

BP PRUDHOE BAY ROYALTY TRUST

Form 10-Q

August 09, 2005

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**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from _____ to _____

Commission file number 1-10243

BP PRUDHOE BAY ROYALTY TRUST

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

13-6943724

(I.R.S. Employer
Identification No.)

The Bank of New York, 101 Barclay Street, New York, NY

(Address of Principal Executive Offices)

10286

(Zip Code)

Registrant's Telephone Number, Including Area Code: (212) 815-2492

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 9, 2005, 21,400,000 Units of Beneficial Interest were outstanding.

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**PART I
FINANCIAL INFORMATION**

Item 1. Financial Statements

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BP Prudhoe Bay Royalty Trust
Statement of Assets, Liabilities and Trust Corpus
(Prepared on a modified basis of cash receipts and disbursements)
(Unaudited)
(In thousands, except unit data)

| | June 30, 2005 | December 31, 2004 |
|--|--------------------------|----------------------------------|
| Assets | | |
| Royalty Interest, net (Notes 1, 2, and 3) | \$11,047 | \$ 12,051 |
| Cash and cash equivalents (Note 2) | 996 | 1,001 |
| | | |
| Total Assets | \$12,043 | \$ 13,052 |
| Liabilities and Trust Corpus | | |
| Accrued expenses | \$ 408 | \$ 171 |
| Trust Corpus (40,000,000 units of beneficial interest authorized, 21,400,000 units issued and outstanding) | 11,635 | 12,881 |
| | | |
| Total Liabilities and Trust Corpus | \$12,043 | \$ 13,052 |
| See accompanying notes to financial statements (unaudited). | | |
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BP Prudhoe Bay Royalty Trust
Statements of Cash Earnings and Distributions
(Prepared on a modified basis of cash receipts and disbursements)
(Unaudited)
(In thousands, except unit data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|------------|------------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Royalty revenues | \$ 33,413 | \$ 18,342 | \$ 66,610 | \$ 33,001 |
| Interest income | 9 | 3 | 14 | 5 |
| Less: Trust administrative expenses | (367) | (324) | (518) | (540) |
| Cash earnings | \$ 33,055 | \$ 18,021 | \$ 66,106 | \$ 32,466 |
| Cash distributions | \$ 33,060 | \$ 18,109 | \$ 66,111 | \$ 32,452 |
| Cash distributions per unit | \$ 1.5449 | \$ 0.8462 | \$ 3.0893 | \$ 1.5164 |
| Units outstanding | 21,400,000 | 21,400,000 | 21,400,000 | 21,400,000 |

See accompanying notes to financial statements (unaudited).

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BP Prudhoe Bay Royalty Trust
Statements of Changes in Trust Corpus
(Prepared on a modified basis of cash receipts and disbursements)
(Unaudited)
(In thousands)

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|-------------|-------------------------|-------------|
| | June 30, | | June 30, | |
| | 2005 | 2004 | 2005 | 2004 |
| Trust Corpus at beginning of period | \$ 12,171 | \$ 14,295 | \$ 12,881 | \$ 14,730 |
| Cash earnings | 33,055 | 18,021 | 66,106 | 32,466 |
| (Increase) decrease in accrued expenses | (29) | 117 | (237) | 82 |
| Cash distributions | (33,060) | (18,109) | (66,111) | (32,452) |
| Amortization of Royalty Interest | (502) | (502) | (1,004) | (1,004) |
| | | | | |
| Trust Corpus at end of period | \$ 11,635 | \$ 13,822 | \$ 11,635 | \$ 13,822 |

See accompanying notes to financial statements (unaudited).

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BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
June 30, 2005

(1) Formation of the Trust and Organization

BP Prudhoe Bay Royalty Trust (the Trust), a grantor trust, was created as a Delaware business trust pursuant to a Trust Agreement dated February 28, 1989 among The Standard Oil Company (Standard Oil), BP Exploration (Alaska) Inc. (the Company), The Bank of New York (the Trustee) and The Bank of New York (Delaware), as co-trustee (the Trust Agreement). Standard Oil and the Company are indirect wholly owned subsidiaries of the BP p.l.c. (BP). On February 28, 1989, Standard Oil conveyed an overriding royalty interest (the Royalty Interest) to the Trust. The Trust was formed for the sole purpose of owning and administering the Royalty Interest. The Royalty Interest represents the right to receive, effective February 28, 1989, a per barrel royalty (the Per Barrel Royalty) of 16.4246% on the lesser of (a) the first 90,000 barrels of the average actual daily net production of oil and condensate per quarter or (b) the average actual daily net production of oil and condensate per quarter from the Company's working interest as of February 28, 1989 in the oil and gas unit situated on the North Slope of Alaska (the Prudhoe Bay Unit). Trust Unit holders will remain subject at all times to the risk that production will be interrupted or discontinued or fall, on average, below 90,000 barrels per day in any quarter. BP has guaranteed the performance of the Company of its payment obligations with respect to the Royalty Interest.

The trustees of the Trust are The Bank of New York, a New York corporation authorized to do a banking business, and The Bank of New York (Delaware), a Delaware banking corporation. The Bank of New York (Delaware) serves as co-trustee in order to satisfy certain requirements of the Delaware Trust Act. The Bank of New York alone is able to exercise the rights and powers granted to the Trustee in the Trust Agreement.

The Per Barrel Royalty in effect for any day is equal to the price of West Texas Intermediate crude oil (the WTI Price) for that day less scheduled Chargeable Costs (adjusted in certain situations for inflation) and Production Taxes (based on statutory rates then in existence). For years subsequent to 2006, Chargeable Costs will be reduced up to a maximum amount of \$1.20 per barrel in each year if additions to proved reserves allocated to the Prudhoe Bay Unit as of December 31, 1987 do not meet certain specific levels.

The Trust is passive, with the Trustee having only such powers as are necessary for the collection and distribution of revenues, the payment of Trust liabilities, and the protection of the Royalty Interest. The Trustee, subject to certain conditions, is obligated to establish cash reserves and borrow funds to pay liabilities of the Trust when they become due. The Trustee may sell Trust properties only (a) as authorized by a vote of the Trust Unit Holders, (b) when necessary to provide for the payment of specific liabilities of the Trust then due (subject to certain conditions) or (c) upon termination of the Trust. Each Trust Unit issued and outstanding represents an equal undivided share of beneficial interest in the Trust. Royalty payments are received by the Trust and distributed to Trust Unit Holders, net of Trust

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BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
June 30, 2005

expenses, in the month succeeding the end of each calendar quarter. The Trust will terminate upon the first to occur of the following events:

- a. On or prior to December 31, 2010: upon a vote of Trust Unit Holders of not less than 70% of the outstanding Trust Units.
- b. After December 31, 2010: (i) upon a vote of Trust Unit Holders of not less than 60% of the outstanding Trust Units, or (ii) at such time the net revenues from the Royalty Interest for two successive years commencing after 2010 are less than \$1,000,000 per year (unless the net revenues during such period are materially and adversely affected by certain events).

In order to ensure the Trust has the ability to pay future expenses, the Trust established a cash reserve account which the Trustee believes is sufficient to pay approximately one year's current and expected liabilities and expenses of the Trust.

(2) Basis of Accounting

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

- a. Revenues are recorded when received (generally within 15 days of the end of the preceding quarter) and distributions to Trust Unit Holders are recorded when paid.
- b. Trust expenses (which include accounting, engineering, legal, and other professional fees, trustees' fees, and out-of-pocket expenses) are recorded on an accrual basis.
- c. Cash reserves may be established by the Trustee for certain contingencies that would not be recorded under generally accepted accounting principles.
- d. Amortization of the Royalty Interest is calculated based on the units of production method. Such amortization is charged directly to the Trust Corpus, and does not affect cash earnings. The daily rate for amortization per net equivalent barrel of oil for the three months ended June 30, 2005 and 2004 was \$0.37 and \$0.37, respectively, and for the six months ended June 30, 2005 and 2004 it was \$0.38 and \$0.37, respectively. The Trust evaluates impairment of the Royalty Interest by comparing the undiscounted cash flows expected to be realized from the Royalty Interest to the carrying value, pursuant to Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. If the expected future undiscounted cash flows are less than the carrying value, the Trust recognizes an impairment loss for the difference between the carrying value and the estimated fair value of the Royalty Interest.

This comprehensive basis of accounting other than generally accepted accounting principles corresponds to the accounting permitted for royalty trusts by the Securities and Exchange

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BP Prudhoe Bay Royalty Trust
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June 30, 2005

Commission, as specified in the Codification of Staff Accounting Bulletins, Topic 12:E, Financial Statements Of Royalty Trusts.

Most accounting pronouncements apply to entities whose financial statements are prepared in accordance with generally accepted accounting principles, directing such entities to accrue or defer revenues and expenses in a period other than when such revenues were received or expenses were paid. Because the Trust's financial statements are prepared on the modified cash basis, as described above, most accounting pronouncements are not applicable to the Trust's financial statements.

As of June 30, 2005 and December 31, 2004, cash equivalents which represent the cash reserve consist of US treasury bills with an initial term of less than three months.

Estimates and assumptions are required to be made regarding assets, liabilities and changes in Trust Corpus resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ, and the differences could be material.

The financial statements should be read in conjunction with the financial statements and related notes in the Trust's 2004 Annual Report on Form 10-K. The cash earnings and distributions for the interim period presented are not necessarily indicative of the results to be expected for the full year.

(3) Royalty Interest

The Royalty Interest is comprised of the following at June 30, 2005 and December 31, 2004 (in thousands):

| | June 30, 2005 | December 31, 2004 |
|---------------------------------|--------------------------|------------------------------|
| Royalty Interest (at inception) | \$ 535,000 | \$ 535,000 |
| Less :Accumulated amortization | (350,435) | (349,431) |
| Impairment write-down | (173,518) | (173,518) |
| | | |
| Balance, end of period | \$ 11,047 | \$ 12,051 |

(4) Income Taxes

The Trust files its federal tax return as a grantor trust subject to the provisions of subpart E of Part I of Subchapter J of the Internal Revenue Code of 1986, as amended, rather than as an association taxable as a corporation. The Trust Unit Holders are treated as the owners of

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BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
June 30, 2005

Trust income and Corpus, and the entire taxable income of the Trust will be reported by the Trust Unit Holders on their respective tax returns.

If the Trust were determined to be an association taxable as a corporation, it would be treated as an entity taxable as a corporation on the taxable income from the Royalty Interest, the Trust Unit Holders would be treated as shareholders, and distributions to Trust Unit Holders would not be deductible in computing the Trust's tax liability as an association.

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

Cautionary Statement

The Trustee, its officers or its agents on behalf of the Trustee may, from time to time, make forward-looking statements (other than statements of historical fact). When used herein, the words anticipates, expects, believes, intends or projects and similar expressions are intended to identify forward-looking statements. To the extent that any forward-looking statements are made, the Trustee is unable to predict future changes in oil prices, oil production levels, economic activity, legislation and regulation, and certain changes in expenses of the Trust. In addition, the Trust's future results of operations and other forward looking statements contained in this item and elsewhere in this report involve a number of risks and uncertainties. As a result of variations in such factors, actual results may differ materially from any forward looking statements. Some of these factors are described below. The Trustee disclaims any obligation to update forward looking statements and all such forward-looking statements in this document are expressly qualified in their entirety by the cautionary statements in this paragraph.

Liquidity and Capital Resources

The Trust is a passive entity, and the Trustee's activities are limited to collecting and distributing the revenues from the Royalty Interest and paying liabilities and expenses of the Trust. Generally, the Trust has no source of liquidity and no capital resources other than the revenue attributable to the Royalty Interest that it receives from time to time. See the discussion under THE ROYALTY INTEREST in Part I, Item 1 of the Trust's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (the Annual Report) for a description of the calculation of the Per Barrel Royalty, and the discussion under THE PRUDHOE BAY UNIT Reserve Estimates and INDEPENDENT OIL AND GAS CONSULTANTS REPORT in Part I, Item 1 of the Annual Report for information concerning the estimated future net revenues of the Trust. However, the Trustee has a limited power to borrow, establish a cash reserve, or dispose of all or part of the Trust Estate, under limited circumstances pursuant to the terms of the Trust Agreement. See the discussion under THE TRUST in Part I, Item 1 of the Annual Report.

In 1999, due to declines in oil prices during the fourth quarter of 1998 and the first quarter of 1999, which resulted in the Trust not receiving cash distributions for two quarters, the Trustee established a \$1,000,000 cash reserve to provide liquidity to the Trust during any future periods in which the Trust does not receive a distribution. The Trustee will draw funds from the cash reserve account during any quarter in which the quarterly distribution received by the Trust does not exceed the liabilities and expenses of the Trust, and will replenish the reserve from future quarterly distributions, if any. The Trustee anticipates that it will keep this cash reserve program in place until termination of the Trust.

Amounts set aside for the cash reserve are invested by the Trustee in U.S. government or agency securities secured by the full faith and credit of the United States. Interest income received by the Trust from the investment of the reserve fund is added to the distributions received from the Company and paid to the holders of Units on each Quarterly Record Date.

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As discussed under **CERTAIN TAX CONSIDERATIONS** in Part I, Item 1 of the Annual Report, amounts received by the Trust as quarterly distributions are income to the holders of the Units, (as are any earnings on investment of the cash reserve) and must be reported by the holders of the Units, even if such amounts are used to repay borrowings or replenish the cash reserve and are not received by the holders of the Units.

Results of Operations

Relatively modest changes in oil prices significantly affect the Trust's revenues and results of operations. Crude oil prices are subject to significant changes in response to fluctuations in the domestic and world supply and demand and other market conditions as well as the world political situation as it affects OPEC and other producing countries. The effect of changing economic conditions on the demand and supply for energy throughout the world and future prices of oil cannot be accurately projected.

Royalty revenues are generally received on the fifteenth day of the month following the end of the calendar quarter in which the related Royalty Production occurred (the Quarterly Record Date). The Trustee, to the extent possible, pays all accrued expenses of the Trust on the Quarterly Record Date on which the revenues for the quarter are received. For the statement of cash earnings and distributions, revenues and Trust expenses are recorded on a modified cash basis and, as a result, royalties paid to the Trust and distributions to Unit holders in the quarters ended June 30, 2005 and 2004 are attributable to the Company's operations during the quarters ended March 31, 2005 and 2004, respectively. The following tables shows the factors which were employed to compute the Per Barrel Royalty payments received by the Trust during the first two quarters of 2005 and 2004 (see Note 1 of Notes to Financial Statements in Part I, Item 1). The information in the table has been furnished by the Company.

SECOND QUARTER ROYALTY PAYMENTS 2005 AND 2004

| | Royalty Production 2005 | 3 months ended 3/31 2004 |
|---------------------------|------------------------------------|-------------------------------------|
| Average WTI Price | \$ 49.69 | \$ 35.18 |
| Chargeable Costs | \$ 12.25 | \$ 12.00 |
| Cost Adjustment Factor | 1.477 | 1.434 |
| Adjusted Chargeable Costs | \$ 18.09 | \$ 17.20 |
| Production Taxes | \$ 6.49 | \$ 4.34 |
| | \$ 24.58 | \$ 21.54 |
| Per Barrel Royalty | \$ 25.12 | \$ 13.64 |

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| | Royalty Production 2004 | 3 months ended 12/31 2003 |
|---------------------------|------------------------------------|--------------------------------------|
| Average WTI Price | \$ 48.35 | \$ 31.23 |
| Chargeable Costs | \$ 12.00 | \$ 11.75 |
| Cost Adjustment Factor | 1.471 | 1.421 |
| Adjusted Chargeable Costs | \$ 17.65 | \$ 16.69 |
| Production Taxes | \$ 6.29 | \$ 3.76 |
| | \$ 23.94 | \$ 20.45 |
| Per Barrel Royalty | \$ 24.41 | \$ 10.78 |

As long as the Company's average daily net production from the Prudhoe Bay Unit exceeds 90,000 barrels, which the Company currently projects will continue until the year 2013, the only factors affecting the Trust's revenues and distributions to Unit holders are changes in WTI Prices, scheduled annual increases in Chargeable Costs, changes in the Consumer Price Index, changes in Production Taxes and changes in the expenses of the Trust.

See the discussion under "THE ROYALTY INTEREST" in Part I, Item 1 of the Annual Report for a description of the calculation of the Per Barrel Royalty.

Quarter Ended June 30, 2005 Compared to

Quarter Ended June 30, 2004

As explained above, Trust royalty revenues received during the second quarter of the fiscal year are based on Royalty Production during the first quarter of the fiscal year. Royalty revenues received by the Trust in the quarter ended June 30, 2005 increased 82.2% from the revenues received in the corresponding quarter of 2004, due to a 41.3% period-to-period increase in the Average WTI Price from \$35.18 during the quarter ended March 31, 2004 to \$49.69 during the quarter ended March 31, 2005. A 14% increase in Adjustable Chargeable Costs and Production Taxes from \$21.54 to \$24.58 was due principally to a 49.5% increase in Production Taxes, and partially offset the effect of the increase in the Average WTI Price.

Six Months Ended June 30, 2005 Compared to

Six Months Ended June 30, 2004

Trust royalty revenues increased 101.8% in the six months ended June 30, 2005 from the corresponding period in 2004, reflecting the cumulative effect of the increase in second quarter revenues described above and a 126.5% increase in revenues during the first quarter of 2005 from the first quarter of 2004. The increase resulted from a 54.8% period-to-period increase in the Average WTI Price, from \$31.23 during the quarter ended December 31, 2003 to \$48.25 during the quarter ended December 31, 2004. A 17% increase in Adjustable Chargeable Costs and Production Taxes from \$20.45 to \$23.94 was due principally to an increase in Chargeable Costs, from \$11.75 in 2003 to \$12.00 in 2004, and partially offset the increase in the Per Barrel Royalty. Average WTI Prices have continued an uninterrupted upward trend during recent fiscal periods; however, the increases in Average WTI Prices have been partially offset by period-to-period increases in Adjustable Chargeable Costs and Production Taxes.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Trust is a passive entity and except for the Trust's ability to borrow money as necessary to pay liabilities of the Trust that cannot be paid out of cash on hand, the Trust is prohibited from engaging in borrowing transactions. The Trust periodically holds short-term investments acquired with funds held by the Trust pending distribution to Unit holders and funds held in reserve for the payment of Trust expenses and liabilities. Because of the short-term nature of these investments and limitations on the types of investments which may be held by the Trust, the Trust is not subject to any material interest rate risk. The Trust does not engage in transactions in foreign currencies which could expose the Trust or Unit holders to any foreign currency related market risk or invest in derivative financial instruments. It has no foreign operations and holds no long-term debt instruments.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Trustee has controls and other procedures that are designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. These controls and procedures include but are not limited to controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated to the responsible trust officers of the Trustee to allow timely decisions regarding required disclosure.

As of the end of period covered by this report, the trust officers of the Trustee responsible for the administration of the Trust conducted an evaluation of the Trust's disclosure controls and procedures. These officers concluded that the disclosure controls and procedures are effective, but are subject to certain inherent limitations resulting from the limited powers granted to, and the limited duties assumed by, the Trustee in the Trust Agreement and the Overriding Royalty Conveyance dated February 27, 1989 from the Company to Standard Oil and the Trust Conveyance dated February 28, 1989 from Standard Oil to the Trust (collectively, the Conveyance), the instruments which govern the operation of the Trust. The governing instruments give the Trustee no responsibility for the operation of the Prudhoe Bay Unit or authority over the Company, Standard Oil or BP. Under the terms of the Conveyance, however, the Company has various disclosure and reporting obligations, including those summarized below.

The Conveyance requires the Company to provide the Trust with the following information and reports:

1. Such information concerning the Royalty Interest as the Trustee may need and to which the Company has access to permit the Trust to comply with any reporting or disclosure obligations of the Trust pursuant to applicable law and the requirements of any stock exchange on which the Units are issued.
2. A report by February 28 of each year containing all information of a nature, of a standard and in a form consistent with the requirements of the SEC respecting the inclusion of

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reserve and reserve valuation information in filings under the Exchange Act and with applicable accounting rules. The report is required to set forth, among other things, the Company's estimates of future net cash flows from proved reserves attributable to the Royalty Interest, the discounted present value of such proved reserves, the assumptions utilized in arriving at the estimates contained in the report, and the estimate of the quantities of proved reserves (including reductions of proved reserves as a result of modification of the Company's estimates of proved reserves from prior years) added to the total proved reserves allocated to the Subject Leases as of December 31, 1987 during the preceding year. (See THE ROYALTY INTEREST Chargeable Costs in Part I, Item 1 of the Annual Report.)

3. At least 12 days prior to each Quarterly Record Date, information as to the amount to be paid to the Trust on the next Quarterly Record Date.
4. A royalty statement within five working days after the end of each calendar quarter consisting of a computation, supported by data required to perform the computation, of the amount to be paid to the Trust at the next Quarterly Record Date.

In addition, the Conveyance gives the Trust and its independent accountants certain rights to inspect the books and records of the Company and discuss the affairs, finances and accounts of the Company relating to the leases subject to the Conveyance with representatives of the Company; it also requires the Company to provide the Trust with such other information as the Trustee may reasonably request from time to time and to which the Company has access. The Trustee's disclosure controls and procedures include ensuring that it receives on a timely basis the information and reports provided by the Company, that the appropriate responsible personnel of the Trustee examine such information and reports and that information requested from and provided by the Company is included in the reports that the Trust files or submits under the Exchange Act. However, the Trustee does not have the means to evaluate the accuracy or completeness of the information and reports supplied by the Company, nor does it have the power to ensure that information concerning the Prudhoe Bay Unit and the leases subject to the Conveyance which is not specifically required by the Conveyance, but that might be considered material by the holders of the Units, is supplied to the Trustee by the Company.

Internal Control Over Financial Reporting

There has not been any change in the Trust's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during the Trust's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Trust's internal control over financial reporting.

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**PART II
OTHER INFORMATION**

Item 1. Legal Proceedings.

None.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

(a) In July 2005 the Trust received a cash distribution of \$37,357,219 from the Company with respect to the quarter ended June 30, 2005. On July 19, 2005, after adding interest income received from investment of the cash reserve and deducting Trust administrative expenses, the Trustee distributed \$36,971,241 (approximately \$1.73 per Unit) to Unit holders of record on July 15, 2005 (Form 8-K, Item 8.01).

(b) Not applicable.

Item 6. Exhibits.

- 4.1 BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 among The Standard Oil Company, BP Exploration (Alaska) Inc., The Bank of New York, Trustee, and F. James Hutchinson, Co-Trustee.
- 4.2 Overriding Royalty Conveyance dated February 27, 1989 between BP Exploration (Alaska) Inc. and The Standard Oil Company.
- 4.3 Trust Conveyance dated February 28, 1989 between The Standard Oil Company and BP Prudhoe Bay Royalty Trust.
- 4.4 Support Agreement dated as of February 28, 1989 among The British Petroleum Company p.l.c., BP Exploration (Alaska) Inc., The Standard Oil Company and BP Prudhoe Bay Royalty Trust.
- 31 Rule 13a-14(a)/15d-14(a) Certification.
- 32 Section 1350 Certification.

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SIGNATURE

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

BP PRUDHOE BAY ROYALTY TRUST

By: THE BANK OF NEW YORK,
as Trustee

By: /s/ Ming J. Ryan

Ming J. Ryan
Vice President

Date: August 9, 2005

The registrant is a trust and has no officers or persons performing similar functions. No additional signatures are available and none have been provided.

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INDEX TO EXHIBITS

| Exhibit No. | Exhibit Description |
|------------------------|--|
| *4.1 | BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 among The Standard Oil Company, BP Exploration (Alaska) Inc., The Bank of New York, Trustee, and F. James Hutchinson, Co-Trustee. |
| *4.2 | Overriding Royalty Conveyance dated February 27, 1989 between BP Exploration (Alaska) Inc. and The Standard Oil Company. |
| *4.3 | Trust Conveyance dated February 28, 1989 between The Standard Oil Company and BP Prudhoe Bay Royalty Trust. |
| *4.4 | Support Agreement dated as of February 28, 1989 among The British Petroleum Company p.l.c., BP Exploration (Alaska) Inc., The Standard Oil Company and BP Prudhoe Bay Royalty Trust. |
| 31. | Rule 13a-14(a)/15d-14(a) Certification. |
| 32 | Section 1350 Certification. |
| * | Incorporated by reference to the correspondingly numbered exhibit to the registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (Commission File No. 1-10243). |