

New Concept Energy, Inc.  
Form 10-K  
April 01, 2019

---

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 5(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the Year ended December 31, 2018  
OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number 000-08187

**NEW CONCEPT ENERGY, INC.**

(Exact name of registrant as specified in its charter)

**Nevada** 75-2399477

(State or other jurisdiction of

(IRS Employer Identification Number)

Incorporation or organization)

**1603 LBJ Freeway, Suite 750**

**Dallas, Texas** 75234

(Address of principal executive offices) (Zip Code)

**Registrant's Telephone Number including area code (972) 407-8400**

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

Title of Each Class	Name of each exchange on which registered
<b>Common Stock, \$0.01 par value</b>	<b>NYSE American</b>

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

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

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

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** [X]

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** [X] **No** [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website if any, every interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) **Yes** [X] **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. [X]

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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  X

The aggregate market value of the shares of voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the closing price at which the common equity was last sold which was the sales

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

price of the Common Stock on the NYSE American as of June 30, 2018 (the last business day of the Registrant's most recently completed second fiscal quarter) was \$8,216,000 based upon a total of 1,946,935 shares held as of June 30, 2018 by persons believed to be non-affiliates of the Registrant. The basis of the calculation does not constitute a determination by the Registrant as defined in Rule 405 of the Securities Act of 1933, as amended, such calculation, if made as of a date within sixty days of this filing, would yield a different value.

As of March 29, 2019 there were 5,131,934 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: NONE

**NEW CONCEPT ENERGY, INC.**

Index to Annual Report on Form 10-K

Fiscal year ended December 31, 2018

Forward-Looking Statements	3
<b>PART I</b>	<b>3</b>
<u>Item 1. Business</u>	3
<u>Item 1A. Risk Factors</u>	5
<u>Item 1B. Unresolved Staff Comments</u>	5
<u>Item 2. Properties</u>	5
<u>Item 3. Legal Proceedings</u>	8
<u>Item 4. Mine Safety Disclosures</u>	8
<b>PART II</b>	<b>8</b>
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	8
<u>Item 6. Selected Financial Data</u>	9
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation</u>	9
<u>Item 7a: Quantitative And Qualitative Disclosures About Market Risk</u>	12
<u>Item 8. Financial Statements</u>	12
<u>Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure</u>	12
<u>Item 9a. Controls and Procedures</u>	12
<u>Item 9b. Other Information</u>	13
<b>PART III</b>	<b>13</b>
<u>Item 10. Directors, Executive Officers and Corporate Governance</u>	13
<u>Item 11. Executive Compensation</u>	15
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	17
<u>Item 13. Certain Relationships and Related Transactions, and Director Independence</u>	18
<u>Item 14. Principal Accounting Fees and Services</u>	18
<b>PART IV</b>	<b>20</b>
<u>Item 15. Exhibits and Financial Statement Schedules</u>	20
<u>SIGNATURES</u>	40

**NEW CONCEPT ENERGY, INC.**

**Forward-Looking Statements**

**Certain statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. The words “estimate”, “plan”, “intend”, “expect”, “anticipate”, “and believe” and similar expressions are intended to identify forward-looking statements. These forward-looking statements are found at various places throughout this Report and in the documents incorporated herein by reference. New Concept Energy, Inc. disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that our expectations are based upon reasonable assumptions, we can give no assurance that our goals will be achieved. Important factors that could cause our actual results to differ from estimates or projections contained in any forward-looking statements are described under Item 1A. Risk Factors beginning on page 5.**

**PART I**

**Item 1. Business**

**New Concept Energy, Inc.** (“New Concept”, “NCE” or the “Company” or “we” or “us”) was incorporated in Nevada on May 31, 1991, under the name Medical Resource Companies of America, Inc. The Company is the successor-by-merger to Wespac Investors Trust, a California business trust that began operating in 1982. On March 26, 1996, the name was changed to Greenbriar Corporation. On February 8, 2005, the name of the Company was changed to CabelTel International Corporation. On May 21, 2008, the name of the company was changed to New Concept Energy, Inc.

**Recent Stock Issuance; Change in Control**

Following its Annual Meeting of Stockholders, held on October 10, 2018, and approval of such action by the stockholders and the NYSE American, the Company, on December 4, 2018, issued an additional 3,000,000 shares of Common Stock to Realty Advisors, Inc. (“**RAI**”) a related party, for cash of \$4,500,000 to increase stockholders’ equity by \$4,440,000 after issuance costs. The issuance of 3,000,000 shares of Common Stock resulted in a change in control of the Company, as RAI now owns approximately 59.6% of the outstanding Common Stock. As Gene S. Bertcher is an officer of the Company and of RAI, RAI is deemed to be an “Affiliate” (as defined in Rule 405 under the Securities Act of 1933, as amended). The issuance of the 3,000,000 shares of Common Stock to RAI increased the total number

of shares issued and outstanding to 5,131,935 shares. From the proceeds of sale of the Common Stock, \$4,000,000, were loaned to American Realty Investors, Inc., a Nevada corporation (“**ARL**”) a related party, which has its shares of Common Stock listed and traded on the NYSE on a short-term basis, maturing September 30, 2019, at an interest rate of 6% per annum, which interest rate is believed by management to be in excess of the amount and rate of interest that would be available from other sources. The Company anticipates utilizing such funds in the future for drilling expenses, acquisitions and working capital.

## **Oil and Gas Operations**

The Company, through its wholly owned subsidiaries Mountaineer State Energy, Inc. and Mountaineer State Operations, LLC, owns and operates oil and gas wells and mineral leases in Athens and Meigs Counties in Ohio and in Calhoun, Jackson and Roane Counties in West Virginia. The majority of our oil & gas operation was acquired through the acquisition of the Carl E. Smith Companies in 2008.

As of December 31, 2018 the Company has 153 producing wells, 44 non-producing wells and related equipment and mineral leases covering approximately 20,000 acres.

## **Business Strategy**

The Company is a Nevada corporation which owns and operates oil and gas wells in Ohio and West Virginia.

The Company intends to continue to pursue acquisition of undervalued or distressed oil and gas related businesses, as well as additional acquisitions of oil and gas leases. The Company may choose to develop or resell the acquired acreage as management deems most beneficial to the Company. The Company’s strategy is dependent on available financing as well as the market price for oil and gas.

## **Insurance**

The Company currently maintains property and liability insurance intended to cover claims in its oil and gas operations, retirement community and corporate operations. The provision of personal services entails an inherent risk of liability compared to more institutional long-term care communities. The Company also carries property insurance on each of its owned and leased properties, as appropriate.

## **Employees**

At December 31, 2018, the Company employed the services of 6 people with the remainder of the work contracted to third parties. The Company believes it maintains good relationships with its employees. None of the Company's employees are represented by a collective bargaining group.

The Company's operations are subject to the Fair Labor Standards Act. Many of the Company's employees are paid at rates related to the minimum wage and any increase in the minimum wage will result in an increase in labor costs.

Management is not aware of any non-compliance by the Company as regards applicable regulatory requirements that would have a material adverse effect on the Company's financial condition or results of operations.

## **Quality Assurance**

*Energy Philosophy* – The Company is committed to the preservation and enhancement of the environment in which we operate. We are philosophically and operationally focused to continually prioritize the sensitivity of our ecological system in which we develop resources for our generation as well as our children's. Management's legacy is to prove that the energy industry can develop the earth's natural resources with clean and efficient technologies while preserving its fragile beauty. Our technologies directly and significantly reduce the impact of our operations on nature and wildlife by minimizing surface disturbance.

*Regular Property Inspections* – Property inspections are conducted by corporate personnel. These inspections cover the appearance of the exterior and grounds, the appearance and cleanliness of the interior, the professionalism and friendliness of staff and notes on maintenance.

## **Marketing**

The Company sells its oil and natural gas production to a limited number of purchasers. While there is an available market for crude oil and natural gas production, we cannot be assured that the loss of these purchasers would not have a material impact on the Company. Further a reduction in the market price for oil and gas will have a negative effect on the Company's financial position.

## **Government Regulation**

Management is not aware of any non-compliance by the Company of applicable regulatory requirements that would have a material adverse effect on the Company's financial condition or results of operations.

## **Competition**

The oil and natural gas industry is highly competitive. We encounter strong competition from other independent operators and from major oil companies in acquiring properties, contracting for drilling equipment and securing trained personnel. Many of these competitors have financial and technical resources and personnel substantially larger than ours. As a result, our competitors may be able to pay more for desirable leases, or to evaluate, bid for and purchase a greater number of properties or prospects than our financial or personnel resources will permit.

We are also affected by competition for drilling rigs and the availability of related equipment. In the past, the oil and natural gas industry has experienced shortages of drilling rigs, equipment, pipe and personnel, which has delayed development drilling and other exploitation activities and has caused significant price increases. We are unable to predict when, or if, such shortages may again occur or how they would affect our development and exploitation program.

Competition is also strong for attractive oil and natural gas producing properties, undeveloped leases and drilling rights, and we cannot assure you that we will be able to compete satisfactorily. Many large oil companies have been actively marketing some of their existing producing properties for sale to independent producers. We regularly evaluate acquisition opportunities and submit bids as part of our growth strategy.



## Available Information

The Company maintains an internet website at [www.newconceptenergy.com](http://www.newconceptenergy.com). The Company has available through the website, free of charge, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, reports filed pursuant to Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act") and amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the Securities and Exchange Commission. In addition, the Company has posted the charters for our Audit Committee, Compensation Committee and Governance and Nominating Committee, as well as our Code of Business Conduct and Ethics, Corporate Governance Guidelines on Director Independence and other information on the website. These charters and principles are not incorporated in this Report by reference. The Company will also provide a copy of these documents free of charge to stockholders upon request. The Company issues Annual Reports containing audited financial statements to its common stockholders.

## Item 1A. Risk Factors

### Risks Related to the Company

An investment in our securities involves various risks. An investor should carefully consider the following risk factors in conjunction with the other information in this report before trading our securities.

*The oil & gas industry is highly competitive.* Competition for leasehold interests, subcontractors and qualified employees are keen and we are competing against companies that are larger, more experienced and better capitalized than we are.

*The oil & gas industry faces exposure from changes in oil and gas prices due to market fluctuations beyond the Company's control.*

*Our governing documents contain anti-takeover provisions that may make it more difficult for a third party to acquire control of us.* Our Articles of Incorporation contain provisions designed to discourage attempts to acquire control of the Company by a merger, tender offer, proxy contest or removal of incumbent management without the approval of our Board of Directors. As a result, a transaction which otherwise might appear to be in your best interests as a stockholder could be delayed, deferred or prevented altogether, and you may be deprived of an opportunity to receive a premium for your shares over prevailing market rates. The provisions contained in our Articles of Incorporation include:

the requirement of an 80% vote to make, adopt, alter, amend, change or repeal our Bylaws or certain key provisions of the Articles of Incorporation that embody, among other things, the anti-takeover provisions;

the so-called business combination “control act” requirements involving the Company and a person that beneficially owns 10% or more of the outstanding common stock except under certain circumstances; and

the requirement of holders of at least 80% of the outstanding Common Stock to join together to request a special meeting of stockholders.

### **Item 1B. Unresolved Staff Comments**

Not applicable.

### **Item 2. Properties**

The Company’s principal offices are located at 1603 LBJ Freeway Suite 750, Dallas, Texas 75234. The Company believes this space is presently suitable, fully utilized and will be adequate for the foreseeable future.

### **Oil and Gas**

#### Reserve Estimation

The Company’s producing properties have been in production for over 20 years. Because individual well production volumes were not available, composite production decline curves were constructed for each of the five counties in

which these wells are located. All five composite decline curves exhibit well-established production decline trends. After reviewing

5

all available information, it was determined that the most reliable method of estimating the Proved Developed Producing Reserves was by extrapolation of the existing production decline trends to the economic limit of production.

Undeveloped Reserves were estimated by analogy to currently producing wells in the various areas producing from the same formations.

The Company's reserve reports are prepared by independent petroleum engineers. The process used to control the information provided to the independent petroleum engineers includes an initial compilation of production data by experienced senior management personal in the Company's field office. This data is independently reviewed by appropriate personal in the Company's corporate office prior to being submitted to the independent petroleum engineer. The submitted data is ultimately compared to the final reserve report and then agreed to the financial statement disclosures prepared by the Company.

The Company uses the petroleum engineering firm of Lee Keeling and Associates, Inc. to prepare its reserve estimates and future net revenues from its oil and gas properties. The work is performed by a registered professional engineer who is a member of the Society of Petroleum Engineers.

According to our independent reserve engineering firm, Lee Keeling & Associates, Inc. as of December 31, 2018, our Proved Reserves in Ohio and West Virginia were approximately 180,000 Mcf of natural gas and 27,541 Bbls of oil. In addition the Company has probable and possible reserves of 2,088,117 Mcf of natural gas. As of December 31, 2018, the related PV-10 of our total Reserves was approximately \$2.9 million from Ohio & West Virginia.

## **Additional Oil and Gas Information**

### **Production**

2018 – 130, 000 Mcf of natural gas and 4, 200 Bbls of oil

2017 – 178, 000 Mcf of natural gas and 5, 100 Bbls of oil

2016 – 155, 000 Mcf of natural gas and 4, 200 Bbls of oil

**Average sales price per unit**

2018 - \$2.91 per Mcf and \$61.46 per Bbls

2017 - \$3.81 per Mcf and \$46.96 per Bbls

2016 - \$4.23 per Mcf and \$41.58 per Bbls

**Productive wells**

2018 – 153

2017 – 153

2016 – 153

Developed acreage – approximately 20,000 acres

Drilling activity – The Company acquired the operations in Ohio and West Virginia in October 2008 and has, for the most part, focused on improving production from wells. Since the acquisition the Company has drilled 15 wells.

**Development plan**

In September 2008, the Company through its acquisition of Carl E. Smith, Inc. (now known as Mountaineer State Energy, Inc.) acquired 20,000 acres of mineral rights in Ohio and West Virginia. The 20,000 acres are both surrounded and interspersed of hundreds of existing wells of which 138 producing wells were owned by the Company and other non-related entities owned the rest of such wells. The entire area has pipelines in place and decades of

information regarding reserves.

In connection with the acquisition, the Company formulated a development plan to rework existing wells, to improve production using modern technology, and to follow up with the drilling of new wells. The Company's plan is to use the current knowledge of the area and new technologies available to both rework its existing wells and drill new wells.

6

The decision as to whether to rework existing wells or and or drill new wells is based upon a number of factors including available financing and the market price for both oil and gas. During the last several years the Company has suspended expansion activity for its existing acreage until the price for both oil and gas stabilizes. The Company has evaluated its possible and probable reserves and intends to drill what it anticipate to be four wells during 2019 and 2020 as an anticipated cost of \$370,000 per well.

## Oil & Gas Reserves

The following table presents our estimated Oil & Gas Reserves as of December 31, 2018. These estimates correspond with the method used in presenting the “Supplemental Information on Oil and Gas Operations” in Note L to our consolidated financial statements included in this report.

	Gas (MMCF)	Oil (MBBLS)
Oil & Gas Reserves		
U.S. Onshore		
Proved Producing	180	28
Probable	1566	-
Possible	522	-
Total Oil & Gas Reserves	2,268	28

## Well Statistics

The following table sets forth our wells (all natural gas) as of December 31, 2018.

Wells	
Gross Net	
(1)	(2)

U.S. Onshore		
Producing	153	148
Non-Producing	44	44
Total wells	197	192

(1) Gross wells are the sum of all wells in which we own an interest.

(2) Net wells are gross wells multiplied by our fractional working interests on the well.

### Acreage Statistics

The following table sets forth our developed and undeveloped oil and gas lease and mineral acreage as of December 31, 2018.

	Acres	
	Gross (1)	Net (2)
U. S Onshore		
Developed	19,375	19,375
Undeveloped	-	-
Total Acreage	19,375	19,375

(1) Gross acres are the sum of all acres in which we own an interest.

(2) Net acres are gross acres multiplied by our fractional working interests on the acreage.

(3) Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together

with proved reserves are as likely as not to be recovered.

(4) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves



### Item 3. Legal Proceedings

#### Carlton Litigation

Since December 2006, Carlton Energy Group, LLC (“Carlton”), an individual, Eurenergy Resources Corporation (“Eurenergy”) and several other entities, including New Concept Energy, Inc., which was then known as CabelTel International Corporation (the “Company”), have been involved in contentious litigation alleging tortious conduct, breach of contract and other matters and, as to the Company, that it was the alter ego of Eurenergy. The Carlton claims were based upon an alleged tortious interference with a contract by the individual and Eurenergy related to the right to explore a coal bed methane concession in Bulgaria which had never (and has not to this day) produced any hydrocarbons. At no time during the pendency of this project or since did the Company or any of its officers or directors have any interest whatsoever in the success or failure of the so-called “Bulgaria Project.” However, in the litigation Carlton alleged that the Company was the alter ego of certain of the other defendants, including Eurenergy.

Following a jury trial in 2009, the Trial Court (295<sup>th</sup> District Court of Harris County, Texas) cross appeals were filed by Carlton, the individual and Eurenergy to the Court of Appeals for the First District of Texas (the “Court of Appeals”), which, in February 2012, rendered an opinion. The Company and the other defendants filed a Petition for Review of the Court of Appeals’ Opinion with the Supreme Court of the State of Texas. On May 8, 2015, the Supreme Court of Texas affirmed, in part, and reversed, in part, the Court of Appeals’ judgment, remanding the case to the Court of Appeals for further proceedings. On remand, the Court of Appeals reinstated a verdict on damages in the amount of \$31.16 million against the individual and Eurenergy.

During August 2017, the parties to the litigation reached an arrangement, the final terms of which will not be determined until the outcome of another appeal to the Supreme Court. Under the terms of the arrangement, the Company should have no financial responsibility to Carlton, nor should any potential final outcome materially adversely affect the Company, in management’s opinion.

#### Other

The Company has been named as a defendant in other lawsuits in the ordinary course of business. Management is of the opinion that these lawsuits will not have a material effect on the financial condition, results of operations or cash flows of the Company.

**Item 4. Mine Safety Disclosures**

Not Applicable

**PART II**

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Market Information**

The common stock of the Company is listed and traded on the NYSE American using the symbol “GBR”. The following table sets forth the high and low sales prices as reported in the reporting system of the NYSE American and other published financial sources

	<b>2018</b>		<b>2017</b>	
	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>
First Quarter	\$2.45	\$1.26	\$2.70	\$1.02
Second Quarter	\$4.75	\$1.23	\$2.10	\$1.32
Third Quarter	\$6.25	\$1.91	\$1.54	\$1.38
Fourth Quarter	\$2.96	\$1.36	\$1.74	\$1.20

On March 26, 2019 the closing price of the Company's Common Stock was \$1.85 per share. According to the Transfer Agent's records, at March 31, 2018 the Company's Common Stock was held by approximately 2,600 holders of record.

## **Dividends**

The Company paid no dividends on its Common Stock in 2018 or 2017. The Company has not paid cash dividends on its Common stock during at least the last ten fiscal years and it has been the policy of the Board of Directors of the Company to retain all earnings to pay down debt and finance future expansion and development of its businesses. The payment of dividends, if any, will be determined by the Board of Directors in the future in light of conditions then existing, including the Company's financial condition and requirements, future prospects, restrictions in financing agreements, business conditions and other factors deemed relevant by the Board of Directors.

## **Purchases of Equity Securities**

The Board of Directors has not authorized the repurchase of any shares of its Common Stock under any share repurchase program, except when stockholders owning less than one round lot (100 shares) so request, the Company will purchase shares at market closing on the last trading day prior to receipt of the certificate(s). The Company repurchased no shares during 2018.

## **Item 6. Selected Financial Data**

The selected consolidated financial data presented below are derived from the Company's audited financial statements.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation**

**Overview**

The Company, through its wholly owned subsidiaries Mountaineer State Energy, Inc. and Mountaineer State Operations, LLC, owns and operates oil and gas wells and mineral leases in Athens and Meigs Counties in Ohio and in Calhoun, Jackson and Roane Counties in West Virginia. The majority of our oil & gas operation was acquired through the acquisition of the Carl E. Smith Companies in 2008.

As of December 31, 2018 the Company has 153 producing gas wells, 44 non-producing wells and related equipment and mineral leases covering approximately 20,000 acres.

## **Critical Accounting Policies and Estimates**

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Certain of the Company's accounting policies require the application of judgment in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments and estimates are based upon the Company's historical experience, current trends and information available from other sources that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the following critical accounting policies are more significant to the judgments and estimates used in the preparation of its consolidated financial statements. Revisions in such estimates are recorded in the period in which the facts that give rise to the revisions become known.

### **Oil and Gas Property Accounting**

The Company uses the full cost method of accounting for its investment in oil and natural gas properties. Under this method of accounting, all costs of acquisition, exploration and development of oil and natural gas properties (including such costs as leasehold acquisition costs, geological expenditures, dry hole costs, tangible and intangible development costs and direct internal costs) are capitalized as the cost of oil and natural gas properties when incurred.

The full cost method requires the Company to calculate quarterly, by cost center, a "ceiling," or limitation on the amount of properties that can be capitalized on the balance sheet. To the extent capitalized costs of oil and natural gas properties, less accumulated depletion and related deferred taxes exceed the sum of the discounted future net revenues of proved oil and natural gas reserves, the lower of cost or estimated fair value of unproved properties subject to amortization, the cost of properties not being amortized, and the related tax amounts, such excess capitalized costs are charged to expense. Beginning December 31, 2009, full cost companies use the unweighted arithmetic average first day of the month price for oil and natural gas for the 12-month period preceding the calculation date to calculate the future net revenues of reserves.

The Company assesses any unproved oil and gas properties on an annual basis for possible impairment or reduction in value. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of proved reserves; and the economic viability of development if proved reserves are assigned. During any period in which these factors indicate an impairment of unproved properties not subject to amortization, the associated costs incurred to date for

such properties are then included in unproved properties subject to amortization.

## **Oil and Gas Reserves**

Our oil and gas reserves are estimated by independent petroleum engineers. Reserve engineering is a subjective process that is dependent upon the quality of available data and the interpretation thereof, including evaluations and extrapolations of well flow rates and reservoir pressure. Estimates by different engineers often vary, sometimes significantly. In addition, physical factors such as the results of drilling, testing and production subsequent to the date of an estimate, as well as economic factors such as changes in product prices, may justify revision of such estimates. Because reserves are required to be estimated using prices at the date of the evaluation, estimated reserve quantities can be significantly impacted by changes in product prices.

Depreciation, depletion and amortization (“DD&A”) of producing properties is computed on the unit-of-production method based on estimated oil and gas reserves. While total DD&A expense for the life of a property is limited to the property’s total cost, reserve revisions result in a change in timing of when DD&A expense is recognized. Downward revisions of reserves result in an acceleration of DD&A expense, while upward revisions tend to lower the rate of DD&A expense recognition.

The standardized measure of discounted future net cash flows and changes in such cash flows are prepared using assumptions required by the Financial Accounting Standards Board and the Securities and Exchange Commission. Such assumptions include using average annual oil and gas prices and year-end costs for estimated future development and production expenditures. Discounted future net cash flows are calculated using a 10% rate. Changes in any of these assumptions could have a significant impact on the standardized measure. Accordingly, the standardized measure does not represent management’s estimated current market value of reserves.

The Company’s allowance for doubtful accounts receivable and notes receivable is based on an analysis of the risk of loss on specific accounts. The analysis places particular emphasis on past due accounts. Management considers such information as the nature and age of the receivable, the payment history of the tenant, customer or other debtor and the financial condition of the

tenant or other debtor. Management's estimate of the required allowance, which is reviewed on a quarterly basis, is subject to revision as these factors change.

### **Deferred Tax Assets**

Significant management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The future recoverability of the Company's net deferred tax assets is dependent upon the generation of future taxable income prior to the expiration of the loss carry forwards. At December 31, 2018, the Company had a deferred tax asset due to tax deductions available to it in future years. However, as management could not determine that it was more likely than not that the benefit of the deferred tax asset would be realized, a 100% valuation allowance was established.

### **Liquidity and Capital Resources**

At December 31, 2018, the Company had current assets of \$4,496,000 (largely due to the sale of 3,000,000 shares of common stock on December 4, 2018) and current liabilities of \$150,000.

Cash and cash equivalents totaled \$361,000 at December 31, 2018 and \$419,000 at December 31, 2017. New Concept's principal sources of cash are property operations, sales of oil and gas, and proceeds from sales of assets.

Net cash provided (used) by continuing operating activities was (\$637,000), in 2018, \$202,000 in 2017 and (\$314,000) in 2016.

Net cash provided (used) in investing activities was (\$3,960,000) in 2018, \$14,000 in 2017 and \$686,000 in 2016.

Net cash provided (used) in financing activities was \$4,539,000 in 2018, \$90,000 in 2017 and (\$732,000) in 2016.

### **Results of Operations**

**Fiscal 2018 as compared to 2017**

*Revenues:* Total revenues from the oil & gas operation was \$682,000 in 2018 and \$791,000 in 2017. The decrease was due to the rate the Company received for the sale of its natural gas during 2018.

*Operating Expenses:* Operating expenses for continuing oil & gas operations was \$844,000 in 2018 and \$1,027,000 in 2017. This decrease was principally due to a reduction of depreciation and depletion expense of \$73,000. The remaining decrease was the result of an overall reduction in operating expenses.

In 2017 pursuant to the requirements of the “full cost ceiling test” for oil & gas companies we recorded a non-cash charge to operations of \$2.6 million to write down its investment in Ohio and West Virginia. This charge to earnings was caused by a revaluation of the Company’s non-producing oil and gas reserves.

*Corporate Expenses* were \$353,000 in 2018 and \$408,000 in 2017. The decrease was principally due to a reduction in payroll expenses.

*Interest Expense:* Interest Expense was \$18,000 in 2018 as compared to \$24,000 in 2017. The decrease was due to a reduction in the long term debt.

**Fiscal 2017 as compared to 2016**

*Revenues:* Total revenues from the oil & gas operation was \$791,000 in 2017 and \$764,000 in 2016. Net revenue for our oil and gas operation increased by \$27,000 in 2017 as compared to 2016. Included in 2016 revenue is a onetime fee of \$30,000. The increase in revenue in 2017 was principally due to an increase in the quantity of oil and gas produced.

*Operating Expenses:* Operating expenses for continuing oil & gas operations was \$1,027,000 in 2017 and \$1,181,000 in 2016. This decrease of \$154,000 was principally due to a reduction of depreciation and depletion expense of \$174,000. The remaining increase was the result of an overall reduction in operating expenses.

In 2017 pursuant to the requirements of the “full cost ceiling test” for oil & gas companies we recorded a non-cash charge to operations of \$2.6 million to write down its investment in Ohio and West Virginia. This charge to earnings was caused by a revaluation of the Company’s non-producing oil and gas reserves.





*Corporate Expenses* were \$408,000 in 2017 and \$352,000 in 2016. The increase is due to an overall increase in operating expenses.

*Interest Expense:* Interest Expense was \$24,000 in 2017 as compared to \$38,000 in 2016. The decrease was due to a reduction in the long term debt.

*Gain on Prepayment of Debt:* In 2016 the Company settled a long term debt that was generated from the purchase of the oil and gas operation in 2008. The settlement resulted in a gain of \$888,000.

*Other Income & (Expense):* Other income & (expense) was \$28,000 for 2017 as compared to (\$110,000) in 2016. In 2017 the most significant item was the receipt of \$64,000 for a receivable the Company had previously written off. The expenses in 2016 were principally the write off assets pertaining to the termination of the lease at the retirement center.

#### **Item 7a: Quantitative and Qualitative Disclosures about Market Risk**

All of the Company's debt is financed at fixed rates of interest. Therefore, the Company has minimal risk from exposure to changes in interest rates.

#### **Item 8. Financial Statements**

The consolidated financial statements required by this Item begin at page 24 of this Report.

#### **Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

#### **Item 9A. Controls and Procedures**

## **Evaluation of Disclosure Controls and Procedures**

Based on an evaluation by our management (with the participation of our Principal Executive Officer and Principal Financial Officer), as of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) were effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures.

There has been no change in our internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Management’s Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. There are inherent limitations to the effectiveness of any system of internal control over financial reporting. These limitations include the possibility of human error, the circumvention or overriding of the system and reasonable resource constraints. Because of its inherent limitations, our internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting. In making this assessment, management used the criteria set forth in *Internal Control - Integrated Framework -2013* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on management’s assessments and those criteria, management has concluded that Company’s internal control over financial reporting was effective as of December 31, 2018.

This annual report does not include an attestation report of the Company’s registered public accounting firm regarding internal control over financial report. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management’s report in this annual report.



## **Changes in Internal Control over Financial Reporting**

In preparation for management's report on internal control over financial reporting, we documented and tested the design and operating effectiveness of our internal control over financial reporting. There were no changes in our internal controls over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information**

Not applicable.

## **PART III**

## **Item 10. Directors, Executive Officers and Corporate Governance**

### **Directors**

The affairs of the Company are managed by the Board of Directors. The directors are elected at the Annual Meeting of Stockholders or appointed by the incumbent Board and serve until the next Annual Meeting of Stockholders, until a successor has been elected or approved, or until earlier resignation, removal or death.

It is the Board's objective that a majority of the Board consists of independent directors. For a director to be considered "independent", the Board must determine that the director does not have any direct or indirect material relationship with the Company. The Board has established guidelines to assist it in determining director independence, which conform to, or are more exacting than, the independence requirements in the American Stock

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

Exchange listing rules. The independence guidelines are set forth in the Company's "Corporate Governance Guidelines". The text of this document has been posted on the Company's internet website at <http://www.newconceptenergy.com>, and is available in print to any stockholder who requests it. In addition to applying these guidelines, the Board will consider all relevant facts and circumstances in making an independent determination.

The Company has adopted a code of conduct that applies to all directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Stockholders may find our Code of Conduct on our internet website address at <http://www.newconceptenergy.com>. We will post any amendments to the Code of Conduct as well as any waivers that are required to be disclosed by the rules of the SEC or the NYSE AMERICAN on our website.

Our Board of Directors has adopted charters for our Audit, Compensation and Governance and Nominating Committees of the Board of Directors. Stockholders may find these documents on our website by going to the website address <http://www.newconceptenergy.com>. Stockholders may also obtain a printed copy of the materials referred to by contacting us at the following address:

New Concept Energy, Inc.

Attn: Investor Relations

1603 LBJ Freeway, Suite 750

Dallas, Texas 75234

972-407-8400 (Telephone)

The Audit Committee of the Board of Directors is an "audit committee" for the purposes of Section 3(a) (58) of the Exchange Act. The members of that Committee are Dan Locklear (Chairman), Raymond D. Roberts, and Victor L. Lund. Mr. Locklear is qualified as an "audit committee financial expert" within the meaning of SEC regulations and the Board has determined that he has the accounting and related financial management expertise within the meaning of the listing standards of the NYSE American. All of the members of the Audit Committee meet the independence and experience requirements of the listing standards of the NYSE American.

All members of the Audit Committee, Compensation Committee and the Governance and Nominating Committee must be independent directors. Members of the Audit Committee must also satisfy additional independence requirements which provide (i) that they may not accept, directly or indirectly, any consulting, advisory or compensatory fee from the Company or any of its subsidiaries other than their director's compensation (other than in their capacity as a member of the Audit Committee, the Board of Directors or any other Committee of the Board), and

(ii) no member of the Audit Committee may be an “affiliated person” of the Company or any of its subsidiaries, as defined by the Securities and Exchange Commission.

The current directors of the Company are listed below, together with their ages, terms of service, all positions and offices with the Company, their principal occupations, business experience and directorships with other companies during the last five years or more. The designation “affiliated”, when used below with respect to a director, means that the director is an officer or employee of the Company or one of its subsidiaries. The designation “independent”, when used below with respect to a director, means that the director is neither an officer of the Company nor a director, officer or employee of a subsidiary of the Company, although the Company may have certain business or professional relationships with the director as discussed in Item 13. Certain Relationships and Related Transactions. No family relationship exists between any executive officer and any of the directors of the company.

**Raymond D. Roberts, age 87, (Independent) Director since June 2015**

Mr. Roberts is recently retired. For more than the past five years, he has been Director of Aviation of Stellar Aviation, Inc., a privately held Nevada Corporation, engaged in the business of aircraft (Boeing 737) and logistical management. Mr. Roberts is also a director of American Realty Investors, Inc. (“ARL”), Transcontinental Realty Investors, Inc. (“TCI”) and Income Opportunity Realty Investors, Inc. (IOR”) ARL and TCI common stock are listed and traded on the New York Stock Exchange and IOR common stock is listed and traded on the NYSE American Exchange. Mr. Roberts was also elected as a member of the Governance and Nominating Committee of the Board of Directors of the Registrant.

**Gene S. Bertcher, age 70, (Affiliated) Director November 1989 to September 1996 and since June 1999**

Mr. Bertcher was elected President and Chief Financial Officer effective November 1, 2004. He was elected Chairman and Chief Executive Officer in December 2006. Mr. Bertcher has been Chief Financial Officer and Treasurer of the Company since November 1989 and Executive Vice President from November 1989 until he was elected President. Also, Mr. Bertcher is Executive Vice-President and Chief Financial Officer of American Realty Investors, Inc. and Transcontinental Realty Investors, Inc., both of which are traded on the NYSE. In addition Mr. Bertcher is Executive Vice-President and Chief Financial Officer Income Opportunity Realty Investors, Inc. which is traded on the NYSE American exchange, positions he has occupied since February 2008. He has been a certified public accountant since 1973. Mr. Bertcher is also an officer of Realty Advisors, Inc., and Pillar Income Asset Management, Inc.

**Dan Locklear, age 65, (Independent) Director since December 2003**



Mr. Locklear has been Chief Financial Officer of Sunridge Management Group, a real estate management company, for more than five years. Mr. Locklear was formerly employed by Johnstown Management Company, Inc. and Trammel Crow Company. Mr. Locklear has been a certified public accountant since 1981 and a licensed real estate broker in the State of Texas since 1978.

**Victor L. Lund, age 89, (Independent) Director since March 1996**

Mr. Lund founded Wedgwood Retirement Inns, Inc. (“Wedgwood”) in 1977, which became a wholly owned subsidiary of the Company in 1996. For most of Wedgwood’s existence, Mr. Lund was Chairman of the Board, President and Chief Executive Officer, positions he held until Wedgwood was acquired by the Company.

**Cecilia Maynard, age 67, Director since January 2019**

Ms. Maynard was employed by Pillar Income Asset Management, Inc. (“Pillar”) from January 2011 through December 31, 2018. Pillar is a Nevada corporation which provides management services to other entities. Ms. Maynard has also (since May 31, 2018) been a director, Vice President and Secretary of First Equity Properties, Inc., a Nevada corporation, the common stock of which is registered under Section 12(g) of the Securities Exchange Act of 1934.

**Board Committees**

The Board of Directors held six meetings during 2018. For such year, no incumbent director attended fewer than 75% of the aggregate of (i) the total number of meetings held by the Board during the period for which he or she had been a director, and (ii) the total number of meetings held by all Committees of the Board on which he or she served during the period that he or she served.

The Board of Directors has standing Audit, Compensation and Governance and Nominating Committees. The Audit Committee was formed on December 12, 2003, and its function is to review the Company’s operating and accounting procedures. A Charter of the Audit Committee has been adopted by the Board. The current members of the Audit Committee, all of whom are independent within the SEC regulations, the listing standards of the NYSE American and the Company’s Corporate Governance Guidelines are Messrs. Locklear (Chairman), Roberts and Lund. Mr. Dan Locklear is qualified as an Audit Committee financial expert within the meaning of SEC regulations, and the Board has determined that he has the accounting and related financial management expertise within the meaning of the listing standards of the NYSE American. The Audit Committee met four times in 2018.

The Governance and Nominating Committee is responsible for developing and implementing policies and practices relating to the corporate governance, including reviewing and monitoring implementation of the Company's Corporate Governance Guidelines. In addition, the Committee develops and reviews background information on candidates for the Board and makes recommendations to the Board regarding such candidates. The Committee also prepares and supervises the Board's annual review of director independence and the Board's performance and self-evaluation. The Charter of the Governance and Nominating Committee was adopted on October 20, 2004. The members of the Committee are Messrs. Lund (Chairman), Roberts and Ms. Maynard. The Governance and Nominating Committee met twice in 2018.

The Board has also formed a Compensation Committee of the Board of Directors, adopted a Charter for the Compensation Committee on October 20, 2004, and selected Mr. Roberts (Chairman) and Messrs. Locklear and Ms. Maynard as members of that Committee. The Compensation Committee met twice in 2018.

The members of the Board of Directors at the date of this Report and the Committees of the Board on which they serve are identified below:

<b>Director</b>	<b>Audit Committee</b>	<b>Governance and Nominating Committee</b>	<b>Compensation Committee</b>
Raymond D Roberts			Chairman
Gene S. Bertcher			
Cecilia Maynard			
Dan Locklear	Chairman		
Victor L. Lund		Chairman	

### **Executive Officers**

The following person currently serves as the sole executive officer of the Company: Gene S. Bertcher, Chairman of the Board, President, Chief Executive Officer and Treasurer. His position with the Company is not subject to a vote of stockholders. His age, term of service and all positions and offices with the Company, other principal occupations, business experience and directorships with other companies during the last five years or more are listed under the caption "Directors" above.

In addition to the foregoing officers, the Company has other officers not listed herein who are not considered executive officers.

## **Code of Ethics**

The Board of Directors has adopted a code of ethics entitled “Code of Business Conduct and Ethics” that applies to all directors, officers and employees of the Company and its subsidiaries. In addition, the Company has adopted a code of ethics entitled “Code of Ethics for Senior Financial Officers” that applies to the principal executive officer, president, principal financial officer, chief financial officer, principal accounting officer and controller. The text of these documents is posted on the Company’s internet website address at <http://www.newconceptenergy.com> and is available in print to any stockholder who requests them.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon a review of Forms 3, 4 and 5 furnished to the Company pursuant to Rule 16a-3(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”), upon written representations received by the Company, the Company is not aware of any failure by any director, officer or beneficial owner of more than 10% of the Company’s common stock to file with the Securities and Exchange Commission on a timely basis.

## **Item 11. Executive Compensation**

The following tables set forth the compensation in all categories paid by the Company for services rendered during the fiscal years ended December 31, 2018, 2017 and 2016 by the Chief Executive Officer of the Company and to the other executive officers and Directors of the Company whose total annual salary in 2018 exceeded \$50,000.

**SUMMARY COMPENSATION TABLE**

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Awards</b>	<b>Stock Awards</b>	<b>Option Awards</b>	<b>Non- Equity Incentive Plan Compen- sation</b>	<b>Change in Pension Value and Nonqualified Deferred Compensation</b>	<b>All Other Compen- sation</b>	<b>Total</b>
Gene S. Bertcher (1) Chairman, President & Chief Financial Officer	2017	\$ 56,500								\$ 56,500
	2016	\$ 53,650								\$ 53,650
	2015	\$107,300								\$107,300

(1) The salary in the above table represents Mr. Bertcher's compensation paid by the Company; he also receives additional compensation for services to three other publicly traded entities which are unrelated to the Company.

**GRANTS OF PLAN-BASED AWARDS**

None

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

None

**OPTION EXERCISES AND STOCK VESTED**

**None**

**PENSION BENEFITS**

**None**

**NONQUALIFIED DEFERRED COMPENSATION**

**None**

16

**DIRECTOR COMPENSATION**

Name	Fees Earned Or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Value and Nonqualified Deferred Compensation	All Other Compensation	Total
Gene S. Bertcher	\$ —						\$ —
Raymond D Roberts	\$10,500						\$10,500
Dan Locklear	\$10,500						\$10,500
Victor L. Lund	\$10,500						\$10,500

**MANAGEMENT AND CERTAIN SECURITY HOLDERS**

None

**Compensation of Directors**

The Company pays each non-employee director a fee of \$2,500 per year, plus a meeting fee of \$2,000 for each board meeting attended. Employee directors serve without compensation.

**Item 12. Security Ownership of Certain Beneficial Owners**

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

The following table sets forth the ownership of the Company's Common Stock, both beneficially and of record, both individually and in the aggregate, for those persons or entities known by the Company to be the beneficial owners of more than 5% of its outstanding Common Stock as of the close of business on March 29, 2018.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Approximate Percent of Class *</b>
Realty Advisors, Inc.	\$3,060,000	59.63%

based on 5,131,934 shares outstanding at March 29, 2019.

**Security Ownership of Management**

The following table sets forth the ownership of the Company's Common Stock, both beneficially and of record, both individually and in the aggregate for the directors and executive officers of the Company, as of the close of business on March 29, 2019.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership*</b>	<b>Approximate Percent of Class**</b>
Gene S. Bertcher(1)	-	0%
Raymond Roberts	-	0%
Dan Locklear	-	0%
Victor L. Lund	-	0%
All directors and executive officers as a group (4 people)	-	0%

(1) Mr. Bertcher is also the officer of Realty Advisors, Inc; he disclaims any beneficial ownership of any of the

3,060,000 shares owned by Realty Advisors, Inc.

17



\* Beneficial Ownership means the sole or shared power to vote, or to direct the voting of, a security or investment power with respect to a security, or any combination thereof.

\*\* Percentages are based upon 5, 131, 934 shares of Common Stock outstanding at March 29, 2019.

### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Beginning in 2011 Pillar became the contractual advisor to three other publically traded entities which are related to Realty Advisors, Inc. (“RAI”) through stock ownership by RAI. In addition the relationship with Mr. Bertcher New Concept conducts business with Pillar whereby Pillar provided the Company with services including processing payroll, acquiring insurance and other administrative matters. The Company believes that by purchasing these services through certain large entities it can get lower costs and better service. Pillar does not charge the Company a fee for providing these services. Pillar is a wholly owned subsidiary of Realty Advisors, Inc.

Except as set forth above, the Reporting Persons do not have any contracts, arrangements, understandings or relationships, legal or otherwise, with any person with respect to any securities of the Issuer, including but not limited to, transfer or voting of any of the securities, finders’ fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, divisions of profits or losses, or the giving or withholding of proxies.

It is the policy of the Company that all transactions between the Company and any officer or director, or any of their affiliates, must be approved by independent members of the Board of Directors of the Company. All of the transactions described above were so approved.

### **Item 14. Principal Accounting Fees and Services**

The following table sets forth the aggregate fees for professional services rendered to the Company for the years 2018 and 2017 by the Company’s principal accounting firm Swalm & Associates, P.C.:

Type of Fees	2018	2017
Audit Fees	\$67,000	\$67,000
Tax Fees	12,000	12,000

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

Total Fees \$79,000 \$79,000

All services rendered by the principal auditors are permissible under applicable laws and regulations and were pre-approved by either of the Board of Directors or the Audit Committee, as required by law. The fees paid to principal auditors for services described in the above table fall under the categories listed below:

*Audit Fees:* These are fees for professional services performed by the principal auditor for the audit of the Company's annual financial statements and review of financial statements included in the Company's Form 10-Q filings and services that are normally provided in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees:* These are fees for assurance and related services performed by the principal auditor that are reasonably related to the performance of the audit or review of the Company's financial statements. These services include attestation by the principal auditor that is not required by statute or regulation and consulting on financial accounting/reporting standards.

*Tax Fees:* These are fees for professional services performed by the principal auditor with respect to tax compliance, tax planning, tax consultation, returns preparation and reviews of returns. The review of tax returns includes the Company and its consolidated subsidiaries.

*All Other Fees:* These are fees for other permissible work performed by the principal auditor that does not meet the above category descriptions.

These services are actively monitored (as to both spending level and work content) by the Audit Committee to maintain the appropriate objectivity and independence in the principal auditor's core work, which is the audit of the Company's consolidated financial statements.

## **Financial Information Systems Design and Implementation Fees**

Swalm & Associates, P.C. did not render professional services to the Company in 2018 with respect to financial information systems design and implementation.

Under the Sarbanes-Oxley Act of 2002 (the “SO Act”), and the rules of the Securities and Exchange Commission (the “SEC”), the Audit Committee of the Board of Directors is responsible for the appointment, compensation and oversight of the work of the independent auditor. The purpose of the provisions of the SO Act and the SEC rules for the Audit Committee’s role in retaining the independent auditor is two-fold. First, the authority and responsibility for the appointment, compensation and oversight of the auditors should be with directors who are independent of management. Second, any non-audit work performed by the auditors should be reviewed and approved by these same independent directors to ensure that any non-audit services performed by the auditor do not impair the independence of the independent auditor. To implement the provisions of the SO Act, the SEC issued rules specifying the types of services that an independent auditor may not provide to its audit client, and governing the Audit Committee’s administration of the engagement of the independent auditor. As part of this responsibility, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that they do not impair the auditor’s independence. Accordingly, the Audit Committee has adopted a pre-approval policy of audit and non-audit services (the “Policy”), which sets forth the procedures and conditions pursuant to which services to be performed by the independent auditor are to be pre-approved. Consistent with the SEC rules establishing two different approaches to pre-approving non-prohibited services, the Policy of the Audit Committee covers pre-approval of audit services, audit-related services, international administration tax services, non-U.S. income tax compliance services, pension and benefit plan consulting and compliance services, and U.S. tax compliance and planning. At the beginning of each fiscal year, the Audit Committee will evaluate other known potential engagements of the independent auditor, including the scope of work proposed to be performed and the proposed fees, and the approve or reject each service, taking into account whether services are permissible under applicable law and the possible impact of each non-audit service on the independent auditor’s independence from management. Typically, in addition to the generally pre-approved services, other services would include due diligence for an acquisition that may or may not have been known at the beginning of the year. The Audit Committee has also delegated to any member of the Audit Committee designated by the Board or the financial expert member of the Audit Committee responsibilities to pre-approve services to be performed by the independent auditor not exceeding \$25,000 in value or cost per engagement of audit and non-audit services, and such authority may only be exercised when the Audit Committee is not in session.

**PART IV**

**Item 15. Exhibits, Financial Statement and Supplementary Schedules**

**INDEX TO FINANCIAL STATEMENTS**

**Page**

**FINANCIAL STATEMENTS**

Report of Swalm & Associates, P.C.	21
Consolidated Balance Sheets	22
Consolidated Statements of Operations	24
Consolidated Statements of Cash Flows	25
Consolidated Statements of Changes in Stockholders' Equity	26
Notes to Consolidated Financial Statements	27

**FINANCIAL STATEMENT SCHEDULES:** Other financial statement schedules have been omitted because they are not required, are not applicable, or the information required is included in the Consolidated Financial Statements or the notes thereto.

**REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the board of directors of

New Concept Energy, Inc.

Dallas, Texas

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of New Concept Energy, Inc. and Subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes collectively referred to as the "financial statements." In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of New Concept Energy, Inc. as of December 31, 2018 and 2017 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with U.S. generally accepted accounting principles.

**Basis of Opinion**

These consolidated financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Emphasis of Related Party Transactions**

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

As described in the notes to the consolidated financial statements, New Concept Energy, Inc. and Subsidiaries has significant transactions with and balances due to and from related parties.

/s/ Swalm & Associates, P.C.

Swalm& Associates, P.C.

We have served as the Company's auditor since 2008.

Richardson, Texas

March 29, 2019

21

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS

(amounts in thousands)

	December 31,	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 361	\$ 419
Accounts receivable from oil and gas sales	72	67
Current portion note receivable (including \$4,017 in 2018 from related parties)	4,063	36
Total current assets	4,496	522
Oil and natural gas properties (full cost accounting method)		
Proved developed and undeveloped oil and gas properties, net of depletion	2,517	2,721
Property and equipment, net of depreciation		
Land, buildings and equipment - oil and gas operations	618	661
Note Receivable	251	301
Total assets	\$ 7,882	\$ 4,205

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

NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS - CONTINUED

(amounts in thousands, except share amounts)

	December 31, 2018	2017
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable - trade (including \$37 and \$412 in 2018 and 2017 due to related parties)	\$ 59	\$ 446
Accrued expenses	32	29
Current portion of long term debt	59	81
Total current liabilities	150	556
Long-term debt		
Notes payable less current portion	201	243
Asset retirement obligation	2,770	2,770
Total liabilities	3,121	3,569
Stockholders' equity		
Series B convertible preferred stock, \$10 par value, liquidation value of \$100 authorized 100 shares, issued and outstanding one share	1	1
Common stock, \$.01 par value; authorized, 100,000,000 shares; issued and outstanding, 5,131,934 and 2,036,935 shares at December 31, 2018 and 2017	51	21
Additional paid-in capital	63,579	59,000
Accumulated deficit	(58,870)	(58,386)
	4,761	636
Total liabilities & stockholders' equity	\$ 7,882	\$ 4,205

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



NEW CONCEPT ENERGY, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenue			
Oil and gas operations, net of royalties	\$ 682	\$ 791	\$ 764
	682	791	764
Operating expenses			
Oil & gas operations	844	1,027	1,181
Corporate general and administrative	353	408	352
Impairment of natural gas and oil properties	-	2,626	-
	1,197	4,061	1,533
Operating earnings (loss)	(515)	(3,270)	(769)
Other income (expense)			
Interest income (including \$17 for the year ended 2018 from related parties)	37	25	23
Interest expense	(18)	(24)	(38)
Gain on prepayment of debt	-	-	888
Gain on sale of land	-	-	50
Bad debt expense (recovery) - note receivable	-	-	-
Other income (expense), net	12	28	(110)
	31	29	813
Earnings (loss) from continuing operations	(484)	(3,241)	44
Earnings from discontinued operations	-	(5)	4
Net income (loss) applicable to common shares	\$ (484)	\$ (3,246)	\$ 48
Net income (loss) per common share-basic and diluted	\$ (0.21)	\$ (1.59)	\$ 0.02
Weighted average common and equivalent shares outstanding - basic	2,358	1,947	1,947

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

NEW CONCEPT ENERGY, INC AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Year ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ (484)	\$ (3,246)	\$ 48
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Depreciation, depletion and amortization	253	396	664
Write-off of assets from discontinued operation	-	25	-
Impairment of oil & gas properties	-	2,626	-
Gain on prepayment of long term debt	-	-	(888)
Gain from sale of land	-	-	(50)
Changes in operating assets and liabilities			
Other current and non-current assets	(22)	223	7
Accounts payable and other liabilities	(384)	178	(95)
Net cash provided by (used) in operating activities	(637)	202	(314)
Cash flows from investing activities			
Investment in undeveloped land	-	(10)	-
Fixed asset additions	-	-	(52)
Cash from sale of land	-	-	700
Issuance of note receivable - related party	(4,000)		
Collections (issuance) of note receivable	40	24	38
Net cash provided by (used) in investing activities	(3,960)	14	686
Cash flows from financing activities			
Payment on notes payable	(70)	(73)	(732)
Proceeds from the sale of common stock	4,609	163	-
Net cash provided by (used in) financing activities	4,539	90	(732)
Net increase (decrease) in cash and cash equivalents	(58)	306	(360)
Cash and cash equivalents at beginning of year	419	113	473
Cash and cash equivalents at end of year	\$ 361	\$ 419	\$ 113
Supplemental disclosures of cash flow information			
Cash paid for interest on notes payable:	\$ 18	\$ 24	\$ 22
Cash paid for principal on notes payable:	\$ 70	\$ 73	\$ 732

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

**New Concept Energy Inc. and Subsidiaries****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(amounts in thousands)

	Series B Preferred stock Shares	Amount	Common Stock Shares	Amount	Additional paid in capital	Accum- ulated deficit	Total
Balance at December 31, 2015	1	\$	1 1,947	\$	20 \$ 58,838	\$ (55,188)	\$ 3,671
Net Income						48	48
Balance at December 31, 2016	1	1	1,947	\$	20 \$ 58,838	(55,140)	3,719
Issuance of Common Stock			90	\$	1 \$ 162		163
Net Income						(3,246)	(3,246)
Balance at December 31, 2017	1	1	2,037	\$	21 \$ 59,000	(58,386)	636
Issuance of Common Stock			3,095	\$	30 \$ 4,579		4,609
Net Income						(484)	(484)
Balance at December 31, 2018	1	\$	1 5,132	\$	51 \$ 63,579	\$ (58,870)	\$ 4,761

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

## **New Concept Energy Inc. and Subsidiaries**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2018

#### **NOTE A – BUSINESS DESCRIPTION AND PRESENTATION**

The Company, through its wholly owned subsidiaries Mountaineer State Energy, Inc. and Mountaineer State Operations, LLC, operates oil and gas wells and mineral leases in Athens and Meigs Counties in Ohio and in Calhoun, Jackson and Roane Counties in West Virginia. As of December 31, 2018 the Company has 153 producing oil & gas wells, 44 non-producing wells and related equipment and mineral leases covering approximately 20,000 acres.

The Company engaged the firm of independent oil and gas engineers Lee Keeling & Associates, Inc. to estimate the net oil and gas reserves. On the basis of their study, the estimates of future net revenues using a present value discount of 10% were estimated to be \$2.7 million at December 31, 2018.

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

##### Principles of Consolidation

The consolidated financial statements include the accounts of New Concept Energy, Inc. and its majority-owned subsidiaries (collectively, the “Company”, New Concept or “NCE”) and are prepared on the basis of accounting principles generally accepted in the United States of America “GAAP”. All significant intercompany transactions and accounts have been eliminated. Certain accounting balances have been reclassified to conform to the current year presentation.

### Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of property and equipment to operations over their estimated service lives, ranging from 3 to 40 years. Depreciation is computed by the straight-line method.

Depreciation expense, which is included in operations, was \$43,000, \$55,000 and \$98,000 for 2018, 2017 and 2016, respectively.

### Depreciation, Depletion and Amortization of Oil & Gas Properties

Depreciation, depletion and amortization (“DD&A”) of producing properties is computed on the unit-of-production method based on estimated oil and gas reserves. While total DD&A expense for the life of a property is limited to the property’s total cost, reserve revisions result in a change in timing of when DD&A expense is recognized.

The Company recorded depletion of mineral rights of \$204,000, \$259,000 and \$310,000 in 2018, 2017 and 2016 respectively.

### Segments

The Company operates one primary business segments: oil and gas operations. Segment data is provided in “Note J” to these consolidated financial statements.

### Major Purchaser

The Company sells most of its natural gas production to one purchaser and all of its oil production to one purchaser. While there is an available market for crude oil and natural gas production, we cannot be assured that the loss of this purchaser would not have a material impact on the Company.

### Oil and Gas Reserves

Our oil and gas reserves are estimated by independent petroleum engineers. Reserve engineering is a subjective process that is dependent upon the quality of available data and the interpretation thereof, including evaluations and extrapolations of well flow rates and reservoir pressure. Estimates by different engineers often vary, sometimes significantly. In addition, physical factors such as the results of drilling, testing and production subsequent to the date of an estimate, as well as economic factors such as changes in product prices, may justify revision of such estimates. Because reserves are required to be estimated using recent prices of the evaluation, estimated reserve quantities can be significantly impacted by changes in product prices.

The standardized measure of discounted future net cash flows and changes in such cash flows are prepared using assumptions required by the Financial Accounting Standards Board and the Securities and Exchange Commission. Such assumptions include using recent oil and gas prices and year-end costs for estimated future development and production expenditures. Discounted future net cash flows are calculated using a 10% rate. Changes in any of these assumptions could have a significant impact on the standardized measure. Accordingly, the standardized measure does not represent management's estimated current market value of reserves.

#### Full cost accounting

The Company uses the full cost method of accounting for its investment in oil and natural gas properties. Under this method of accounting, all costs of acquisition, exploration and development of oil and natural gas properties (including such costs as leasehold acquisition costs, geological expenditures, dry hole costs, tangible and intangible development costs and direct internal costs) are capitalized as the cost of oil and natural gas properties when incurred.

The full cost method requires the Company to calculate quarterly, by cost center, a "ceiling," or limitation on the amount of properties that can be capitalized on the balance sheet. To the extent capitalized costs of oil and natural gas properties, less accumulated depletion and related deferred taxes exceed the sum of the discounted future net revenues of proved oil and natural gas reserves, the lower of cost or estimated fair value of unproved properties subject to amortization, the cost of properties not being amortized, and the related tax amounts, such excess capitalized costs are charged to expense. Beginning December 31, 2009, full cost companies use the unweighted arithmetic average first day of the month price for oil and natural gas for the 12-month period preceding the calculation date to calculate the future net revenues of reserves. Prior to December 31, 2009, companies used the price in effect at the calculation date and had the option, under certain circumstances, to elect to use subsequent commodity prices if they increased after the calculation date.

The Company assesses any unproved oil and gas properties on an annual basis for possible impairment or reduction in value. The Company assesses properties on an individual basis or as a group if properties are individually insignificant. The assessment includes consideration of the following factors, among others: intent to drill; remaining lease term; geological and geophysical evaluations; drilling results and activity; the assignment of reserves; and the economic viability of development if reserves are assigned. During any period in which these factors indicate an impairment of unproved properties not subject to amortization, the associated costs incurred to date for such properties are then included in unproved properties subject to amortization.

#### Gas gathering assets

Gas gathering assets are capitalized as part of the depletable pool and ratably charged to earnings along with other capitalized exploration, drilling and development costs.

Office and field equipment

Office and field equipment are capitalized at cost and depreciated on a straight line basis over their estimated useful lives. Office and field equipment useful lives range from 5 to 30 years.

Revenue recognition and gas imbalances

We use the sales method of accounting for oil and natural gas revenues. Under the sales method, revenues are recognized based on actual volumes of oil and natural gas sold to purchasers. Gas imbalances at December 31, 2018 were not significant. New Concept also follows the sales method of accounting for natural gas production imbalances and would recognize a liability if the existing reserves were not adequate to cover an imbalance.

Accounting for Leases

Leases of property, plant and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period. Property, plant and equipment acquired under finance leasing contracts are depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.



### Revenue Recognition

Rental income for residential property leases is recorded when due from residents and is recognized monthly as it is earned, which is not materially different than on a straight-line basis as lease terms are generally for periods of one year or less.

Revenues are recognized when products are shipped or services are provided to customers, title is transferred, the sales price is fixed or determinable and collectability is reasonably assured. Costs associated with revenues are recorded in cost of revenues. Production volumes of natural gas are sold immediately and transported via pipeline. Royalties on the production of natural gas either paid in cash or settled through the delivery of volumes. The Company includes royalties in its revenues and cost of revenues when settlement of the royalties is paid in cash, while royalties settled by the delivery of volumes are excluded from revenues and cost of revenues.

The Company follows the sales method of accounting for natural gas production imbalances and would recognize a liability if the existing reserves were not adequate to cover an imbalance.

### Use of Estimates

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

### Cash Equivalents

The Company considers all short-term deposits and money market investments with a maturity of less than three months to be cash equivalents.

### Other Intangible Assets

The cost of acquired patents, trademarks and licenses is capitalized and amortized using the straight-line method over their useful lives. The carrying amount of each intangible asset is reviewed annually and adjusted for permanent

impairment where it is considered necessary.

#### Impairment of Notes Receivable

Notes receivable are identified as impaired when it is probable that interest and principal will not be collected according to the contractual terms of the note agreements. The accrual of interest is discontinued on such notes, and no income is recognized until all past due amounts of principal and interest are recovered in full.

#### Impairment of Long-Lived Assets

The Company reviews its long-lived assets and certain identifiable intangibles for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In reviewing recoverability, the Company estimates the future cash flows expected to result from use of the assets and eventually disposing of them. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized based on the asset's fair value.

The Company determines the fair value of assets to be disposed of and records the asset at the lower of fair value less disposal costs or carrying value. Assets are not depreciated while held for disposal.

#### Sales of Real Estate

Gains on sales of real estate are recognized to the extent permitted by Accounting Standards Codification Topic 360-20, "Real Estate Sales – Real Estate Sales", ("ASC 360-20"). Until the requirements of ASC 360-20 have been met for full profit recognition, sales are accounted for by the installment or cost recovery method, whichever is appropriate.

#### Real Estate Held for Sale

Accounting Standards Codification Topic 360, "Property, Plant, & Equipment" ("ASC 360") requires that properties held for sale be reported at the lower of carrying amount or fair value less costs of sale. If a reduction in a held for sale property's carrying amount to fair value less costs of sale is required, a provision for loss is recognized by a charge against earnings. Subsequent revisions, either upward or downward, to a held for sale property's estimated fair value less costs of sale are recorded as an adjustment to the property's carrying amount, but not in excess of the property's carrying amount when originally classified as held for sale. A corresponding charge against or credit to earnings is

recognized. Properties held for sale are not depreciated.

### Asset Retirement Obligation

The Company records an asset retirement obligation liability on the consolidated balance sheets and capitalizes a portion of the cost in “Oil and natural gas properties” during the period in which the obligation is incurred. The asset retirement obligation is further described in Note M.

### Income Taxes

The Company accounts for income taxes in accordance with Accounting Standards Codification, (“ASC”) No. 740, “Accounting for Income Taxes”. ASC 740 requires an asset and liability approach to financial accounting for income taxes. In the event differences between the financial reporting basis and the tax basis of the Company’s assets and liabilities result in deferred tax assets, ASC 740 requires an evaluation of the probability of being able to realize the future benefits indicated by such assets. A valuation allowance is provided for a portion or all of the deferred tax assets when there is an uncertainty regarding the Company’s ability to recognize the benefits of the assets in future years. Recognition of the benefits of deferred tax assets will require the Company to generate future taxable income. There is no assurance that the Company will generate earnings in future years. Since management could not determine the likelihood that the benefit of the deferred tax asset would be realized, no deferred tax asset was recognized by the Company.

### Recent Accounting Pronouncements

There were no recent accounting pronouncements that our Company has not implemented that materially affect our consolidated financial statements.

### **NOTE C– RELATED PARTIES**

Commencing in February 2008, three publicly traded entities needed a chief financial officer, American Realty Investors, Inc. (“ARL”), Transcontinental Realty Investors, Inc. (“TCI”) and Income Opportunity Realty Investors, Inc. (“IOR”), Mr. Bertcher, is a certified public accountant and has a long history in their industry. New Concept made arrangements with the three entities whereby, in addition to his responsibilities to New Concept Mr. Bertcher would be Chief Financial Officer for the three entities. Mr. Bertcher is paid directly for such services by the contractual advisor for the three companies.

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

Beginning in 2011 Pillar Income Asset Management (“Pillar”) became the contractual advisor to the three publicly traded entities. Pillar is a wholly owned subsidiary of RAI. In addition to the relationship with Mr. Bertcher, New Concept conducts business with Pillar whereby Pillar provided the Company with services including processing payroll, acquiring insurance and other administrative matters. The Company believes that by purchasing these services through certain large entities it can get lower costs and better service. Pillar does not charge the Company a fee for providing these services. The Company reimburses Pillar for the direct cost for such services. In December 2018 the Company had accumulated a balance due to Pillar of approximately \$450,000 which was repaid from the proceeds of a stock offering. Mr. Bertcher is an officer of Pillar.

Realty Advisors, Inc., (“RAI”) is a privately owned investment company and by virtue of its stock ownership, the controlling shareholder for the three public entities. Mr. Bertcher is an officer of RAI.

Note D - Notes Receivable

Notes Receivable are comprised of the following (in thousands):

	Interest Rate	2018	2017
American Realty Investors, Inc. (a related party) payable upon maturity in September 2019	6%	4,017	-
Third Party -payable monthly matures in July 2025	6%	297,337	
		4,314	337
less: current portion of notes receivable		4,063	36
Notes Receivable		251	301

The Company holds a note receivable from a non related party. The original note was \$415,000 payable in 120 monthly payments at 6% interest. Balance due at December 31, 2018 is \$297,000 with \$46,000 due currently.

## Note E - Fixed Assets and oil and natural gas properties

Land, building and furniture, fixtures and equipment are recorded at cost incurred to acquire the assets.

At December 31, 2018, fixed assets are as follows:

Oil and Gas Properties	2018	2017
Land and improvements	\$ 432	\$ 432
Buildings and improvements	272	272
Equipment and furnishings	565	565
Total fixed assets	1,269	1,269
Less: Accumulated depletion	(651)	(608)
Net Fixed Assets	\$ 618	\$ 661

Oil and natural gas properties	2018	2017
Investment in Oil and gas properties	\$ 6,493	\$ 6,493
Less: Accumulated depreciation	(3,976)	(3,772)
Net oil and gas properties	\$ 2,517	\$ 2,721

**NOTE F – NOTES PAYABLE**

Notes payable is comprised of the following (in thousands):

	2018	2017
Bank Debt	289	359
Deferred Borrowing Costs	\$ (29)	\$ (35)
	\$ 260	\$ 324

Bank debt represent loans from a bank to finance drilling and equipment at the Company's oil and gas operation. The interest rate ranges from 5% to 5 ½ %. The loans are collateralized by the Company's oil & gas leases as well as real property and equipment.

Aggregate annual principal maturities of long-term debt at December 31, 2018 are as follows (in thousands):

2018	59
2019	46
2020	46
2021	46
2022	46
Thereafter	46
	\$ 289
Deferred borrowing costs (29)	
	\$ 260

**NOTE G – INCOME TAXES**

At December 31, 2018, the Company had net operating loss carry forwards of approximately \$9.9 million, which expire between 2018 and 2033.

Forms 1120, *U.S. Corporation Income Tax Returns*, for the years ending December 31, 2018, 2017, 2016 are subject to examination, by the IRS, generally for three years after they are filed.

The following table presents the principal reasons for the difference between the Company's effective tax rate and the United States statutory income tax rate.

	2018	2017	2016
Earned income tax at statutory rate	\$ -	\$ -	\$ 7
Net operating loss utilization	-	0	(7)
Deferred tax asset from NOL carry forwards	2,183	2,058	3,263
Valuation allowance	(2,183)	(2,058)	(3,263)
Reported income tax expense (benefit)	\$ 0	\$ 0	\$ 0
Effective income tax rate	0.00%	0.00%	0.00%

The Company believes that it is more likely than not the benefit of NOL carryforwards will not be realized.

Therefore, a valuation allowance on the related deferred tax assets has been recorded.

**NOTE H – STOCKHOLDERS' EQUITY**

## Outstanding Preferred Stock

Preferred stock consists of the following (amounts in thousands):

	Year Ended December 31, 2018	2017
Series B convertible preferred stock, \$10 par value, liquidation value of \$100, authorized 100 shares, issued and outstanding one share	1	1



The Series B preferred stock has a liquidation value of \$100 per share. The right to convert expired April 30, 2003. Dividends at a rate of 6% are payable in cash or preferred shares at the option of the Company.

#### Outstanding Common Stock

On December 4, 2018, the Company issued an additional 3,000,000 shares of Common Stock to Realty Advisors, Inc. (“**RAI**”) a related party, for cash of \$4,500,000 to increase stockholders’ equity by \$4,440,000 after issuance costs. The issuance of 3,000,000 shares of Common Stock resulted in a change in control of the Company, as RAI now owns approximately 59.6% of the outstanding Common Stock. The issuance of the 3,000,000 shares of Common Stock to RAI increased the total number of shares issued and outstanding to 5,131,935 shares.

#### **NOTE I – CONTINGENCIES**

##### Carlton Energy Group, LLC

Since December 2006, Carlton Energy Group, LLC (“Carlton”), an individual, Eurenergy Resources Corporation (“Eurenergy”) and several other entities, including New Concept Energy, Inc., which was then known as CabelTel International Corporation (the “Company”), have been involved in contentious litigation alleging tortuous conduct, breach of contract and other matters and, as to the Company, that it was the alter ego of Eurenergy. The Carlton claims were based upon an alleged tortuous interference with a

contract by the individual and Eurenergy related to the right to explore a coal bed methane concession in Bulgaria which had never (and has not to this day) produced any hydrocarbons. At no time during the pendency of this project or since did the Company or any of its officers or directors have any interest whatsoever in the success or failure of the so-called “Bulgaria Project.” However, in the litigation Carlton alleged that the Company was the alter ego of certain of the other defendants, including Eurenergy.

Following a jury trial in 2009, the Trial Court (295<sup>th</sup> District Court of Harris County, Texas) cross appeals were filed by Carlton, the individual and Eurenergy to the Court of Appeals for the First District of Texas (the “Court of Appeals”), which, in February 2012, rendered an opinion. The Company and the other defendants filed a Petition for Review of the Court of Appeals’ Opinion with the Supreme Court of the State of Texas. On May 8, 2015, the Supreme Court of Texas affirmed, in part, and reversed, in part, the Court of Appeals’ judgment, remanding the case to the Court of Appeals for further proceedings. On remand, the Court of Appeals reinstated a verdict on damages in the amount of \$31.16 million against the individual and Eurenergy.

During August 2017, the parties to the litigation reached an arrangement, the final terms of which will not be determined until the outcome of another appeal to the Supreme Court. Under the terms of the arrangement, the Company should have no financial responsibility to Carlton, nor should any potential final outcome materially adversely affect the Company, in management’s opinion

#### Other

The Company has been named as a defendant in other lawsuits in the ordinary course of business. Management is of the opinion that these lawsuits will not have a material effect on the financial condition, results of operations or cash flows of the Company.

#### **NOTE J – OPERATING SEGMENTS**

The following table reconciles the segment information to the corresponding amounts in the Consolidated Statements of Operations and assets from continuing operations:

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

Year ended December 31, 2018	Oil and Gas Operations	Corporate	Total
Operating revenue	\$ 682	\$ -	\$ 682
Operating expenses	597	353	950
Depreciation, depletion and amortization	247	-	247
Lease of Retirement Center	-	-	-
Impairment of oil and gas properties	-	-	-
Total Operating Expenses	844	353	1,197
Interest income	37	-	37
Interest expense	(18)	-	(18)
Other income (expense), net	-	12	12
Segment operating income (loss)	\$ (143)	\$ (341)	\$ (484)
Assets	\$ 3,596	\$ 4,286	\$ 7,882

Year ended December 31, 2017	Oil and Gas Operations	Corporate	Total	Discontinued Operations Retirement Facility
Operating revenue	\$ 791	\$ -	\$ 791	\$ 659
Operating expenses	707	408	1,115	358
Depreciation, depletion and amortization	320	-	320	101
Lease of Retirement Center	-	-	-	205
Impairment of oil and gas properties	2,626	-	2,626	-
Total Operating Expenses	3,653	408	4,061	664
Interest income	25	-	25	-
Interest expense	(24)	-	(24)	-
Other income (expense), net	-	28	28	-
Segment operating income (loss)	\$ (2,861)	\$ (380)	\$ (3,241)	\$ (5)
Assets	\$ 3,903	\$ 302	\$ 4,205	\$ -

Year ended December 31, 2016	Oil and Gas Operations	Corporate	Total	Retirement Facility
Operating revenue	\$ 764	\$ -	\$ 764	\$ 2,665
Operating expenses	687	352	1,039	1,496
	494	-	494	168

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

Depreciation, depletion and amortization					
Lease of Retirement Center	-	-	-		997
Impairment of oil and gas properties	-	-	-		-
Total Operating Expenses	1,181	352	1,533		2,661
Interest income	23	-	23		-
Interest expense	(38)	-	(38)		-
Gain on prepayment of debt	888	-	888		-
Gain on Sale of Land	-	50	50		-
Other income (expense), net	-	(110)	(110)		-
Segment operating income (loss)	\$ 456	\$ (572)	\$ 44	\$	4
Assets	\$ 6,641	\$ 291	\$ 6,932	\$	246

34

**NOTE K - QUARTERLY DATA (UNAUDITED)**

The table below reflects the Company's selected quarterly information for the years ended December 31, 2018, 2017 and 2016. Amounts shown are in thousands except per share amounts.

Year ended December 31, 2018	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 204	\$ 173	\$ 167	\$ 138
Operating (expense)	(275)	(239)	(186)	(144)
Corporate general and administrative expense	(75)	(108)	(99)	(71)
Impairment of natural gas and oil properties	-	-	-	-
Other income (expense) net	12	-	(3)	22
Income (loss) allocable to common shareholders	\$ (134)	\$ (174)	\$ (121)	\$ (55)
Income (loss) per common share – basic	(\$0.07)	(\$0.08)	(\$0.06)	\$0.00
Year ended December 31, 2017	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 195	\$ 243	\$ 194	\$ 159
Operating (expense)	(256)	(256)	(254)	(261)
Corporate general and administrative expense	(100)	(122)	(95)	(91)
Impairment of natural gas and oil properties	-	-	-	(2,626)
Other income (expense) net	(11)	11	65	(30)
Net income (loss) from continuing operations	(172)	(124)	(90)	(2,849)
Net income (loss) from discontinued operations	13	(11)	(11)	(2)
Income (loss) allocable to common shareholders	\$ (159)	\$ (135)	\$ (101)	\$ (2,851)
Income (loss) per common share – basic	(\$0.08)	(\$0.07)	(\$0.05)	(\$1.39)
Year ended December 31, 2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 219	\$ 170	\$ 190	\$ 185
Operating (expense)	(396)	(233)	(295)	(327)
Corporate general and administrative expense	(166)	(101)	(52)	(33)
Gain on prepayment of debt	-	-	-	888
Gain on sale of land	-	-	-	50
Other income (expense) net	(10)	(7)	(13)	(80)
Net income (loss) from continuing operations	(353)	(171)	(170)	738

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

Net income (loss) from discontinued operations	57	38	6	(97)
Income (loss) allocable to common shareholders	\$ (296)	\$ (133)	\$ (164)	641
Income (loss) per common share – basic	(\$0.15)	(\$0.07)	(\$0.08)	\$0.32

35

**NOTE L - SUPPLEMENTARY FINANCIAL INFORMATION ON OIL AND NATURAL GAS EXPLORATION, DEVELOPMENT AND PRODUCTION ACTIVITIES (UNAUDITED)**

The following table reflects revenues and expenses directly associated with our oil and gas producing activities, including general and administrative expenses directly related to such producing activities. They do not include any allocation of interest costs or general corporate overhead and, therefore, are not necessarily indicative of the contribution to net earnings of our oil and gas operations. Income tax expense has been calculated by applying statutory income tax rates to oil and gas sales after deducting costs, including depreciation, depletion and amortization and after giving effect to permanent differences.

	2018 Gas (MMCF)	Oil; (MBBLS)	
Proved developed and undeveloped reserves - January 1,2018		830	69
Purchase of oil and natural gas properties in place		-	-
Discoveries and exclusions		(520)	(37)
Revisions		-	-
Sales of oil and gas properties in place		-	-
Production		(130)	(4)
Proved developed and undeveloped reserves - December 31,2018		180	28
Probable reserves		1,566	-
Possible reserves		522	-
Total reserves - December 31, 2018	2,268	28	
Proved developed at beginning of year	830	69	
Proved developed reserves at end of year	180	28	

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

	2017			
	Gas (MMCF)	Oil (MBBLS)		
Proved developed and undeveloped reserves - January 1, 2017	3,219	149		
Purchase of oil and natural gas properties in place		-		-
Discoveries and exclusions		-		-
Revisions	(2,211)	(75)		
Sales of oil and gas properties in place		-		-
Production	(178)	(5)		
Proved developed and undeveloped reserves - December 31,2017	830	69		
Probable reserves	1,025	0		
Possible reserves	342	0		
Total reserves - December 31, 2017	2,197	69		
Proved developed at beginning of year	1,051	81		
Proved developed reserves at end of year	830	69		
	2018	2017		
Oil and gas sales	\$ 682	\$ 791		
Operating expenses	(597)	(707)		
Depreciation, depletion and amortization	(247)	(320)		
Impairment of oil & gas properties		-		(2,626)
Results of operations	\$ (162)	\$ (2,862)		

The following table reflects the standardized measure of future net cash flows related to our proved reserves

	2018		2017	
Future oil and gas cash inflows	\$ 8,292	\$ 10,653		
Future oil & gas operating expenses	(1,478)	(3,425)		
Future development costs	(1,400)	(1,480)		
Future tax expense	(590)	(724)		
Future net cash flows	\$ 4,824	\$ 5,024		
10% discount to reflect timing of cash flows	(1,853)	(2,303)		
	\$ 2,971	\$ 2,721		

(1) Probable Reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves are as likely as not to be recovered.



(2) Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

37

**NOTE M – ASSET RETIREMENT OBLIGATION**

The Company records an asset retirement obligation (ARO) when the total depth of a drilled well is reached and the Company can reasonably estimate the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon costs. The Company records the ARO liability on the consolidated balance sheets and capitalizes a portion of the cost in “Oil and natural gas properties” during the period in which the obligation is incurred. In general, the amount of an ARO and the costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation using current prices that are escalated by an assumed inflation factor up to the estimated settlement date and adjusted for the Company’s credit risk. This amount is then discounted back to the date that the abandonment obligation was incurred using an assumed cost of funds for the Company. After recording these amounts, the ARO is accreted to its future estimated value using the same assumed cost of funds. The additional capitalized costs are depreciated on a unit-of-production basis or straight-line basis.

In 2012, the Company re-evaluated its method of plugging abandoned wells and determined by doing so in-house it could lower the cost. Based upon the Company’s current calculations, we have established a sufficient reserve, for accounting purposes, to plug the existing wells when necessary.

	2018	2017
Asset retirement obligation, January 1	\$ 2,770	\$ 2,770
Acquisition of oil and gas properties	-	-
Revisions in the estimated cash flows	-	-
Liability incurred upon acquiring and drilling wells	-	-
Liability settled upon plugging and abandoning wells	-	-

Accretion of discount expense	-	-
Asset retirement obligation, December 31	\$ 2,770	\$ 2,770

**NOTE N –SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through March 29, 2019, the date the financial statements were available to be issued, and has determined that there are none to be reported.

The following documents are filed as exhibits (or are incorporated by reference as indicated) into this Report:

<b>Exhibit Designation</b>	<b>Exhibit Description</b>
3.1	Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.1 to Registrant's Form S-4 Registration Statement No. 333-55968 dated December 21, 1992)
3.2	Amendment to the Articles of Incorporation of Medical Resource Companies of America (incorporated by reference to Exhibit 3.5 to Registrant's Form 8-K dated April 1, 1993)
3.3	Restated Articles of Incorporation of Greenbriar Corporation (incorporated by reference to Exhibit 3.1.1 to Registrant's Form 10-K dated December 31, 1995)
3.4	Amendment to the Articles of Incorporation of

- Medical  
Resource  
Companies of  
America  
(incorporated by  
reference to  
Exhibit to  
Registrant's  
PRES 14-C  
dated February  
27, 1996)  
Certificate of  
Decrease in  
Authorized and  
Issued Shares  
effective  
November 30,  
2001  
3.5 (incorporated by  
reference to  
Exhibit 2.1.7 to  
Registrant's  
Form 10-K  
dated December  
31, 2002)  
Certificate of  
Designations,  
Preferences and  
Rights of  
Preferred Stock  
dated May 7,  
1993 relating to  
Registrant's  
Series B  
Preferred Stock  
3.6 (incorporated by  
reference to  
Exhibit 4.1.2 to  
Registrant's  
Form S-3  
Registration  
Statement No.  
333-64840  
dated June 22,  
1993)  
3.7 Certificate of  
Voting Powers,  
Designations,  
Preferences and  
Rights of  
Registrant's

- Series F Senior  
Convertible  
Preferred Stock  
dated December  
31, 1997  
(incorporated by  
reference to  
Exhibit 2.2.2 of  
Registrant's  
Form 10-KSB  
for the fiscal  
year ended  
December 31,  
1997)  
Certificate of  
Voting Powers,  
Designations,  
Preferences and  
Rights of  
Registrant's  
Series G Senior  
Non-Voting  
Convertible  
Preferred Stock  
dated December  
31, 1997  
(incorporated by  
reference to  
Exhibit 2.2.3 of  
Registrant's  
Form 10-KSB  
for the fiscal  
year ended  
December 31,  
1997)
- 3.8
- 3.9
- Certificate of  
Designations  
dated October  
12, 2004 as filed  
with the  
Secretary of  
State of Nevada  
on October 13,  
2004  
(incorporated by  
reference to  
Exhibit 3.4 of  
Registrant's  
Current Report  
on Form 8-K for  
event occurring

- October 12,  
2004)  
Certificate of  
Amendment to  
Articles of  
Incorporation  
effective  
February 8,  
2005  
3.10 (incorporated by  
reference to  
Exhibit 3.5 of  
Registrant's  
Current Report  
on Form 8-K for  
event occurring  
February 8,  
2005)  
Certificate of  
Amendment to  
Articles of  
Incorporation  
effective March  
21, 2007  
3.11 (incorporated by  
reference to  
Exhibit 3.13 of  
Registrant's  
Current Report  
on Form 8-K for  
event occurring  
March 21, 2005)  
Amended and  
restated bylaws  
of New Concept  
Energy, Inc.  
dated November  
18, 2008.  
3.12  
10.1 Registrant's  
1997 Stock  
Option Plan  
(filed as Exhibit  
4.1 to  
Registrant's  
Form S-8  
Registration  
Statement,  
Registration No.  
333-33985 and  
incorporated  
herein by this

reference).  
Registrant's  
2000 Stock  
Option Plan  
(filed as Exhibit  
4.1 to  
Registrant's  
Form S-8  
Registration  
Statement,  
Registration No.  
333-50868 and  
incorporated  
herein by this  
reference)  
Code of Ethics  
for Senior  
Financial  
Officers  
(incorporated by  
reference to  
Exhibit 14.0 to  
Registrant's  
Annual Report  
on Form 10-K  
for the fiscal  
year ended  
December 31,  
2003)  
Subsidiaries of  
the Registrant  
Rule 13a-14(a)  
Certification by  
Principal  
Executive  
Officer and  
Chief Financial  
Officer  
Certification of  
Principal  
Executive  
Officer and  
Chief Financial  
Officer pursuant  
to 18 U.S.C.  
§1350, as  
adopted  
pursuant to  
Section 906 of  
the  
Sarbanes-Oxley

10.2

14.0

21.1\*

31.1\*

32.1\*



99.1*	Act of 2002 Reserve Study dated March 16, 2015 prepared by Lee Keeling and Associates, Inc is included as an exhibit Shared Services Agreement effective December 31, 2010
99.2	(incorporated by reference to Exhibit 99.2 to registrants Form 10K/A for the year ended December 31, 2011 filed March 21, 2013)
101	Interactive data files pursuant to Rule 405 of Regulation S-T

\*Filed herewith.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEW CONCEPT ENERGY, INC.

March 29, 2019 by: /s/ Gene S. Bertcher  
 Gene S. Bertcher, Principal Executive  
 Officer, President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Gene S. Bertcher</u> Gene S. Bertcher	Chairman, President, Principal Executive Officer, Chief Financial Officer and Director	March 29, 2019
<u>/s/ Raymond D Roberts</u> Raymond D Roberts	Director	March 29, 2019
<u>/s/ Victor L. Lund</u> Victor L. Lund	Director	March 29, 2019
<u>/s/ Dan Locklear</u> Dan Locklear	Director	March 29, 2019