

Gulf Coast Ultra Deep Royalty Trust
Form 10-Q
November 13, 2017

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

FORM 10-Q

(Mark One)

QUARTERLY
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE

SECURITIES
EXCHANGE ACT OF
1934

For the quarterly period
ended September 30,
2017

OR

TRANSITION
REPORT
PURSUANT
TO SECTION
13 OR 15(d)
OF THE

SECURITIES
EXCHANGE ACT OF
1934

For the
transition to
period from

Commission File
Number: 001-36386

Gulf Coast Ultra Deep
Royalty Trust
(Exact name of
registrant as specified in
its charter)
Delaware

46-6448579

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(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

The Bank of New York Mellon Trust Company, N.A., as trustee
Institutional Trust Services
919 Congress Avenue, Suite 500
Austin, Texas 78701
(Address of principal executive offices) (Zip Code)

(512) 236-6599

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On October 31, 2017, there were outstanding 230,172,696 royalty trust units representing beneficial interests in the registrant.

Gulf Coast Ultra Deep Royalty Trust
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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GULF COAST ULTRA DEEP ROYALTY TRUST
STATEMENTS OF ASSETS, LIABILITIES AND TRUST CORPUS

	September 30, 2017	December 31, 2016
ASSETS		
Operating cash	\$399,155	\$261,537
Reserve fund cash	752	1,001,656
Reserve fund short-term investments	1,004,667	—
Overriding royalty interests in subject interests, net	2,161,145	3,745,893
Total assets	\$3,566,719	\$5,009,086

LIABILITIES
AND
TRUST
CORPUS

Reserve fund liability	\$1,006,419	\$1,001,656
Loan payable to Freeport-McMohan Inc. (FCX) Trust corpus royalty	—	500,000
	(230,172,696)	

trust
units
authorized,
issued
and
outstanding
as
of
September
30,
2017, 2,560,300 3,507,430
and
December
31,
2016)
Total
liabilities
and trust
corpus \$3,566,719 \$5,009,086

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

GULF COAST ULTRA DEEP ROYALTY TRUST
 STATEMENTS OF DISTRIBUTABLE INCOME (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Royalty income	\$355,060	\$ 249,862	\$1,060,789	\$ 548,824
Interest income and other	648	34	1,477	819
Administrative expenses	(167,120)	(105,135)	(424,648)	(485,998)
Income in excess of administrative expenses (Note 5)	\$188,588	\$ 144,761	\$637,618	\$ 63,645
Distributable income (Note 5)	\$149,155	\$ —	\$149,155	\$ —
Distributable income per royalty trust unit	\$0.000648	\$ —	\$0.000648	\$ —
Royalty trust units outstanding at end of period	230,172,696	230,172,696	230,172,696	230,172,696

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

GULF COAST ULTRA DEEP ROYALTY TRUST
 STATEMENTS OF CHANGES IN TRUST CORPUS (Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Trust corpus, beginning of period	\$2,910,810	\$4,368,089	\$3,507,430	\$5,611,384
Amortization of overriding royalty interests in subject interests	(539,098)	(734,031)	(1,584,748)	(1,896,210)
Income in excess of administrative expenses	188,588	144,761	637,618	63,645
Trust corpus, end of period	\$2,560,300	\$3,778,819	\$2,560,300	\$3,778,819

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

GULF COAST ULTRA DEEP ROYALTY TRUST
NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Gulf Coast Ultra Deep Royalty Trust (the Royalty Trust) are prepared on the modified cash basis of accounting and are not intended to present the Royalty Trust's financial position and results of operations in conformity with United States (U.S.) generally accepted accounting principles (GAAP). This other comprehensive basis of accounting corresponds to the accounting permitted for royalty trusts by the U.S. Securities and Exchange Commission (SEC), as specified by Staff Accounting Bulletin Topic 12:E, Financial Statements of Royalty Trusts.

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all required information and disclosures. Therefore, this information should be read in conjunction with the Royalty Trust's financial statements and notes contained in its annual report on Form 10-K for the year ended December 31, 2016. The information furnished herein reflects all adjustments that are, in the opinion of The Bank of New York Mellon Trust Company, N.A. (the Trustee), necessary for a fair statement of the results for the interim periods reported. All such adjustments are, in the opinion of the Trustee, of a normal recurring nature. Operating results for the three- and nine-month periods ended September 30, 2017, are not necessarily indicative of the results that may be expected for the year ending December 31, 2017.

The Royalty Trust was created to hold a 5% gross overriding royalty interest (collectively, the overriding royalty interests) in future production from each of McMoRan Oil & Gas LLC's (McMoRan), an indirect wholly owned subsidiary of Freeport-McMoRan Inc. (FCX), Inboard Lower Tertiary/Cretaceous exploration prospects located in the shallow waters of the Gulf of Mexico and onshore in South Louisiana that existed as of December 5, 2012 (collectively, the subject interests).

Reserve Fund Short-term Investments. The Royalty Trust's reserve fund short-term investments include U.S. treasury securities with maturities of three months to one year.

Royalty Income. Royalties are recorded in royalty income on the statement of distributable income when received under the modified cash basis of accounting.

2. OVERRIDING ROYALTY INTERESTS

No impairment charges were recorded during the three- or nine-month periods ended September 30, 2017 or 2016.

The onshore Highlander subject interest is the only producing subject interest in which the Royalty Trust holds an overriding royalty interest, and began commercial production on February 25, 2015. Prior to this date there had been no commercial production of hydrocarbons from any of the subject interests. Amortization charges related to production volumes associated with the onshore Highlander subject interest reduced the carrying value of the overriding royalty interests by \$539,098 and \$1,584,748 for the three- and nine-month periods ended September 30, 2017, respectively, and by \$734,031 and \$1,896,210 for the three- and nine-month periods ended September 30, 2016, respectively. Accumulated amortization totaled \$4,595,555 and \$3,010,807 at September 30, 2017, and December 31, 2016, respectively.

McMoRan has informed the Trustee that it has no plans to pursue, has relinquished, or has allowed to expire all subject interests except for the onshore Highlander subject interest. Additionally, McMoRan has informed the Trustee that it is unlikely to drill additional Inboard Lower Tertiary/Cretaceous wells at the current time, considering existing natural gas prices and the cost of drilling and completing these wells. Under the operating agreement applicable to these leases, McMoRan is obligated to offer its interest in any acreage it decides to release to its co-lessees free and clear of the overriding royalty interest.

In the event on or before December 5, 2017, McMoRan acquires a leasehold interest covering the same area covered by a terminated lease, or acquires additional leasehold interests associated with any of the subject interests, such newly acquired leasehold interests will become part of the subject interests, and if this were to occur, it is expected that the Royalty Trust's overriding royalty interest would be 5% of McMoRan's estimated working interest as indicated in the master conveyance.

3. RELATED PARTY TRANSACTIONS

Royalty Income. As of September 30, 2017, only the onshore Highlander subject interest had established commercial production. In accordance with the master conveyance, the Royalty Trust received royalties from McMoRan of \$355,060 and \$1,060,789 during the three- and nine-month periods ended September 30, 2017, respectively, and \$249,862 and \$548,824 during the three- and nine-month periods ended September 30, 2016, respectively, resulting from the onshore Highlander subject interest's production. Royalties are paid to the Royalty Trust on the last day of the month following the month in which production payments are received by McMoRan in accordance with the terms of the master conveyance. Royalties received by the Royalty Trust must first be used to (i) satisfy Royalty Trust administrative expenses and (ii) reduce Royalty Trust indebtedness. The Royalty Trust had no indebtedness outstanding as of September 30, 2017. Additionally, the Trustee has implemented a minimum cash reserve requirement of \$250,000. As a result, distributions are paid to Royalty Trust unitholders only when the cumulative amount of royalties received less administrative expenses incurred and repayment of any indebtedness exceeds \$250,000 (See Note 5).

Funding of Administrative Expenses. Pursuant to the royalty trust agreement, FCX has agreed to pay annual trust expenses up to a maximum amount of \$350,000, with no right of repayment or interest due, to the extent the Royalty Trust lacks sufficient funds to pay administrative expenses. No such contributions by FCX were made during the three- or nine-month periods ended September 30, 2017 or 2016. In addition to such annual contributions, FCX has agreed to lend money, on an unsecured, interest-free basis, to the Royalty Trust to fund the Royalty Trust's ordinary administrative expenses as set forth in the royalty trust agreement. Since inception, FCX has loaned \$650,000 to the Royalty Trust under this arrangement, all of which had been repaid as of September 30, 2017, including \$500,000 during the nine-month period ended September 30, 2017.

Reserve Fund Cash, Short-term Investments and Reserve Fund Liability. Pursuant to the royalty trust agreement, FCX agreed to provide and maintain a \$1.0 million stand-by reserve account or an equivalent letter of credit for the benefit of the Royalty Trust to enable the Trustee to draw on such reserve account or letter of credit to pay obligations of the Royalty Trust if its funds are inadequate to pay its obligations at any time. Currently, with the consent of the Trustee, FCX may reduce the reserve account or substitute a letter of credit with a different face amount for the original letter of credit or any substitute letter of credit. In connection with this arrangement, FCX provided \$1.0 million to the Royalty Trust. The \$1.0 million, plus interest collected thereon, is reflected as reserve fund cash and short-term investments, with a corresponding reserve fund liability in the accompanying Statements of Assets, Liabilities and Trust Corpus. As of September 30, 2017, the Royalty Trust had not drawn any funds from the reserve account, and FCX had not requested a reduction of such reserve account.

Compensation of the Trustee. The Royalty Trust received royalties related to the onshore Highlander subject interest beginning in the second quarter of 2015. Accordingly, the Trustee's annual compensation increased from \$150,000 to \$200,000 beginning in 2016. Additionally, the Trustee receives reimbursement for its reasonable out-of-pocket expenses incurred in connection with the administration of the Royalty Trust. The Trustee's compensation is paid out of the Royalty Trust's assets. The Trustee has a lien on the Royalty Trust's assets to secure payment of its compensation and any indemnification expenses and other amounts to which it is entitled under the royalty trust agreement.

Royalty Trust Units Held by FCX. At September 30, 2017, the Royalty Trust had 230,172,696 royalty trust units outstanding and FCX, through its indirect wholly owned subsidiary McMoRan, held 62,286,299 royalty trust units (or 27.1% of the outstanding royalty trust units). FCX is currently the largest holder of outstanding royalty trust units.

4. CONTINGENCIES AND OTHER COMMITMENTS

Litigation. There are currently no pending legal proceedings to which the Royalty Trust is a party.

5. SUBSEQUENT EVENTS

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Distributable income totaled \$149,155 for the three-month period ended September 30, 2017. On October 16, 2017, the Royalty Trust declared a cash distribution of \$0.000648 per unit payable on November 13, 2017 to unitholders of record on October 30, 2017. This is the first quarterly distribution made by the Royalty Trust and is not necessarily indicative of future quarterly distributions.

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Natural gas (Mcf) sales volumes, average sales price and net cash proceeds available for distribution for the three-month period ended September 30, 2017, are set forth in the table below:

Natural gas (Mcf) sales volumes ^(a)	135,794
Natural gas (per Mcf) average sales price	\$ 2.93
Gross proceeds	\$ 397,699
Post-production costs and specified taxes	\$ (42,639)
Royalty income	\$ 355,060
Interest and dividend income	\$ 648
Administrative expenses	\$ (167,120)
Royalty income in excess of administrative expenses	\$ 188,588
Increase to minimum cash reserve	\$ (39,433)
Net cash proceeds available for distribution	\$ 149,155

(a) Attributable to the onshore Highlander subject interest, which is the only subject interest with commercial production.

The Royalty Trust evaluated all other events subsequent to September 30, 2017, and through the date the Royalty Trust's financial statements were issued, and determined that all events or transactions occurring during this period requiring recognition or disclosure were appropriately addressed in these financial statements.

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

OVERVIEW

You should read the following discussion in conjunction with the financial statements of Gulf Coast Ultra Deep Royalty Trust (the Royalty Trust) and the related Trustee's Discussion and Analysis of Financial Condition and Results of Operations and the discussion of its Business and Properties in the Royalty Trust's Annual Report on Form 10-K for the year ended December 31, 2016 (2016 Form 10-K), filed with the United States (U.S.) Securities and Exchange Commission (SEC). The results of operations reported and summarized below are not necessarily indicative of future operating results. Unless otherwise specified, all references to "Notes" refer to Notes to Financial Statements located in Part I, Item I. "Financial Statements" of this Form 10-Q. Also see the 2016 Form 10-K for a glossary of definitions for some of the oil and gas industry terms used in this Form 10-Q. Additionally, please refer to the section entitled "Cautionary Statement" on page 12 of this Form 10-Q. The information below has been furnished to the Trustee by Freeport-McMoRan Inc. (FCX) and FCX's indirect wholly owned subsidiary, McMoRan Oil & Gas LLC (McMoRan).

On June 3, 2013, FCX and McMoRan Exploration Co. (MMR) completed the transactions contemplated by the Agreement and Plan of Merger, dated as of December 5, 2012 (the merger agreement), by and among MMR, FCX, and INAVN Corp., a Delaware corporation and indirect wholly owned subsidiary of FCX (Merger Sub). Pursuant to the merger agreement, Merger Sub merged with and into MMR, with MMR surviving the merger as an indirect wholly owned subsidiary of FCX (the merger).

FCX's oil and gas assets are held through its wholly owned subsidiary, FCX Oil & Gas LLC (FM O&G). As a result of the merger, MMR and McMoRan are both wholly owned subsidiaries of FM O&G.

The Royalty Trust is a statutory trust created as contemplated by the merger agreement by FCX under the Delaware Statutory Trust Act pursuant to a trust agreement entered into on December 18, 2012 (inception), by and among FCX, as depositor, Wilmington Trust, National Association, as Delaware trustee, and certain officers of FCX, as regular

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trustees. On May 29, 2013, Wilmington Trust, National Association, was replaced by BNY Trust of Delaware, as Delaware trustee (the Delaware Trustee), through an action of the depositor. Effective June 3, 2013, the regular trustees were replaced by The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the Trustee).

The Royalty Trust was created to hold a 5% gross overriding royalty interest (collectively, the overriding royalty interests) in future production from each of McMoRan's Inboard Lower Tertiary/Cretaceous exploration prospects

located in the shallow waters of the Gulf of Mexico and onshore in South Louisiana that existed as of December 5, 2012, the date of the merger agreement (collectively, the subject interests). The subject interests were "carved out" of the mineral interests that were acquired by FCX pursuant to the merger and were not considered part of FCX's purchase consideration of MMR. McMoRan owns less than 100% of the working interest associated with each of the subject interests.

In connection with the merger, on June 3, 2013, (1) FCX, as depositor, McMoRan, as grantor, the Trustee and the Delaware Trustee entered into the amended and restated royalty trust agreement to govern the Royalty Trust and the respective rights and obligations of FCX, the Trustee, the Delaware Trustee, and the Royalty Trust unitholders with respect to the Royalty Trust (the royalty trust agreement); and (2) McMoRan, as grantor, and the Royalty Trust, as grantee, entered into the master conveyance of overriding royalty interests (the master conveyance) pursuant to which McMoRan conveyed to the Royalty Trust the overriding royalty interests in future production from the subject interests. Other than (a) its formation, (b) its receipt of contributions and loans from FCX for administrative and other expenses as provided for in the royalty trust agreement, (c) its payment of such administrative and other expenses, (d) its repayment of loans from FCX, (e) its receipt of the conveyance of the overriding royalty interests from McMoRan pursuant to the master conveyance, (f) its receipt of royalties from McMoRan, and (g) its pending quarterly cash distribution to unitholders, the Royalty Trust has not conducted any activities. The Trustee has no involvement with, control over, or responsibility for, any aspect of any operations on or relating to the subject interests.

The Royalty Trust received royalties related to the onshore Highlander subject interest, which is the only producing subject interest in which it holds an overriding royalty interest, beginning in the second quarter of 2015. Accordingly, the Trustee's annual compensation increased from \$150,000 to \$200,000 beginning in 2016. Additionally, the Trustee receives reimbursement for its reasonable out-of-pocket expenses incurred in connection with the administration of the Royalty Trust. The Trustee's compensation is paid out of the Royalty Trust's assets. The Trustee has a lien on the Royalty Trust's assets to secure payment of its compensation and any indemnification expenses and other amounts to which it is entitled under the royalty trust agreement.

McMoRan previously informed the Trustee that since 2008, McMoRan's Inboard Lower Tertiary/Cretaceous drilling activities (below the salt weld, i.e., the listric fault) have confirmed McMoRan's belief relating to its geologic model and the highly prospective nature of this geologic trend. McMoRan believes that data from nine Inboard Lower Tertiary/Cretaceous wells drilled to date indicate the presence of geologic formations that are analogous to productive formations in the Deepwater Gulf of Mexico and onshore in the Gulf Coast region. Eight of these wells were included in the subject interests, along with additional exploration prospects that were also burdened by the overriding royalty interests. During 2016 and the first quarter of 2017, FCX completed the sales of oil and gas properties which represented 94% of its total proved reserves as of December 31, 2015. Although none of these transactions impacted the subject interests, McMoRan has informed the Trustee that it has no plans to pursue, has relinquished, or has allowed to expire all subject interests except for the onshore Highlander subject interest.

During the nine months ended September 30, 2017, 19,881 gross acres (12,105 acres net to McMoRan's interest) associated with the offshore Davy Jones, Hurricane and Lafitte and onshore Highlander subject interests expired or were relinquished. At September 30, 2017, McMoRan owned interests in approximately 170 oil and gas leases in the shallow waters of the Gulf of Mexico and onshore in South Louisiana, covering approximately 14,370 gross acres (7,319 acres net to McMoRan's interest) associated with the subject interests. Approximately 3% of those net acres associated with the subject interests are scheduled to expire during the remainder of 2017 and through 2019, unless a lease on such acreage is perpetuated by a lease holding operation. McMoRan has no obligation to the Royalty Trust to maintain any of the acreage scheduled to expire, and the Royalty Trust has no control over McMoRan's decisions whether to do so or to allow the acreage to expire. Additionally, McMoRan has informed the Trustee that it is unlikely to drill additional Inboard Lower Tertiary/Cretaceous wells at the current time, considering existing natural gas prices and the cost of drilling and completing these wells. Under the operating agreement applicable to these leases,

McMoRan is obligated to offer its interest in any acreage it decides to release to its co-lessees free and clear of the overriding royalty interest.

In the event on or before December 5, 2017, McMoRan acquires a leasehold interest covering the same area covered by a terminated lease, or acquires additional leasehold interests associated with any of the subject interests, such newly acquired leasehold interests will become part of the subject interests, and if this were to occur, it is expected that the Royalty Trust's overriding royalty interest would be 5% of McMoRan's estimated working interest as indicated in the master conveyance.

Currently, only the onshore Highlander subject interest has any reserves classified as proved, probable or possible and has established commercial production. The Royalty Trust has no ability to direct or influence the exploration or development of the subject interests. In addition, neither FCX nor McMoRan is under any obligation to fund or to commit any other resources to the exploration or development of the subject interests. To the extent that McMoRan does not fund the exploration and development of the subject interests, or if for any other reason sufficient production from the subject interests in commercial quantities is not achieved or maintained, Royalty Trust unitholders will not realize any value from their investment in the royalty trust units other than any distributions already received.

LIQUIDITY AND CAPITAL RESOURCES

Pursuant to the royalty trust agreement, FCX has agreed to pay annual trust expenses up to a maximum amount of \$350,000, with no right of repayment or interest due, to the extent the Royalty Trust lacks sufficient funds to pay administrative expenses. No such contributions by FCX were made during the three- or nine-month periods ended September 30, 2017 or 2016. In addition to such annual contributions, FCX has agreed to lend money, on an unsecured, interest-free basis, to the Royalty Trust to fund the Royalty Trust's ordinary administrative expenses as set forth in the royalty trust agreement. Since inception, FCX has loaned \$650,000 to the Royalty Trust under this arrangement, all of which had been repaid as of September 30, 2017, including \$500,000 during the nine-month period ended September 30, 2017. All funds the Trustee borrows to cover expenses or liabilities, whether from FCX or from any other source, must be repaid before the Royalty Trust unitholders receive any distributions.

Pursuant to the royalty trust agreement, FCX agreed to provide and maintain a \$1.0 million stand-by reserve account or an equivalent letter of credit for the benefit of the Royalty Trust to enable the Trustee to draw on such reserve account or letter of credit to pay obligations of the Royalty Trust if its funds are inadequate to pay its obligations at any time. Currently, with the consent of the Trustee, FCX may reduce the reserve account or substitute a letter of credit with a different face amount for the original letter of credit or any substitute letter of credit. In connection with this arrangement, FCX provided \$1.0 million to the Royalty Trust. The \$1.0 million, plus interest collected thereon, is held in reserve fund cash and short-term investments. As of September 30, 2017, the Royalty Trust had not drawn any funds from the reserve account, and FCX had not requested a reduction of such reserve account.

As of September 30, 2017, only the onshore Highlander subject interest had established commercial production. Royalties are paid to the Royalty Trust on the last day of the month following the month in which production payments are received by McMoRan in accordance with the terms of the master conveyance. In accordance with the master conveyance, the Royalty Trust received royalties from McMoRan of \$355,060 and \$1,060,789 during the three- and nine-month periods ended September 30, 2017, respectively, and \$249,862 and \$548,824 during the three- and nine-month periods ended September 30, 2016, respectively, resulting from the onshore Highlander subject interest's production.

Royalties received by the Royalty Trust must first be used to (i) satisfy Royalty Trust administrative expenses and (ii) reduce Royalty Trust indebtedness. The Royalty Trust had no indebtedness outstanding as of September 30, 2017. Additionally, the Trustee has implemented a minimum cash reserve requirement of \$250,000. As a result, distributions are paid to Royalty Trust unitholders only when the cumulative amount of royalties received less administrative expenses incurred and repayment of any indebtedness exceeds \$250,000. Distributable income totaled \$149,155 for the three-month period ended September 30, 2017. On October 16, 2017, the Royalty Trust declared a cash distribution of \$0.000648 per unit payable on November 13, 2017 to unitholders of record on October 30, 2017. This is the first quarterly distribution made by the Royalty Trust and is not necessarily indicative of future quarterly distributions.

Natural gas (Mcf) sales volumes, average sales price and net cash proceeds available for distribution for the three-month period ended September 30, 2017, are set forth in the table below:

Natural gas (Mcf) sales volumes ^(a)	135,794
Natural gas (per Mcf) average sales price	\$ 2.93
Gross proceeds	\$ 397,699
Post-production costs and specified taxes	\$ (42,639)
Royalty income	\$ 355,060
Interest and dividend income	\$ 648
Administrative expenses	\$ (167,120)
Royalty income in excess of administrative expenses	\$ 188,588
Increase to minimum cash reserve	\$ (39,433)
Net cash proceeds available for distribution	\$ 149,155

(a) Attributable to the onshore Highlander subject interest, which is the only subject interest with commercial production.

The Royalty Trust's only other sources of liquidity are mandatory annual contributions, any loans and the required standby reserve account or letter of credit from FCX. As a result, any material adverse change in FCX's or McMoRan's financial condition or results of operations could materially and adversely affect the Royalty Trust and the underlying royalty trust units.

OFF-BALANCE SHEET ARRANGEMENTS

The Royalty Trust has no off-balance sheet arrangements. The Royalty Trust has not guaranteed the debt of any other party, nor does the Royalty Trust have any other arrangements or relationships with other entities that could potentially result in unconsolidated debt, losses or contingent obligations.

RESULTS OF OPERATIONS

Royalty Income. As of September 30, 2017, only the onshore Highlander subject interest had established commercial production. In accordance with the master conveyance, during the three-month period ended September 30, 2017, the Royalty Trust received royalties of \$355,060 from McMoRan related to 135,794 Mcf of natural gas production attributable to the onshore Highlander subject interest with average post-production costs of \$0.31 per Mcf and an average receipt price of \$2.93 per Mcf. During the three-month period ended September 30, 2016, the Royalty Trust received royalties of \$249,862 from McMoRan related to 119,549 Mcf of natural gas production attributable to the onshore Highlander subject interest with average post-production costs of \$0.26 per Mcf and an average receipt price of \$2.35 per Mcf.

During the nine-month period ended September 30, 2017, the Royalty Trust received royalties of \$1,060,789 from McMoRan related to 399,182 Mcf of natural gas production attributable to the onshore Highlander subject interest with average post-production costs of \$0.28 per Mcf and an average receipt price of \$2.94 per Mcf. During the nine-month period ended September 30, 2016, the Royalty Trust received royalties of \$548,824 from McMoRan related to 308,830 Mcf of natural gas production attributable to the onshore Highlander subject interest with average post-production costs of \$0.26 per Mcf and an average receipt price of \$2.03 per Mcf.

Royalty income was higher during both the three- and nine-month periods ended September 30, 2017, as compared to the respective 2016 periods, primarily due to higher natural gas price realizations as well as additional production days for the Highlander well. During the nine-month period ended September 30, 2016, the Highlander well was shut-in for approximately one month for well and facility maintenance activities.

Administrative Expenses. During the three-month periods ended September 30, 2017 and 2016, the Royalty Trust paid administrative expenses of \$167,120 and \$105,135, respectively. During the nine-month periods ended September 30, 2017 and 2016, the Royalty Trust paid administrative expenses of \$424,648 and \$485,998, respectively.

Administrative expenses, which consisted primarily of audit, legal and trustee expenses incurred in connection with the administration of the Royalty Trust, fluctuated for the three- and nine-month periods ended

September 30, 2017, as compared to the respective 2016 periods, primarily due to timing of payments for legal and audit fees, which are recorded in accordance with the modified cash basis of accounting.

NEW ACCOUNTING STANDARDS

The Royalty Trust does not expect recently issued accounting standards to have a significant impact on its future financial statements and disclosures.

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements are all statements other than statements of historical facts, such as any statements regarding the future financial condition of the Royalty Trust or the trading market for the royalty trust units, all statements regarding McMoRan's plans for the subject interests, the potential results of any drilling on the subject interests by the applicable operator, anticipated interests of McMoRan and the Royalty Trust in any of the subject interests, McMoRan's geologic model and the nature of the geologic trend in the Gulf of Mexico and onshore in South Louisiana discussed in this Form 10-Q, the amount and date of quarterly distributions to unitholders, and all statements regarding any belief or understanding of the nature or potential of the subject interests. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "intends," "likely," "will," "should," "to be," and any similar expressions and/or statements that are not historical facts are intended to identify those assertions as forward-looking statements.

Forward-looking statements are not guarantees or assurances of future performance and actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that may cause actual results to differ materially from those anticipated by the forward-looking statements include, but are not limited to: FCX's future plans for its remaining oil and gas properties, the risk that the subject interests will not produce additional hydrocarbons; general economic and business conditions; variations in the market demand for, and prices of, oil and natural gas; drilling results; changes in oil and natural gas reserve expectations; the potential adoption of new governmental regulations; decisions by FCX or McMoRan not to develop the subject interests; any inability of FCX or McMoRan to develop the subject interests; damages to facilities resulting from natural disasters or accidents; fluctuations in the market price, volume and frequency of the trading market for the royalty trust units; the amount of cash received or expected to be received by the Trustee from the underlying subject interests on or prior to a record date for a quarterly cash distributions; and other factors described in Part I, Item 1A, "Risk Factors" in the 2016 Form 10-K, as updated by the Royalty Trust's subsequent filings with the SEC. Any differences in actual cash receipts by the Royalty Trust could affect the amount of quarterly cash distributions.

Investors are cautioned that current production rates may not be indicative of future production rates or of the amounts of hydrocarbons that a well may produce, and that many of the assumptions upon which forward-looking statements are based are likely to change after such forward-looking statements are made, which the Royalty Trust cannot control. The Royalty Trust cautions investors that it does not intend to update its forward-looking statements, notwithstanding any changes in assumptions, changes in business plans, actual experience, or other changes, and the Royalty Trust undertakes no obligation to update any forward-looking statements except as required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company, the Royalty Trust is not required to provide the information required by this Item.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures. The Royalty Trust has no employees, and, therefore, does not have a principal executive officer or principal financial officer. Accordingly, the Trustee is responsible for making the evaluations, assessments and conclusions required pursuant to this Item 4. The Trustee has evaluated the effectiveness of the Royalty Trust's "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Form 10-Q. Based on this evaluation, the Trustee has concluded that the Royalty Trust's disclosure controls and procedures are effective as of the end of the period covered by this Form 10-Q.

Due to the nature of the Royalty Trust as a passive entity and in light of the contractual arrangements pursuant to which the Royalty Trust was created, including the provisions of (i) the amended and restated royalty trust agreement and (ii) the master conveyance, the Royalty Trust's disclosure controls and procedures necessarily rely on (A) information provided by FCX, including information relating to results of operations, the costs and revenues attributable to the subject interests and other operating and historical data, plans for future operating and capital expenditures, reserve information, information relating to projected production, and other information relating to the status and results of operations of the subject interests and the overriding royalty interests, and (B) conclusions and reports regarding reserves by the Royalty Trust's independent reserve engineers.

(b) Changes in internal control over financial reporting. During the quarter ended September 30, 2017, there has been no change in the Royalty Trust's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Royalty Trust's internal control over financial reporting. The Trustee notes for purposes of clarification that it has no authority over, and makes no statement concerning, the internal control over financial reporting of FCX.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

There are currently no pending legal proceedings to which the Royalty Trust is a party.

Item 6. Exhibits.

The following exhibits are filed or furnished as part of this quarterly report on Form 10-Q:

Exhibit Number	Exhibit Title	Filed or Furnished		Incorporated by Reference	
		with this Form 10-Q	Form	File No.	Date Filed
<u>3.1</u>	Composite Certificate of Trust of Gulf Coast Ultra Deep Royalty Trust		10-Q	333-1857424	August 24, 2013
<u>31</u>	Certification pursuant to Rule 13a-14(a)/15d-14(a)	X			
<u>32</u>	Certification pursuant to 18 U.S.C. Section 1350	X			

SIGNATURE

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

Gulf Coast Ultra Deep
Royalty Trust
By: The Bank of New York
Mellon
Trust Company, N.A., as
Trustee

By: /s/ Michael J. Ulrich
Michael J. Ulrich
Vice President

Date: November 13, 2017

The Registrant, Gulf Coast Ultra Deep Royalty Trust, has no principal executive officer, principal financial officer, controller or chief accounting officer, board of directors or persons performing similar functions. Accordingly, no additional signatures are available and none have been provided. In signing the report above, the Trustee does not imply that it has performed any such function or that any such function exists pursuant to the terms of the amended and restated royalty trust agreement, dated June 3, 2013, under which it serves.

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