefit of its members. Members of the cooperative are located throughout the United States. In addition to grain marketing, wheat milling, oilseed processing and refining and foods, the Company provides its patrons with energy and agronomy products as well as other farm supplies. Sales are both domestic and international.

Effective September 1, 2000, the Company's Board of Directors approved a resolution providing for the computation of patronage distributions based on earnings for financial statement purposes rather than federal income tax basis earnings. On December 1, 2000, this resolution was ratified by the Company's members, the by-laws were amended and beginning with fiscal year 2001 patronage distributions have been calculated based on financial statement earnings. The by-laws further provide that an amount of up to 10% of the distributable annual net savings from patronage sources be added to the unallocated capital reserve as determined by the Board of Directors.

Consolidation:

The consolidated financial statements include the accounts of CHS Cooperatives and all of its wholly-owned and majority-owned subsidiaries and limited liability companies, including National Cooperative Refinery Association (NCRA). The effects of all significant intercompany transactions have been eliminated.

On September 1, 1999, NCRA and Farmland Industries, Inc. (Farmland) formed Cooperative Refining, LLC (CRLLC), which was established to operate and manage the refineries and related pipelines and terminals of NCRA and Farmland. On December 31, 2000, NCRA and Farmland signed an Agreement of Dissolution and dissolved CRLLC.

During 2000, the Company entered into a series of transactions, the result of which was the exchange of its agronomy operations, consisting primarily of its interests in and ownership of the Cenex/Land O Lakes Agronomy Company and Agro Distribution, LLC and related entities for a 25% equity ownership interest in Agriliance, LLC (Agriliance). Agriliance is a distributor of crop nutrients, crop protection products and other agronomy inputs and services formerly owned by the Company, Land O Lakes, Inc. (Land O Lakes) and Farmland. The company accounts for the Agriliance investment under the equity method.

During 2002 and 2001, the Company had various other acquisitions, which have been accounted for using the purchase method of accounting. Operating results of the acquisitions are included in the consolidated financial statements since the respective acquisition dates. The respective purchase prices were allocated to the assets and liabilities acquired based upon the estimated fair values. The excess purchase price over the estimated fair values of the net assets acquired has been reported as

identifiable intangible assets and goodwill.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments with original maturities of three months or less at date of acquisition.

Inventories:

Grain, processed grain, oilseed and processed oilseed are stated at net realizable values which approximates market values. All other inventories are stated at the lower of cost or market. The cost of certain energy inventories (wholesale refined products, crude oil and asphalt) is determined on the last-in, first-out (LIFO) method; all other energy inventories are valued on the first-in, first-out (FIFO) and average cost methods.

F-6

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Derivative Financial Instruments:

The Company enters into exchange-traded commodity futures and options contracts to hedge its exposure to price fluctuations on energy, grain and oilseed transactions to the extent considered practicable for minimizing risk. Futures and options contracts used for hedging are purchased and sold through regulated commodity exchanges. Fluctuations in inventory valuations, however, may not be completely hedged, due in part to the absence of satisfactory hedging facilities for certain commodities and geographical areas and in part to the Company's assessment of its exposure from expected price fluctuations. The Company also manages its risks by entering into fixed price purchase contracts with preapproved producers and establishing appropriate limits for individual suppliers. Fixed price sales contracts are entered into with customers of acceptable creditworthiness, as internally evaluated. The Company is exposed to loss in the event of nonperformance by the counterparties to the contracts. However, the Company does not anticipate nonperformance by counterparties.

Commodity trading in futures and options contracts is a natural extension of cash market trading. The commodity futures and options markets have underlying principles of increased liquidity and longer trading periods than the cash market, and hedging is one method of reducing exposure to price fluctuations. The Company's use of the derivative instruments described above reduces the effects of price volatility, thereby protecting against adverse short-term price movements while somewhat limiting the benefits of short-term price movements. Changes in market value of the derivative instruments described above are recognized in the consolidated statements of operations in the period such changes occur. The fair value of futures and options contracts are determined primarily from quotes listed on regulated commodity exchanges. Fixed price purchase and sales contracts are with various counterparties, and the fair values of such contracts are determined from the market price of the underlying product. At August 31, 2002, the Company's derivative assets and liabilities were \$53.8 million and \$67.9 million, respectively.

Commodity Price Risk:

The Company utilizes futures and options contracts offered through regulated commodity exchanges to reduce risk. The Company is exposed to risk of loss in the market value of inventories and fixed or partially fixed purchase and sale contracts. So as to reduce that risk, the Company generally takes opposite and offsetting positions using future contracts or options. Certain commodities cannot be hedged with futures or options contracts because such contracts are not offered for these commodities by regulated commodity exchanges. Inventories and purchase contracts for those commodities are hedged with forward sales contracts, to the extent practical, so as to arrive at a net commodity position within the formal position limits set by the Company and deemed prudent for each of those commodities. Commodities for which future contracts and options are available are also typically hedged first in this manner, with futures and options used to hedge within position limits that portion not covered by forward contracts. These futures and options contracts and forward purchase and sales contracts used to hedge against price level change risks are effective economic hedges of specified risks, but they are not designated as and accounted for as hedging instruments for accounting purposes.

Unrealized gains and losses on futures contracts and options used as economic hedges of grain and oilseed inventories and fixed price contracts are recognized in cost of goods sold for financial reporting. Inventories and fixed price contracts are marked to market so that gains or losses on the derivative contracts are offset by gains or losses on inventories and fixed price contracts during the same accounting period.

Through August 31, 2000, unrealized gains and losses on futures contracts

F-7

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

and options used to hedge energy inventories and fixed price contracts were deferred until such future contracts and options were closed. Effective September 1, 2000, those gains and losses are recognized as a component of net income for financial reporting. The inventories hedged with these derivatives are valued at lower of cost or market, and effective September 1, 2000, the fixed price contracts are marked to market. Some derivatives related to propane in the Energy segment meet the normal purchase and sales exemption, and thus are not required to be marked to fair value.

A 10% adverse change in market prices would not materially affect the Company's results of operations, financial position or liquidity, since the Company's operations have effective economic hedging requirements as a general business practice.

Interest Rate Risk:

The Company manages interest expense using a mix of fixed and floating rate debt. These debt instruments are carried at amounts approximating estimated fair value. Short-term debt used to finance inventories and receivables is represented by notes payable within thirty days or less so that the blended interest rate to the Company for all such notes approximates current market rates. Long-term debt used to finance non-current assets carries various fixed interest rates and is payable at various dates as to minimize the effect of market interest rate changes. The effective interest rate to the Company on fixed rate debt outstanding on August 31, 2002 was approximately 6.4%; a 10% adverse change in market rates would not materially affect the Company's results of operations, financial position or liquidity.

In August 2002, the Company entered into interest rate swap instruments related to private placement debt issued on October 18, 2002. These derivative instruments are designated and effective as cash flow hedges for accounting purposes, and the changes in the fair values of these instruments are recorded as a component of other comprehensive income. The Company expects to record operating losses through interest expense of \$0.8 million during the year ended August 31, 2003 related to these derivative instruments.

Foreign Currency Risk:

The Company conducts essentially all of its business in U.S. dollars and had minimal risk regarding foreign currency fluctuations on August 31, 2002. Foreign currency fluctuations do, however, impact the ability of foreign buyers to purchase U.S. agricultural products and the competitiveness of U.S. agricultural products compared to the same products offered by alternative sources of world supply.

The Company adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 133, as amended, related to the accounting for derivative transactions and hedging activities, effective September 1, 2000. The effect of the adoption did not have a material effect on the Company's earnings or financial position.

Investments:

Investments in other cooperatives are stated at cost, plus patronage dividends received in the form of capital stock and other equities. Patronage dividends are recorded at the time qualified written notices of allocation are received. Joint ventures and other investments, in which the Company has significant ownership and influence, but not control, are accounted for in the consolidated financial statements under the equity method of accounting. Investments in other debt and equity securities are considered available for sale financial instruments and are stated at market value, with unrealized amounts included as a component of accumulated other comprehensive income (loss).

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property, Plant and Equipment:

Property, plant and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided on the straight-line method by charges to operations at rates based upon the expected useful lives of individual or groups of assets (primarily 15 to 40 years for land improvements and buildings and 3 to 20 years for machinery, equipment, office and other). The cost and related accumulated depreciation and amortization of assets sold or otherwise disposed of are removed from the related accounts and resulting gains or losses are reflected in operations. Expenditures for maintenance and repairs and minor renewals are expensed, while costs of major renewals and betterments are capitalized.

The Company periodically reviews property, plant and equipment and other long-lived assets in order to assess recoverability based on projected income and related cash flows on an undiscounted basis. Should the sum of the expected future net cash flows be less than the carrying value, an impairment loss would be recognized. An impairment loss would be measured by the amount by which the carrying value of the asset exceeds the fair value of the asset.

Goodwill and Other Intangible Assets:

Effective September 1, 2001 the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. This statement discontinued the amortization of goodwill and indefinite-lived intangible assets, subject to periodic impairment testing. At August 31, 2001, goodwill (net of accumulated amortization) prior to the adoption of SFAS No. 142, was \$29.2 million and was included as a component of other assets. The effect of adopting the new standard will reduce goodwill amortization expense by approximately \$2.0 million annually. The Company has completed its transitional impairment testing and no changes to the carrying value of goodwill and other intangible assets were required as a result of the adoption of SFAS No. 142. Subsequent impairment testing will take place annually as well as when a triggering event indicating impairment may have occurred. In addition, the classification of the intangible assets was reviewed, along with the remaining useful lives of intangibles being amortized, and no changes were required.

The Company's net income, net of taxes, of retroactive application of the discontinuance of the amortization of goodwill as if SFAS No. 142 had been in effect during the years ended August 31, 2001 and 2000 would have been \$181.1 million and \$88.5 million, respectively. For the years ended August 31, 2001 and 2000, discontinued amortization expense of goodwill included in other assets would have been \$1.9 million and \$0.8 million, respectively, and included in equity investments would have been \$0.7 million and \$0.3 million, respectively.

Revenue Recognition:

Grain and oilseed sales are recorded at time of settlement. All other sales are recognized upon shipment and transfer of title to customers. Amounts billed to a customer in a sale transaction related to shipping and handling are included in sales. Country Operations segment services revenue and rebates are included in other revenues.

Environmental Expenditures:

Liabilities related to remediation of contaminated properties are recognized when the related costs are considered probable and can be reasonably estimated. Estimates of these costs are based on current available facts, existing technology, undiscounted site-specific costs and currently enacted laws and regulations. Recoveries, if any, are recorded in the period in which recovery is considered probable. Liabilities are monitored and adjusted as new facts or changes in law or technology occur. Environmental expenditures are capitalized when such costs provide future economic benefits.

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Income Taxes:

The Company is a nonexempt agricultural cooperative and files a consolidated federal income tax return with its 80% or more owned subsidiaries. The Company is subject to tax on income from nonpatronage sources and undistributed patronage-sourced income. Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities recognized for financial reporting purposes and such amounts recognized for federal and state income tax purposes, at each year end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

In October 2001, members of NCRA ratified a resolution to compute patronage distributions based on earnings for financial statement purposes rather than amounts reportable for federal income tax purposes, and beginning with the year ended August 31, 2002, NCRA's patronage distributions have been calculated based on financial statement earnings.

Comprehensive Income:

The Company accounts for comprehensive income (defined as the change in equity of a business enterprise during a period from sources other than those resulting from investments by owners and distribution to owners) in accordance with Financial Accounting Standards Board (FASB) SFAS No. 130, Reporting Comprehensive Income. At August 31, 2002, comprehensive income for the Company primarily includes net income and the effects of minimum pension liability adjustments. Total comprehensive income is reflected in the consolidated statements of equities and comprehensive income.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

The FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The adoption of this statement does not have a material effect on the Company.

The FASB also issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 retains and expands upon the fundamental provisions of existing guidance related to the recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale. Generally, the provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The adoption of this statement does not have a material effect on the Company.

The FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This statement addresses financial accounting and reporting for costs associated with an exit activity that does not involve an entity newly acquired in a business combination or with a disposal activity covered by SFAS No. 144. The costs addressed in SFAS No. 146 include,

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Edgar Filing: MV Oil Trust - Form 10-K

but are not limited to, termination benefits, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002.

Reclassifications:

Certain amounts in the 2001 financial statements have been reclassified to conform with the current year's presentation. These reclassifications had no effect on previously reported net income, equities and comprehensive income, or cash flows.

2. RECEIVABLES

Receivables as of August 31, 2002 and 2001 are as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Trade	\$717,888	\$682,593
Other	49,846	28,864
	767,734	711,457
Less allowances for doubtful accounts	26,156	25,317
	\$741,578	\$686,140

All international sales are denominated in U.S. dollars. International sales for the years ended August 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
	<i>(dollars in millions)</i>		
Africa	\$ 135	\$ 138	\$ 191
Asia	407	403	552
Europe	282	255	304
North America	298	317	324
South America	100	101	119
	\$1,222	\$1,214	\$1,490

3. INVENTORIES

Inventories as of August 31, 2002 and 2001 are as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Grain and oilseed	\$393,095	\$237,498
Energy	229,981	163,710

Edgar Filing: MV Oil Trust - Form 10-K

	2002	2001
Feed and farm supplies	91,138	76,570
Processed grain and oilseed	36,264	28,648
Other	9,185	4,017
	\$759,663	\$510,443

As of August 31, 2002, the Company valued approximately 26% of inventories, primarily related to energy, using the lower of cost, determined on the LIFO method, or market (28% as of August 31, 2001). If the FIFO method of accounting for these inventories had been used, inventories would have been higher than the reported amount by \$40.5 million and \$34.0 million at August 31, 2002 and 2001, respectively.

F-11

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

4. INVESTMENTS

Investments as of August 31, 2002 and 2001 are as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Cooperatives:		
CF Industries, Inc.	\$152,996	\$152,996
National Bank for Cooperatives (CoBank)	30,069	33,080
Ag Processing, Inc.	25,797	24,967
Land O Lakes, Inc.	26,232	24,604
Joint ventures:		
Ventura Foods, LLC	108,981	101,089
United Country Brands, LLC	86,175	74,457
Tacoma Export Marketing Company	8,414	11,638
Other	57,943	45,122
	\$496,607	\$467,953

In March 2000, the Company purchased an additional 10% interest in Ventura Foods, LLC, its consumer products and packaging joint venture, for \$25.6 million, of which \$13.8 million was goodwill. The Company has a 50% interest in this joint venture. The following provides summarized unaudited information for Ventura Foods, LLC, balance sheets as of August 31, 2002 and 2001 and statements of operations for the twelve months ended August 31, 2002, 2001 and 2000:

2002	2001
-------------	-------------

(dollars in thousands)

Current assets	\$171,084	\$159,062
Non-current assets	231,045	221,000
Current liabilities	133,230	114,883
Non-current liabilities	90,819	104,144
	2002	2001

(dollars in thousands)

Net sales	\$1,013,475	\$925,962	\$896,941
Gross profit	181,217	161,405	143,394
Net income	75,368	71,148	55,115

Effective January 1, 2000, CHS Cooperatives, Farmland and Land O Lakes created Agrilience, a distributor of crop nutrients, crop protection products and other agronomy inputs and services. At formation, Agrilience managed the agronomy marketing operations of CHS Cooperatives, Farmland and Land O Lakes, with the Company exchanging the right to use its agronomy operations for 26.455% of the results of the jointly managed operations.

In March 2000, the Company sold 1.455% of its economic interest in Agrilience to Land O Lakes, resulting in a gain of \$7.4 million. On July 31, 2000, the Company exchanged its ownership interest in the Cenex/Land O Lakes Agronomy Company and in Agro Distribution, LLC, with a total investment of \$64.7 million, for a 25% equity interest in Agrilience. Agrilience ownership also includes Farmland (25%) and Land O Lakes (50%). The interests of the Company and Farmland are held through equal ownership in United Country Brands, LLC, a joint venture holding company whose sole operations consist of the ownership of a 50% interest in Agrilience. Equity in the joint venture was recorded at historical carrying value of its ownership in Cenex/Land O Lakes Agronomy Company and Agro Distribution, LLC and no gain or loss was recorded on the exchange. In July 2000, Agrilience secured its own financing, which is without recourse to the Company. Also in July 2000, Agrilience purchased the net working capital related to

F-12

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. INVESTMENTS (Continued):

agronomy operations from each of its member owners, consisting primarily of trade accounts receivable and inventories, net of accounts payable.

The following provide summarized information for Agrilience balance sheets as of August 31, 2002 and 2001 and statements of operations for the years ended August 31, 2002 and 2001:

	2002	2001
	<i>(dollars in thousands)</i>	
Current assets	\$922,958	\$956,496
Non-current assets	134,247	158,107
Current liabilities	700,903	802,341

Edgar Filing: MV Oil Trust - Form 10-K

Non-current liabilities	107,960	110,964
	2002	2001

(dollars in thousands)

Net sales	\$3,625,849	\$4,072,248
Earnings from operations	57,604	50,423
Net income	47,044	25,053

The Company's contribution of its equity interest in Agriliance occurred on July 31, 2000, and as such, net sales, gross profits and net income for the one month ended August 31, 2000 have been excluded from the above summarized information of statements of operations, as they were not material.

Disclosure of the fair value of financial instruments to which the Company is a party includes estimates and assumptions which may be subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Financial instruments are carried at amounts that approximate estimated fair value. Investments in cooperatives and joint ventures have no quoted market prices and, as such, it is not practicable to estimate their fair value.

Various agreements with other owners of investee companies and a majority-owned subsidiary set out parameters whereby CHS Cooperatives may buy and sell additional interests in those companies, upon the occurrence of certain events, at fair values determinable as set forth in the specific agreements.

5. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as of August 31, 2002 and 2001 is as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Land and land improvements	\$63,045	\$55,092
Buildings	371,107	348,081
Machinery and equipment	1,470,475	1,434,598
Office and other	62,144	56,740
Construction in progress	71,540	38,723
	2,038,311	1,933,234
Less accumulated depreciation and amortization	980,890	909,362
	\$1,057,421	\$1,023,872

In January 2002, the Company formed a limited liability company (LLC) with Cargill, Incorporated to engage in wheat flour milling and processing. The Company holds a 24% interest in the entity, which is known as Horizon Milling, LLC (Horizon). The Company is leasing its

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. PROPERTY, PLANT AND EQUIPMENT (Continued):

wheat milling facilities and related equipment to Horizon under operating lease agreements. The book value of the leased milling assets at August 31, 2002 was \$104.9 million, net of accumulated depreciation of \$25.3 million.

For the years ended August 31, 2002, 2001 and 2000, the Company capitalized interest of \$2.1 million, \$1.2 million and \$2.7 million, respectively, related to long-term construction projects.

6. OTHER ASSETS

Other assets as of August 31, 2002 and 2001 are as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Goodwill	\$ 27,926	\$ 29,153
Non-compete covenants, less accumulated amortization of \$2,896 and \$1,329, respectively	11,204	1,765
Customer lists, less accumulated amortization of \$3,511 and \$1,946, respectively	8,447	8,095
Other intangible assets, less accumulated amortization of \$2,462 and \$1,513, respectively	15,795	239
Prepaid pension and other benefit assets	54,230	100,727
Deferred tax asset	50,544	44,316
Notes receivable	4,822	5,629
Other	4,354	4,534
	\$177,322	\$194,458

Intangible assets subject to amortization are amortized on a straight-line basis over the number of years that approximate their respective useful lives (ranging from 2 to 15 years). The straight-line method of amortization reflects an appropriate allocation of the cost of the intangible assets to earnings in proportion to the amount of economic benefit obtained by the Company in each reporting period. Amortization expense for the year ended August 31, 2002 was \$4.2 million. The estimated amortization expense related to intangible assets subject to amortization for the next five years will approximate \$4.0 million annually.

Through Country Energy, LLC, formerly a joint venture with Farmland, the Company marketed refined petroleum products including gasoline, diesel fuel, propane and lubricants under the Cenex brand. On November 30, 2001, the Company purchased the wholesale energy business of Farmland, as well as all interest in Country Energy, LLC. Based on estimated fair values, \$26.4 million of the purchase price was allocated to intangible assets, primarily trademarks, tradenames and non-compete agreements. The intangible assets have a weighted-average life of approximately 12 years. The Company also entered into an exclusive two-year supply agreement to purchase, at prevailing market prices, all of the refined fuels production from Farmland's Coffeyville, Kansas facility.

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt as of August 31, 2002 and 2001 consisted of the following:

	Interest Rates at August 31, 2002	2002	2001
		<i>(dollars in thousands)</i>	
Notes payable (a)(g)	2.32% to 2.78%	\$332,514	\$97,195
Long-term debt:			
Revolving term loans from cooperative and other banks, payable in installments through 2009, when the balance is due (b)(c)(g)	2.16% to 13.00%	\$254,962	\$236,611
Private placement, payable in equal installments beginning in 2008 through 2013 (d)(g)	6.81%	225,000	225,000
Private placement, payable in equal installments beginning in 2005 through 2011 (e)(g)	7.43% to 7.90%	80,000	80,000
Industrial Revenue Bonds, payable in installments through 2011 (f)	5.23% to 12.97%	7,444	12,806
Other notes and contracts	4.00% to 14.00%	4,718	5,580
		572,124	559,997
Total long-term debt			
Less current portion		89,032	17,754
		\$483,092	\$542,243
Long-term portion			

Weighted average interest rates at August 31:

	2002	2001
Short-term debt	2.58%	4.18%
Long-term debt	6.38%	6.91%

- (a) The Company finances its working capital needs through short-term lines of credit with a syndication of banks. The Company has a 364-day credit facility of \$550.0 million, all of which is committed, and of which \$332.0 million was outstanding on August 31, 2002. In addition to this short-term line of credit, the Company has a 364-day credit facility dedicated to NCRA with a syndication of banks in the amount of \$30.0 million, all of which is committed, with no amounts outstanding on August 31, 2002. Other miscellaneous notes payable totaled \$0.5 million at August 31, 2002.
- (b) The Company established a \$200.0 million five-year revolving credit facility with a syndication of banks. On August 31, 2002, the Company had an outstanding balance of \$75.0 million.

Edgar Filing: MV Oil Trust - Form 10-K

- (c) The Company established a long-term credit agreement which committed \$200.0 million of long-term borrowing capacity to the Company through May 31, 1999, of which \$164.0 million was drawn before the expiration date of that commitment. On August 31, 2002, \$144.3 million was outstanding. NCRA term loans of \$18.0 million are collateralized by NCRA's investment in CoBank.
- (d) The Company entered into a private placement with several insurance companies for long-term debt in the amount of \$225.0 million.
- (e) In January 2001, the Company entered into a note purchase and private shelf agreement with Prudential Insurance Company. A long-term note was issued for \$25.0 million. A subsequent note for \$55.0 million was issued in March 2001, related to the private shelf facility.
- (f) Industrial Revenue Bonds in the amount of \$2.7 million are collateralized by property, plant and equipment, primarily energy refinery equipment, with a cost of approximately \$152.0 million, less accumulated depreciation of approximately \$115.2 million on August 31, 2002.
- (g) Restrictive covenants under various agreements have requirements for maintenance of minimum working capital levels and other financial ratios.

The fair value of long-term debt approximates book value as of August 31, 2002 and 2001.

F-15

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. NOTES PAYABLE AND LONG-TERM DEBT (Continued):

The aggregate amount of long-term debt payable as of August 31, 2002 is as follows (dollars in thousands):

2003	\$ 89,032
2004	15,079
2005	34,511
2006	34,938
2007	41,709
Thereafter	356,855
	<hr/>
	\$572,124
	<hr/>

On October 18, 2002, the Company entered into a private placement with several insurance companies for long-term debt in the amount of \$175.0 million, which was layered into two series. The first series of \$115.0 million has an interest rate of 4.96% and will be repaid in equal semi-annual installments of approximately \$8.8 million during the years 2007 through 2013. The second series of \$60.0 million has an interest rate of 5.60% and will be repaid in equal semi-annual installments of approximately \$4.6 million during fiscal years 2012 through 2018. The proceeds were used to pay down the Company's short-term debt.

8. INCOME TAXES

As a result of the Company's by-law changes during 2001, and the by-law changes of its majority-owned subsidiary (NCRA) in 2002, to distribute patronage based on financial statement earnings (see Note 1), the statutory rate applied to the

Edgar Filing: MV Oil Trust - Form 10-K

cumulative differences between financial statement earnings and tax basis earnings, has been changed. In connection with this change the Company recorded a deferred tax benefit of \$10.9 million as of August 31, 2002 and \$34.2 million as of August 31, 2001. The \$10.9 million deferred tax benefit recorded as a result of the change in patronage distribution by NCRA as of August 31, 2002 has been offset by a \$10.9 million NCRA valuation allowance. An additional \$6.2 million of deferred tax benefit generated by NCRA was also offset by a valuation allowance.

The provision for income taxes for the years ended August 31, 2002, 2001 and 2000 is as follows:

	2002	2001	2000
		<i>(dollars in thousands)</i>	
Current	\$14,300	\$21,025	\$4,347
Deferred	(12,700)	(49,025)	(467)
Valuation allowance	17,100	2,400	
	\$18,700	\$(25,600)	\$3,880

F-16

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. INCOME TAXES (Continued):

The tax effect of temporary differences that give rise to significant portions of deferred tax assets and liabilities as of August 31, 2002 and 2001 is as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Deferred tax assets:		
Accrued expenses and valuation reserves	\$49,236	\$42,704
Postretirement health care and deferred compensation	32,671	24,842
Property, plant and equipment	11,532	9,570
Alternative minimum tax credit and patronage loss carryforward	6,993	4,540
Other	12,439	12,885
	112,871	94,541
Deferred tax liabilities:		
Pension, including minimum liability	2,635	9,536
Equity method investments	20,482	27,893
Other	730	1,314
	23,847	38,743
Deferred tax assets valuation reserve	(19,466)	(2,400)
Net deferred tax asset	\$69,558	\$53,398

As of August 31, 2002, net deferred tax assets of \$19.0 million and \$50.5 million are included in current assets and other assets, respectively (\$9.1 million and \$44.3 million, respectively, as of August 31, 2001). At August 31, 2002, NCRA recognized a valuation allowance for the entire tax benefit associated with its net deferred tax assets, as it is considered more

Edgar Filing: MV Oil Trust - Form 10-K

likely than not, based on the weight of available information, that the future tax benefits related to these items will not be realized. At August 31, 2002, NCRA's net deferred tax assets of approximately \$19.5 million were comprised of deferred tax assets of \$23.4 million and deferred tax liabilities of \$3.9 million. Deferred tax assets are comprised of basis differences related to inventories, investments, lease obligations, accrued liabilities and certain federal and state tax credits. NCRA files a separate tax return and, as such, these items must be assessed independently of the Company's deferred tax assets when determining recoverability. At August 31, 2001, NCRA also recorded a valuation allowance of \$2.4 million to account for uncertainties regarding the recoverability of certain state tax credits.

The reconciliation of the statutory federal income tax rate to the effective tax rate for the years ended August 31, 2002, 2001 and 2000 is as follows:

	2002	2001	2000
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal income tax benefit	3.9	3.9	3.9
Patronage earnings	(25.0)	(32.8)	(37.3)
Tax effect of changes in deferred patronage			4.4
Change in patronage determination	(7.5)	(22.4)	
Export activities at rates other than the U.S. statutory rate	(1.9)		
Deferred tax asset valuation allowance	11.8	1.6	
Rate changes on deferred tax assets and liabilities			(2.5)
Other	(3.4)	(2.0)	0.8
	12.9%	(16.7)%	4.3%

F-17

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. INCOME TAXES (Continued):

The principal differences between financial statement income and taxable income for the years ended August 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
		<i>(dollars in thousands)</i>	
Income before income taxes	\$144,838	\$152,954	\$91,268
Financial reporting/tax differences:			
Environmental reserves	1,939	4,453	(728)
Oil and gas activities, net	1,540	(22,230)	2,600
Energy inventory market reserves	(933)	(2,441)	(19)
Pension and compensation	(21,491)	8,981	
Investments in other entities	1,898	26,495	
Export activities	(7,141)		
Other, net	(2,291)	10,038	3,255
Patronage refund provisions	(92,900)	(128,900)	(87,400)
	\$25,459	\$49,350	\$8,976

9. EQUITIES

Edgar Filing: MV Oil Trust - Form 10-K

In accordance with the by-laws and by action of the Board of Directors, annual net savings from patronage sources are distributed to consenting patrons following the close of each year, and are based on amounts using financial statement earnings. The cash portion of the patronage distribution is determined annually by the Board of Directors, with the balance issued in the form of capital equity certificates.

Annual net savings from sources other than patronage may be added to the unallocated capital reserve or, upon action by the Board of Directors, allocated to members in the form of nonpatronage equity certificates.

Inactive direct members and patrons and active direct members and patrons age 61 and older on June 1, 1998 are eligible for redemption of their capital equity certificates at age 72 or death. For other active direct members and patrons and member cooperatives, equities will be redeemed annually as determined by the Board of Directors.

On May 31, 1997, the Company completed an offering for the sale of Equity Participation Units (EPU) in its Wheat Milling Defined Business Unit and its Oilseed Processing and Refining Defined Business Unit to qualified subscribers. Qualified subscribers were identified as Defined Members or representatives of Defined Members who were persons or associations of producers actually engaged in the production of agricultural products. Subscribers were allowed to purchase a portion of their EPUs by exchanging existing patronage certificates. The purchasers of EPUs had the right and obligation to deliver annually the number of bushels of wheat or soybeans equal to the number of units held. Unit holders participated in the net patronage-sourced income from operations of the applicable Defined Business Unit as patronage refunds. Retirements of patrons' equities attributable to EPUs, were at the discretion of the Board of Directors, and it was the Board's goal to retire such equity on a revolving basis seven years after declaration.

During 2001, the Company's Board of Directors adopted a resolution to issue, at no charge, to each Defined Member of the Oilseed Processing and Refining Defined Business Unit an additional 1/4 EPU, for each EPU held, due to increased crush volume.

In August 2001, the CHS Cooperatives Board of Directors approved and consummated a plan to end the Defined Investment Program. The Company redeemed all of the EPUs and allocated the assets of the Oilseed Processing and Refining and Wheat Milling Defined Business Units to

F-18

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. EQUITIES (Continued):

the Company as provided in the plan. The amounts redeemed to the Oilseed Processing and Refining and Wheat Milling Defined Member EPU holders were \$5.2 million and \$9.1 million, respectively. Due to loss carry-forwards incurred by the Wheat Milling Defined Business Unit, the plan also provided for the cancellation of all outstanding Preferred Capital Certificates issued to the Wheat Milling EPU holders, totaling \$0.2 million. The plan further provided to the Oilseed Processing and Refining Defined Member EPU holders for the redemption of all outstanding Preferred Capital Certificates issued of \$0.2 million and a 100% cash distribution during 2002 for the patronage refunds earned for the fiscal year ended August 31, 2001.

The Board of Directors has authorized the sale and issuance of up to 50,000,000 shares of 8% Preferred Stock at a price of \$1.00 per share. The Company filed a registration statement on Form S-2 with the Securities and Exchange Commission registering the Preferred Stock. The registration statement was declared effective on October 31, 2001 and sales of the Preferred Stock were \$9.3 million (9,325,374 shares) through August 31, 2002. Cash dividends are paid at a rate of 8% per annum per share and are fully cumulative. There is no sinking fund requirement and the Company may redeem all or any portion of the preferred stock upon 30 days written notice at \$1.00 per share. Expenses related to the issuance of the Preferred Stock were \$3.4 million through the year ended August 31, 2002 and have been included as a component of unallocated capital reserve.

Edgar Filing: MV Oil Trust - Form 10-K

The Company has various pension and other defined benefit and defined contribution plans, in which substantially all employees may participate.

Financial information on changes in benefit obligation and plan assets funded and balance sheet status as of August 31, 2002 and 2001 is as follows:

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
<i>(dollars in thousands)</i>				
Change in benefit obligation:				
Benefit obligation at beginning of period	\$253,564	\$258,059	\$22,667	\$21,439
Service cost	10,443	8,506	557	566
Interest cost	18,559	18,487	1,586	1,569
Plan participants contributions			189	
Plan amendments	2,383	6		(1,005)
Transfers	3,677	(2,387)		
Actuarial loss (gain)	2,764	(2,842)	1,716	1,902
Assumption change		2,534	638	
Settlements		643		
Benefits paid	(22,979)	(29,442)	(2,438)	(1,804)
Benefit obligation at end of period	\$268,411	\$253,564	\$24,915	\$22,667

F-19

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE BENEFIT PLANS (Continued):

	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
<i>(dollars in thousands)</i>				
Change in plan assets:				
Fair value of plan assets at beginning of period	\$ 230,121	\$ 266,896		
Actual loss on plan assets	(14,810)	(16,206)		
Company contributions	5,554	11,669	\$ 2,249	\$ 1,804
Participants contributions			189	
Net transfers	3,677	(2,796)		
Benefits paid	(22,979)	(29,442)	(2,438)	(1,804)
Fair value of plan assets at end of period	\$ 201,563	\$ 230,121	\$	\$
Funded status	\$ (66,848)	\$ (23,443)	\$ (24,915)	\$ (22,667)
Employer contributions after measurement date	31,394	1,262	269	264
Unrecognized actuarial loss (gain)	85,082	47,368	(3,505)	(6,363)
Unrecognized transition (asset)				

Edgar Filing: MV Oil Trust - Form 10-K

	Pension Benefits		Other Benefits	
obligation		(708)	10,197	11,133
Unrecognized prior service cost	10,569	9,639	(1,336)	(1,534)
Prepaid benefit cost (accrued)	\$ 60,197	\$ 34,118	\$ (19,290)	\$ (19,167)
Amounts recognized on balance sheets consist of:				
Prepaid benefit cost		\$ 43,918		
Accrued benefit liability	\$ (23,837)	(12,214)	\$ (19,290)	\$ (19,167)
Intangible asset	7,995	1,055		
Minority interests	6,195			
Accumulated other comprehensive loss	69,844	1,359		
Net amounts recognized	\$ 60,197	\$ 34,118	\$ (19,290)	\$ (19,167)

F-20

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE BENEFIT PLANS (Continued):

For measurement purposes, a 7.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended August 31, 2002. The rate was assumed to decrease gradually to 6.0% for 2004 and remain at that level thereafter. Components of net periodic benefit costs for the years ended August 31, 2002, 2001 and 2000 are as follows:

	Pension Benefits			Other Benefits		
	2002	2001	2000	2002	2001	2000
<i>(dollars in thousands)</i>						
Components of net periodic benefit cost:						
Service cost	\$ 10,443	\$ 8,506	\$ 8,777	\$ 557	\$ 566	\$ 657
Interest cost	18,559	18,487	18,058	1,586	1,569	1,470
Expected return on assets	(21,386)	(22,855)	(20,485)			
Prior service cost amortization	1,314	1,193	1,182	(197)	(131)	(77)
Actuarial loss (gain) amortization	1,387	375	(530)	(505)	(538)	(604)
Transition amount amortization	(708)	(861)	(1,120)	936	936	936
Other					(22)	
Net periodic benefit cost	\$ 9,609	\$ 4,845	\$ 5,882	\$ 2,377	\$ 2,380	\$ 2,382
Weighted-average assumptions:						
Discount rate	7.10%	7.30%	7.50%	7.10%	7.30%	7.50%
Expected return on plan assets	9.00%	9.00%	9.00%	N/A	N/A	N/A
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Edgar Filing: MV Oil Trust - Form 10-K

The aggregate projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were as follows as of August 31, 2002 and 2001:

	2002	2001
	<i>(dollars in thousands)</i>	
Projected benefit obligation	\$268,411	\$23,247
Accumulated benefit obligation	256,795	18,599
Fair value of plan assets	201,563	6,385

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage point change in the assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
	<i>(dollars in thousands)</i>	
Effect on total of service and interest cost components	\$177	\$(202)
Effect on postretirement benefit obligation	1,435	(1,210)

The Company provides defined life insurance and health care benefits for certain retired employees. The plan is contributory based on years of service and family status, with retiree contributions adjusted annually.

F-21

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. EMPLOYEE BENEFIT PLANS (Continued):

The Company has other contributory defined contribution plans covering substantially all employees. Total contributions by the Company to these plans were \$11.0 million, \$6.1 million and \$4.6 million, for the years ended August 31, 2002, 2001 and 2000, respectively.

11. SEGMENT REPORTING

The Company manages five business segments, which are based on products and services, and are Agronomy, Energy, Country Operations, Grain Marketing, and Processed Grains and Foods. Reconciling Amounts represent the elimination of sales between segments. Due to cost allocations and intersegment activity, management does not represent that these segments, if operated independently, would report the income before income taxes and other financial information as presented.

Segment information for the years ended August 31, 2002, 2001 and 2000 is as follows:

	Agronomy	Energy	Country Operations	Grain Marketing	Processed Grains and Foods	Corporate and Other	Reconciling Amounts	Total
	<i>(dollars in thousands)</i>							
For the year ended August 31, 2002:								
Net sales		\$ 2,657,689	\$ 1,474,553	\$ 3,787,322	\$ 496,084		\$ (683,781)	\$ 7,731,867
Patronage dividends	\$ (89)	458	2,572	497	260	\$ 187		3,885
Other revenues		6,392	80,789	21,902	(1,469)	1,845		109,459

Edgar Filing: MV Oil Trust - Form 10-K

	Agronomy	Energy	Country Operations	Grain Marketing	Processed Grains and Foods	Corporate and Other	Reconciling Amounts	Total
Cost of goods sold	(89)	2,664,539	1,557,914	3,809,721	494,875	2,032	(683,781)	7,845,211
Marketing, general and administrative		2,489,352	1,471,422	3,778,838	457,538		(683,781)	7,513,369
Interest	8,957	66,731	47,995	22,213	36,930	4,466		187,292
Equity (income) loss from investments	(1,403)	16,875	13,851	4,807	9,514	(1,189)		42,455
Minority interests	(13,425)	1,166	(283)	(4,257)	(41,331)	(3)		(58,133)
		14,604	786					15,390
Income (loss) before income taxes	\$ 5,782	\$ 75,811	\$ 24,143	\$ 8,120	\$ 32,224	\$ (1,242)	\$	\$ 144,838
For the year ended August 31, 2002:								
Goodwill		\$ 4,059	\$ 262		\$ 23,605			\$ 27,926
Capital expenditures		\$ 54,576	\$ 34,305	\$ 14,851	\$ 35,144	\$ 1,293		\$ 140,169
Depreciation and amortization	\$ 1,247	\$ 58,701	\$ 21,214	\$ 6,235	\$ 13,436	\$ 3,153		\$ 103,986
Total identifiable assets at August 31, 2002	\$ 242,015	\$ 1,305,828	\$ 799,711	\$ 481,232	\$ 439,942	\$ 212,999		\$ 3,481,727

F-22

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. SEGMENT REPORTING (Continued):

	Agronomy	Energy	Country Operations	Grain Marketing	Processed Grains and Foods	Corporate and Other	Reconciling Amounts	Total
<i>(dollars in thousands)</i>								
For the year ended August 31, 2001:								
Net sales		\$ 2,781,243	\$ 1,577,268	\$ 3,514,314	\$ 662,726		\$ (782,539)	\$ 7,753,012
Patronage dividends	\$ 196	712	3,683	840	339	\$ 207		5,977
Other revenues		4,036	80,479	22,964	(238)	9,013		116,254
Cost of goods sold	196	2,785,991	1,661,430	3,538,118	662,827	9,220	(782,539)	7,875,243
Marketing, general and administrative		2,549,099	1,569,884	3,514,575	619,184		(782,539)	7,470,203
Interest	8,503	48,432	53,417	22,396	44,870	6,428		184,046
Equity (income) loss from investments	(4,529)	25,097	15,695	8,144	13,026	4,003		61,436
Minority interests	(7,360)	4,081	(246)	(4,519)	(35,505)	15,055		(28,494)
		34,713	385					35,098
Income (loss) before income taxes	\$ 3,582	\$ 124,569	\$ 22,295	\$ (2,478)	\$ 21,252	\$ (16,266)	\$	\$ 152,954

Edgar Filing: MV Oil Trust - Form 10-K

	Agronomy	Energy	Country Operations	Grain Marketing	Processed Grains and Foods	Corporate and Other	Reconciling Amounts	Total
Goodwill		\$ 5,175	\$ 373		23,605			\$ 29,153
Capital expenditures		\$ 38,984	\$ 32,448	\$ 3,715	\$ 20,485	\$ 1,978		\$ 97,610
Depreciation and amortization	\$ 1,250	\$ 55,343	\$ 21,738	\$ 4,917	\$ 22,304	\$ 3,628		\$ 109,180
Total identifiable assets at August 31, 2001	\$ 230,051	\$ 1,154,036	\$ 679,053	\$ 345,696	\$ 430,871	\$ 217,612		\$ 3,057,319
For the year ended August 31, 2000:								
Net sales	\$ 808,659	\$ 2,959,622	\$ 1,409,892	\$ 3,453,807	\$ 584,052		\$ (718,182)	\$ 8,497,850
Patronage dividends	224	311	3,830	861	100	\$ 168		5,494
Other revenues	5,817	2,792	68,436	15,440	(10)	4,996		97,471
Cost of goods sold	814,700	2,962,725	1,482,158	3,470,108	584,142	5,164	(718,182)	8,600,815
Marketing, general and administrative	764,744	2,862,715	1,404,120	3,439,863	547,234		(718,182)	8,300,494
Interest	20,832	43,332	44,136	21,412	21,462	4,092		155,266
Equity loss (income) from investments	(3,512)	27,926	12,782	8,701	9,851	1,818		57,566
Minority interests	4,336	(856)	(1,007)	(6,452)	(24,367)	21		(28,325)
Income (loss) before income taxes	24,443	24,443	103					24,546
Income (loss) before income taxes	\$ 28,300	\$ 5,165	\$ 22,024	\$ 6,584	\$ 29,962	\$ (767)	\$	\$ 91,268
Capital expenditures		\$ 65,017	\$ 38,514	\$ 12,096	\$ 36,494	\$ 1,675		\$ 153,796
Depreciation and amortization	\$ 106	\$ 52,017	\$ 21,717	\$ 3,803	\$ 11,440	\$ 3,616		\$ 92,699

F-23

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMITMENTS AND CONTINGENCIES

Environmental:

The Company is required to comply with various environmental laws and regulations incidental to its normal business operations. In order to meet its compliance requirements, the Company establishes reserves for the future costs of remediation of identified issues, which are included in cost of goods sold in the consolidated statements of operations. Additional costs for matters, which may be identified in the future, cannot be presently determined. The resolution of any such matters may have an impact on the Company's consolidated financial results for a particular reporting period; however, management believes any such matters will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

In connection with certain refinery upgrades and enhancements that are necessary in order to comply with existing environmental regulations, the Company expects to incur additional capital expenditures of approximately \$340 million in

Edgar Filing: MV Oil Trust - Form 10-K

relation to these projects over the next four years, primarily at the NCRA refinery. The Company anticipates funding these projects with a combination of cash flows from operations and additional indebtedness.

Other Litigation and Claims:

The Company is involved as a defendant in various lawsuits, claims and disputes which are in the normal course of the Company's business. The resolution of any such matters may have an impact on the Company's consolidated financial results for a particular reporting period; however, management believes any resulting liability will not have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

Grain Storage:

As of August 31, 2002 and 2001, the Company stored grain and processed grain products for third parties totaling \$148.0 million and \$177.0 million, respectively. Such stored commodities and products are not the property of the Company and therefore are not included in the Company's inventories.

Guarantees:

The Company is a guarantor for lines of credit for related companies totaling up to \$86.2 million, of which \$45.1 million was outstanding as of August 31, 2002. All outstanding loans with respective creditors are current as of August 31, 2002.

Lease Commitments:

The Company leases approximately 1,700 rail cars with remaining lease terms of one to 10 years. In addition, the Company has commitments under other operating leases for various refinery, manufacturing and transportation equipment, vehicles and office space. Some leases include purchase options at not less than fair market value at the end of the leases.

Total rental expense for all operating leases, net of rail car mileage credits received from the railroad and sublease income was \$30.2 million, \$35.5 million and \$38.0 million for the years ended August 31, 2002, 2001 and 2000, respectively. Mileage credits and sublease income were \$9.5 million, \$11.0 million and \$10.6 million for the years ended August 31, 2002, 2001 and 2000, respectively.

F-24

CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. COMMITMENTS AND CONTINGENCIES (Continued):

Minimum future lease payments, required under noncancellable operating leases as of August 31, 2002, are as follows:

	Rail Cars	Vehicles	Equipment and Other	Total
	<i>(dollars in thousands)</i>			
2003	\$ 9,100	\$ 9,436	\$14,417	\$32,953
2004	7,091	6,992	10,116	24,199
2005	5,525	5,183	5,286	15,994
2006	2,018	3,321	3,561	8,900
2007	1,042	1,657	2,433	5,132
Thereafter	4,025	255	515	4,795

Edgar Filing: MV Oil Trust - Form 10-K

Total minimum future lease payments	\$28,801	\$26,844	\$36,328	\$91,973
-------------------------------------	----------	----------	----------	----------

13. SUPPLEMENTAL CASH FLOW AND OTHER INFORMATION

Additional information concerning supplemental disclosures of cash flow activities for the years ended August 31, 2002, 2001 and 2000 is as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	<i>(dollars in thousands)</i>		
Net cash paid during the period for:			
Interest	\$44,231	\$ 63,034	\$57,062
Income taxes	27,965	11,709	3,785
Other significant noncash transactions:			
(Distributions)/contributions of inventories of minority interests		(54,399)	54,399
Capital equity certificates issued in exchange for elevator properties	1,842	5,481	7,921
Equity Participation Units issued		1,045	
Accrual of patronage dividends and equity retirements payable	(56,510)	(72,154)	(43,694)
Other comprehensive (loss) income	(49,982)	512	(1,257)

14. RELATED PARTIES TRANSACTIONS

As of August 31, 2002, the Company had related party transactions, which consisted of sales of \$550.0 million, purchases of \$502.4 million, receivables of \$21.2 million and payables of \$18.3 million with its equity investees. These related party transactions were primarily with Agriliance, CF Industries, Inc., Horizon Milling, Tacoma Export Marketing Company and Ventura Foods, LLC.

F-25

**CENEX HARVEST STATES COOPERATIVES AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

15. COMPREHENSIVE INCOME

The components of comprehensive income for the years ended August 31, 2002, 2001 and 2000 are as follows:

	<u>2002</u>	<u>2001</u>	<u>2000</u>
	<i>(dollars in thousands)</i>		
Net income	\$126,138	\$178,554	\$87,388
Additional minimum pension liability, net of taxes	(48,797)	(15)	153
Financial instruments, net of taxes	(548)	527	(1,410)
Cash flow hedges, net of taxes	(637)		
Comprehensive income	\$76,156	\$179,066	\$86,131

Edgar Filing: MV Oil Trust - Form 10-K

The components of accumulated other comprehensive loss as of August 31, 2002 and 2001 are as follows:

	2002	2001
	<i>(dollars in thousands)</i>	
Additional minimum pension liability, net of taxes	\$50,051	\$1,254
Financial instruments, net of taxes	1,209	661
Cash flow hedges, net of taxes	637	
Accumulated other comprehensive loss	\$51,897	\$1,915

F-26

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Members and Patrons of
Cenex Harvest States Cooperatives:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of equities and comprehensive income and of cash flows present fairly, in all material respects, the financial position of Cenex Harvest States Cooperatives and subsidiaries as of August 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2002, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PRICEWATERHOUSECOOPERS LLP
October 18, 2002
Minneapolis, Minnesota

F-27

3,000,000 Shares

**Cenex Harvest States Cooperatives
8% Cumulative Redeemable Preferred Stock**

PROSPECTUS

CO-LEAD MANAGERS

D. A. Davidson & Co.

U. S. Bancorp Piper Jaffray

Fahnestock & Co. Inc.

January 27, 2003