BURLINGTON RESOURCES INC
Form 424B4
August 03, 2005

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Registration Nos. 333-124056
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PROSPECTUS SUPPLEMENT
(To Prospectus dated April 22, 2005)

8,250,000 Trust Units
Permian Basin Royalty Trust

Burlington Resources Inc. is offering to sell 8,250,000 trust units representing undivided shares of beneficial interest in Permian Basin Royalty Trust. The trust units do not represent any interest in Burlington Resources. The trust will not receive any of the proceeds of this offering.

The trust units are listed on the New York Stock Exchange under the symbol PBT. On August 2, 2005, the last reported sale price for the trust units was $15.45 per unit.

Investing in the trust units involves risks. See Risk Factors beginning on page S-6 of this prospectus supplement and on page 5 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Trust Unit	Total
Initial price to public	$15.4500	$127,462,500
Underwriting discount	$ 0.7725	$ 6,373,125
Proceeds to Burlington Resources (before expenses)	$14.6775	$121,089,375

Burlington Resources has granted the underwriters a 30-day option to purchase up to 1,237,500 additional trust units on the same terms and conditions as set forth above if the underwriters sell more than 8,250,000 trust units in this offering.

The underwriters expect to deliver the trust units against payment in New York, New York on or about August 8, 2005.

Joint Book-Running Managers

Goldman, Sachs & Co. **Lehman Brothers**

Citigroup **Wachovia Securities**

RBC Capital Markets **Stifel, Nicolaus & Company Incorporated**

Prospectus Supplement dated August 2, 2005

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Prospectus Supplement

Prospectus

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. If the description of the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither the trust nor Burlington Resources has authorized anyone else to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. Neither the trust nor Burlington Resources is making an offer to sell the trust units in any jurisdictions where offers and sales are not permitted. You should not assume that the information included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the dates shown in these documents or that any information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. The business, financial condition, results of operations and prospects of the trust, Burlington Resources or both may have changed since that date.

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SUMMARY

The summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. You should read carefully the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents referred to herein. Please read Risk Factors beginning on page S-6 of this prospectus supplement for more information about important risks that you should consider before investing in the trust units.

In this prospectus supplement, references to the trust mean Permian Basin Royalty Trust, references to Burlington Resources mean Burlington Resources Inc. and references to Southland Royalty mean Southland Royalty Company. References to BROG mean Burlington Resources Oil & Gas Company LP, a wholly owned subsidiary of Burlington Resources. References to the trustee mean Bank of America, N.A., as trustee for the trust, or any successor trustee.

The Trust

The trust was created under the laws of the state of Texas on November 3, 1980 by Southland Royalty Company pursuant to that company s conveyance of net overriding royalty interests (equivalent to net profits interests) to the trust for the benefit of Southland Royalty s stockholders. Each stockholder of Southland Royalty on the date of the trust s formation received one unit of beneficial ownership in the trust for each share of Southland Royalty common stock then held. In 1996, BROG succeeded to the interests of Southland Royalty.

The trust s net overriding royalty interests constitute its principal assets. These net overriding royalty interests include a 75% net overriding royalty carved out of Southland Royalty s fee mineral interests in the Waddell Ranch in Crane County, Texas, and a 95% net overriding royalty carved out of Southland Royalty s major producing royalty interests in other mature producing oil and gas fields throughout 33 counties in Texas, which are referred to in this prospectus supplement as the Texas Royalty properties. The trust has no power or authority to carry on any business activity and has no employees. All administrative functions are performed by the trustee.

BROG continues to own the fee mineral interests in the Waddell Ranch properties underlying the trust s net overriding royalty and is the operator of record on those properties. In 1997, BROG sold its interests in the Texas Royalty properties to Riverhill Energy Corporation, an energy company not affiliated with Burlington Resources or its subsidiaries. Riverhill Energy Corporation succeeded to all of the obligations of BROG arising under the conveyance.

The following are additional significant characteristics of the trust:

- ***Established underlying oil and gas properties.*** The oil and gas properties underlying the trust s net overriding royalty interests are distinguished by geologic diversity and relatively stable total estimated reserves. Additionally, revisions to estimated production from these properties over the previous five years reflect mitigated declines in aggregate annual production.

- ***Efficient historical operations of a legacy asset.*** The Waddell Ranch properties comprised approximately 75% of the reserve base underlying the trust s royalty interests at December 31, 2004. These properties have historically been operated by Burlington Resources or its designee in a cost effective manner and with a disciplined approach to reinvestment. These properties are located within a field that has delivered gross cumulative production in excess of 500 MMBoe over the past seven decades.

- ***Direct exposure to oil and gas commodity prices.*** The distributions of the trust are directly affected by the prices realized for the production from the underlying properties, and have benefited recently from increased oil and gas prices.

- ***Unique class of income-oriented security.*** Royalty trusts are unique among oil and gas investment vehicles because of the significant proportion of income distributed to their investors. These distributions are further distinguished by the pass-through of tax depletion allowances, which allow owners of royalty trust securities to defer a portion of income taxes on distributions received. In recent years, the oil and gas royalty trusts have generally delivered a higher current yield relative to the other groups of U.S. energy income-oriented securities.

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Overview of the Underlying Properties

The properties underlying the trust s overriding royalty interests consist principally of oil and gas producing properties in the Waddell Ranch and the Texas Royalty properties.

Waddell Ranch Properties. The Waddell Ranch properties are located in Crane County, Texas in the heart of the Permian Basin. Waddell Ranch includes more than 776 gross (345 net) productive oil wells and 197 gross (93 net) productive gas wells across 76,922 gross (33,246 net) acres. The Waddell Ranch properties are part of an oil field that has been producing oil and gas for more than 75 years. Independent reserve estimates, which take into account forecasted production declines, indicate a remaining ultimate economic life of the Waddell Ranch properties in excess of 40 years.

The long production history of the Waddell Ranch, combined with the operator s and working interest owners extensive experience, has created a depth of knowledge on which to base operating decisions. Specifically, these factors have enabled the operator to deploy development capital more effectively and efficiently to low-risk development methods, such as water flooding. All of the major fields in Waddell Ranch have undergone water flooding which has been a significant factor in the operator s ability to mitigate the decline of the Waddell Ranch properties.

Texas Royalty Properties. The Texas Royalty properties consist of a 95% net overriding royalty interest in royalties owned by Riverhill Energy Corporation. The properties underlying the Texas Royalty properties are located throughout 33 counties across the Permian Basin, East Texas, South Texas and the Texas Panhandle, and consist of approximately 125 separate royalty interests containing approximately 303,000 gross (51,000 net) producing acres. The two largest properties are part of the Wasson and Yates fields, and represent approximately 41% of the future net revenues of the Texas Royalty properties.

Wasson field is an oil and gas producing area in southwestern Yoakum and northwestern Gaines counties of West Texas, five miles east of the Texas New Mexico border. The field, which covers 62,500 acres and is the largest field in Texas based on estimated oil reserves, has been producing oil and gas since 1937 and in 2004 produced approximately 126 MBoe per day.

Yates field, located in southeastern Pecos County, Texas, was discovered in 1926, and has produced over 1 billion barrels of oil throughout its life, making it one of the most prolific oil fields in the world. The field continues to maintain production in excess of 36.2 MBoe per day, and has been responsive to production extension methods deployed to date such as CO_2 injection and water flooding.

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Ownership and Organizational Structure

The following chart depicts our organizational structure and ownership before and after this offering (without giving effect to any exercise of the underwriters 30-day option to purchase additional units).

(1) Represents BROG s fee mineral interest only in those properties within the Waddell Ranch burdened by the trust s net overriding royalty.

The trust maintains its principal executive offices at 901 Main Street, Dallas, Texas 75202, telephone (214) 209-2400. Burlington Resources maintains its principal executive offices at 717 Texas, Suite 2100, Houston, Texas 77002, telephone (713) 624-9000.

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Summary Reserve and Production Information

The following table summarizes historical net proved reserves estimated for fiscal years ended December 31, 2002, 2003 and 2004 and corresponding annual production information for the net overriding royalty interests and underlying properties from the reserve report, dated February 25, 2005, prepared for the trust by Cawley, Gillespie & Associates, Inc., independent petroleum engineers. Additional information regarding the net proved reserves of the trust is provided in the trust s annual report on Form 10-K for the year ended December 31, 2004, as amended by Amendment 1 thereto on Form 10-K/ A filed April 6, 2005 and Amendment 2 thereto on Form 10-K/ A filed July 25, 2005, and the notes to the financial statements in the trust s annual report to security holders which is filed as an exhibit to the trust s annual report on Form 10-K for the year ended December 31, 2004.

	Underlying Properties								
	Waddell Ranch Properties			Texas Royalty Properties			Total		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Production									
Oil (MBbls)	923	858	873	350	343	349	1,273	1,201	1,223
Gas (MMcf)	5,310	5,510	5,291	879	734	685	6,189	6,244	5,976
Oil Equivalents (MBoe)(1)	1,808	1,777	1,755	497	465	463	2,304	2,242	2,219

	Royalties								
	Waddell Ranch Properties			Texas Royalty Properties			Total		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Production(2)									
Oil (MBbls)	427	395	471	302	304	308	729	699	779
Gas (MMcf)	2,441	2,511	2,643	751	650	602	3,192	3,161	3,245
Oil Equivalents (MBoe)(1)	834	814	912	427	412	408	1,261	1,226	1,320
Reserves(2)(3)									
Oil (MBbls)	4,047	3,531	3,606	3,439	3,376	3,502	7,486	6,907	7,108
Gas (MMcf)	22,940	21,822	21,871	5,565	5,425	5,914	28,505	27,247	27,785
Oil Equivalents (MBoe)(1)	7,870	7,168	7,251	4,367	4,280	4,488	12,237	11,448	11,739

(1) Amounts expressed in MBoe are based on conversion ratios of 6 Mcf: 1 Boe and 1 Bbl: 1 Boe.

(2) Since the oil and gas sales attributable to the trust s royalty interests are based on an allocation formula that is dependent on such factors as price and cost (including capital expenditures), production amounts do not necessarily provide a meaningful comparison.

(3) Reserve quantities shown in the preceding table were estimated from projections of reserves attributable to the combined BROG, Riverhill Energy and trust interests in the properties underlying the trust s royalty interests. Reserve quantities attributable to the trust s royalty interests were estimated by allocating to the trust s royalty interests a portion of the total estimated net reserve quantities of the interests, based upon gross revenue less production taxes. Because the reserve quantities attributable to the trust s royalty interests are estimated using an allocation of the reserves, any changes in prices or costs will result in changes in the estimated reserve quantities allocated to the trust s royalty interests. Therefore, the reserve quantities estimated will vary if different future price and cost assumptions occur. Oil and gas prices of $37.90 and $39.07 per barrel and $6.22 and $6.61 per Mcf, respectively, were used to determine the estimated reserve quantities for the Waddell Ranch properties and the Texas Royalty properties, respectively, at December 31, 2004. Oil and gas prices of $30.70 and $29.91 per barrel and $4.76 and $4.71 per Mcf, respectively, were used to determine the estimated reserve quantities for the Waddell Ranch properties and the Texas Royalty properties, respectively, at December 31, 2003. Oil and gas prices of $31.88 and $28.95 per barrel and $3.80 and $3.79 per Mcf, respectively, were used to determine the estimated reserve quantities for the Waddell Ranch properties and the Texas Royalty properties, respectively, at December 31, 2002.

There are many uncertainties inherent in estimating quantities and values of proved reserves and in projecting future rates of production and the timing of development expenditures. The reserve data set forth above, although prepared by independent petroleum engineers in a manner customary in the industry, are estimates only, and actual quantities and values of crude oil and natural gas are likely to differ from the estimated amounts set forth. In addition, the reserve estimates for the net overriding royalty interests will be affected by future changes in sales prices for crude oil and natural gas produced and costs that are deducted in calculating net proceeds from net overriding royalty interests.

The Offering

Trust units offered by Burlington Resources	8,250,000 trust units; 9,487,500 trust units if the underwriters exercise their purchase option in full.
Trust units to be outstanding after this offering	46,608,796 trust units
Use of proceeds	The trust will not receive any proceeds from the sale of the 8,250,000 trust units by Burlington Resources. Burlington Resources intends to use the proceeds from this offering, which Burlington Resources estimates will be approximately $120.8 million, or approximately $139.0 million if the underwriters exercise their purchase option in full, to acquire certain oil and gas properties through a qualified intermediary in order to facilitate a possible like-kind exchange under Section 1031 of the U.S. Internal Revenue Code and will use remaining proceeds, if any, for acquisitions or for general corporate purposes.
Cash distributions	Holders of trust units are entitled to receive monthly cash distributions. The aggregate monthly distribution amount paid to unit holders is the excess of (i) net revenues from the trust properties, plus any decrease in cash reserves previously established for contingent liabilities and any other cash receipts of the trust, over (ii) the expenses and payments of liabilities of the trust, plus any net increase in cash reserves for contingent liabilities. The trust declared a monthly per-unit distribution of $0.099822 on July 19, 2005, payable on August 12, 2005 to unit holders of record on July 29, 2005. For a more detailed description of the trust s cash distribution policy, please read Recent Sales Prices and Distributions on page S-13 of this prospectus supplement, and Description of Trust Units beginning on page 10 of the accompanying prospectus.
Risk factors	An investment in the trust units involves risks. Please read Risk Factors beginning on page S-6 of this prospectus supplement and page 5 of the accompanying prospectus.
New York Stock Exchange symbol	PBT

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RISK FACTORS

An investment in the trust units offered hereby involves risks. You should consider carefully the discussion of the risks below and beginning on page 5 of the accompanying prospectus. In addition, please read carefully the other information in this prospectus supplement and the accompanying prospectus, before purchasing any trust units.

The market price for the trust units may not reflect the value of the royalty interests held by the trust.

The public trading price for the trust units tends to be tied to the recent and expected levels of cash distribution on the trust units. The amounts available for distribution by the trust vary in response to numerous factors outside the control of the trust, including prevailing prices for crude oil and natural gas produced from the trust s royalty interests. The market price is not necessarily indicative of the value that the trust would realize if it sold those royalty interests to a third party buyer. In addition, such market price is not necessarily reflective of the fact that since the assets of the trust are depleting assets, a portion of each cash distribution paid on the trust units should be considered by investors as a return of capital, with the remainder being considered as a return on investment. There is no guarantee that distributions made to a unit holder over the life of these depleting assets will equal or exceed the purchase price paid by the unit holder. For example, estimated undiscounted future net revenues from proved reserves at December 31, 2004 were $424,965,000, or $9.12 per unit, which is less than the last reported sales price of the trust units on August 2, 2005 of $15.45 per unit.

Crude oil and natural gas prices are volatile and fluctuate in response to a number of factors. Lower prices could reduce the net proceeds payable to the trust and trust distributions.

The trust s monthly distributions are highly dependent upon the prices realized from the sale of crude oil and natural gas and a material decrease in such prices could reduce the amount of cash distributions paid to unit holders. Crude oil and natural gas prices can fluctuate widely on a month-to-month basis in response to a variety of factors that are beyond the control of the trust and Burlington Resources. Factors that contribute to price fluctuation include, among others:

- political conditions in major oil producing regions, especially the Middle East;
- worldwide economic conditions;
- weather conditions;
- the supply and price of domestic and foreign crude oil or natural gas;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the proximity to, and capacity of, transportation facilities;
- the effect of worldwide energy conservation measures; and
- the nature and extent of governmental regulation and taxation.

When crude oil and natural gas prices decline, the trust is affected in two ways. First, net royalties are reduced. Second, exploration and development activity on the underlying properties may decline as some projects may become uneconomic and are either delayed or eliminated. It is impossible to predict future crude oil and natural gas price movements, and this reduces the predictability of future cash distributions to trust unit holders.

Increased production and development costs attributable to the net overriding royalty interests will result in decreased trust distributions unless revenues also increase.

Production and development costs attributable to the Waddell Ranch net overriding royalty are deducted in the calculation of the trust s share of net proceeds. Accordingly, higher or lower production

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and development costs will directly decrease or increase the amounts received by the trust for those net overriding royalty interests. For example, Burlington Resources currently estimates that the costs of electricity that will be included in production and development costs deducted in calculating the trust s share of 2005 net proceeds will increase approximately 45% over the electrical costs incurred during 2004 principally as a result of higher fuel surcharges by the third party electricity provider in response to the higher costs of natural gas consumed to generate the electricity. These increased costs will reduce the trust s share of 2005 net proceeds below the level that would exist if such costs remained at the level experienced in 2004.

If production and development costs attributable to the Waddell Ranch net overriding royalty interests exceed the gross proceeds related to production from the underlying properties, the trust will not receive net proceeds until future proceeds from production exceed the total of the excess costs plus accrued interest during the deficit period. Development activities may not generate sufficient additional proceeds to repay the costs.

Trust reserve estimates depend on many assumptions that may prove to be inaccurate, which could cause both estimated reserves and estimated future net revenues to be too high, leading to write-downs of estimated reserves.

The value of the trust units will depend upon, among other things, the reserves attributable to the trust s net overriding royalty interests in the underlying properties. The calculations of proved reserves included in this prospectus are only estimates, and estimating reserves is inherently uncertain. In addition, the estimates of future net revenues are based upon various assumptions regarding future production levels, prices and costs that may prove to be incorrect over time.

The accuracy of any reserve estimate is a function of the quality of available data, engineering interpretation and judgment, and the assumptions used regarding the quantities of recoverable crude oil and natural gas and the future prices of crude oil and natural gas. Petroleum engineers consider many factors and make many assumptions in estimating reserves. Those factors and assumptions include:

- historical production from the area compared with production rates from similar producing areas;
- the effects of governmental regulation;
- assumptions about future commodity prices, production and development costs, taxes, and capital expenditures;
- the availability of enhanced recovery techniques; and
- relationships with landowners, working interest partners, pipeline companies and others.

Changes in any of these factors and assumptions can materially change reserve and future net revenue estimates. The trust s estimate of reserves and future net revenues is further complicated because the trust holds an interest in net overriding royalties and does not own a specific percentage of the crude oil or natural gas reserves. Ultimately, actual production, revenues and expenditures for the underlying properties, and therefore actual net proceeds payable to the trust, will vary from estimates and those variations could be material. Results of drilling, testing and production after the date of those estimates may require substantial downward revisions or write-downs of reserves.

Burlington Resources sale of its remaining trust units may reduce the market value of trust units.

Burlington Resources currently owns 59.2% of outstanding trust units and will sell approximately 17.7% of outstanding trust units in this offering. Burlington Resources, over time, may sell some or all of its remaining position in the trust units. If Burlington Resources continues to sell its remaining trust units, additional trust units will be available for sale in the market and the market price of trust units could be impacted.

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The assets of the trust represent interests in depleting assets and, if BROG and the other operators developing the underlying properties do not perform additional development projects, the assets may deplete faster than expected. Eventually, the assets of the trust will cease to produce in commercial quantities and the trust will cease to receive proceeds from such assets. In addition, a reduction in depletion tax benefits may reduce the market value of the trust units.

The net proceeds payable to the trust are derived from the sale of depleting assets. The reduction in proved reserve quantities is a common measure of depletion. Future maintenance and development projects on the underlying properties will affect the quantity of proved reserves and can offset the reduction in proved reserves. The timing and size of these projects will depend on the market prices of crude oil and natural gas. If the operators developing the underlying properties, including BROG, do not implement additional maintenance and development projects, the future rate of production decline of proved reserves may be higher than the rate currently expected by the trust and Burlington Resources.

Because the net proceeds payable to the trust are derived from the sale of depleting assets, the portion of distributions to trust unit holders attributable to depletion may be considered a return of capital as opposed to a return on investment. Distributions that are a return of capital will ultimately diminish the depletion tax benefits available to the trust unit holders, which could reduce the market value of the trust units over time. Eventually, the properties underlying the trust s net overriding royalty interests will cease to produce in commercial quantities and the trust will, therefore, cease to receive any distributions of net proceeds therefrom.

Operational risks and hazards associated with the development of the underlying properties may decrease trust distributions.

There are operational risks and hazards associated with the production and transportation of crude oil and natural gas, including without limitation natural disasters, blowouts, explosions, fires, leakage of crude oil or natural gas, releases of other hazardous materials, mechanical failures, cratering, and pollution. Any of these or similar occurrences could result in the interruption or cessation of operations, personal injury or loss of life, property damage, damage to productive formations or equipment, damage to the environment or natural resources, or cleanup obligations. The operation of oil and gas properties is also subject to various laws and regulations. Non-compliance with such laws and regulations could subject the operator to additional costs, sanctions or liabilities. The uninsured costs resulting from any of the above or similar occurrences could be deducted as a cost of production in calculating the net proceeds payable to the trust and would therefore reduce trust distributions by the amount of such uninsured costs.

As oil and gas production from the Waddell Ranch properties is processed through a single facility, future distributions from those properties may be particularly susceptible to such risks. A partial or complete shut-down of the operations at that facility could disrupt the flow of royalty payments to the trust and, accordingly, the trust s distributions to its unit holders. In addition, although BROG is the operator of record of the properties burdened by the Waddell Ranch overriding royalty interests, none of the trustee, the trust unit holders or BROG has an operating interest in the properties burdened by the Texas Royalty properties overriding royalty interests. As a result, these parties are not in a position to eliminate or mitigate the above or similar occurrences with respect to such properties and may not become aware of such occurrences prior to any reduction in trust distributions which may result therefrom.

Terrorism and continued geopolitical hostilities could adversely affect trust distributions or the market price of the trust units.

Terrorist attacks and the threat of terrorist attacks, whether domestic or foreign, as well as the military or other actions taken in response, cause instability in the global financial and energy markets. Terrorism and other geopolitical hostilities could adversely affect trust distributions or the market price of the trust units in unpredictable ways, including through the disruption of fuel supplies and markets, increased volatility in crude oil and natural gas prices, or the possibility that the infrastructure on which the operators developing the underlying properties rely could be a direct target or an indirect casualty of an act of terror.

Trust unit holders and the trustee have no influence over the operations on, or future development of, the underlying properties.

Neither the trustee nor the trust unit holders can influence or control the operations on, or future development of, the underlying properties. The failure of an operator to conduct its operations, discharge its obligations, deal with regulatory agencies or comply with laws, rules and regulations, including environmental laws and regulations, in a proper manner could have an adverse effect on the net proceeds payable to the trust. The current operators developing the underlying properties are under no obligation to continue operations on the underlying properties. Neither the trustee nor the trust unit holders have the right to replace an operator.

The operators developing the Texas Royalty properties have no duty to protect the interests of the trust unit holders, and do not have sole discretion regarding development activities on the underlying properties.

Under the terms of a typical operating agreement relating to oil and gas properties, the operator owes a duty to working interest owners to conduct its operations on the properties in a good and workmanlike manner and in accordance with its best judgment of what a prudent operator would do under the same or similar circumstances. BROG is the operator of record of the Waddell Ranch overriding royalty interests and in such capacity owes the trust a contractual duty under the conveyance agreement for that overriding royalty interest to operate the Waddell Ranch properties in good faith and in accordance with a prudent operator standard. The operators of the properties burdened by the Texas Royalty properties overriding royalty interests, however, have no contractual or fiduciary duty to protect the interests of the trust or the trust unit holders other than indirectly through its duty of prudent operations to the unaffiliated owners of the working interests in those properties.

In addition, even if an operator, including BROG in the case of the Waddell Ranch properties, concludes that a particular development operation is prudent on a property, it may be unable to undertake such activity unless it is approved by the requisite approval of the working interest owners of such properties (typically the owners of at least a majority of the working interests). Even if the trust concludes that such activities in respect of any of its overriding royalty interests would be in its best interests, it has no right to cause those activities to be undertaken.

The operator developing any underlying property may transfer its interest in the property without the consent of the trust or the trust unit holders.

Any operator developing any of the underlying properties may at any time transfer all or part of its interest in the underlying properties to another party. Neither the trust nor the trust unit holders are entitled to vote on any transfer of the properties underlying the trust s net overriding royalty interests, and the trust will not receive any proceeds of any such transfer. Following any transfer, the transferred property will continue to be subject to the net overriding royalty interests of the trust, but the net proceeds from the transferred property will be calculated separately and paid by the transferee. The transferee will be responsible for all of the transferor s obligations relating to calculating, reporting and paying to the trust the net overriding royalties from the transferred property, and the transferor will have no continuing obligation to the trust for that property.

The operator developing any underlying property may abandon the property, thereby terminating the related net overriding royalty interest payable to the trust.

The operators developing the underlying properties, or any transferee thereof, may abandon any well or property without the consent of the trust or the trust unit holders if they reasonably believe that the well or property can no longer produce in commercially economic quantities. This could result in the termination of the net overriding royalty interest relating to the abandoned well or property.

The net overriding royalty interests can be sold and the trust would be terminated.

The trustee must sell the net overriding royalty interests if the holders of 75% or more of the trust units approve the sale or vote to terminate the trust. The trustee must also sell the net overriding royalty interests if they fail to generate net revenue for the trust of at least $1,000,000 per year over any

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consecutive two-year period. Sale of all of the net overriding royalty interests will terminate the trust. The net proceeds of any sale will be distributed to the trust unit holders.

Trust unit holders have limited voting rights and have limited ability to enforce the trust s rights against the current or future operators developing the underlying properties.

The voting rights of a trust unit holder are more limited than those of stockholders of most public corporations. For example, there is no requirement for annual meetings of trust unit holders or for an annual or other periodic re-election of the trustee. Additionally, trust unit holders have no voting rights in BROG or in Burlington Resources.

The trust indenture and related trust law permit the trustee and the trust to sue BROG, Riverhill Energy Corporation or any other future operators developing the underlying properties to compel them to fulfill the terms of the conveyance of the net overriding royalty interests. If the trustee does not take appropriate action to enforce provisions of the conveyance, the recourse of the trust unit holders would likely be limited to bringing a lawsuit against the trustee to compel the trustee to take specified actions. Trust unit holders probably would not be able to sue BROG, Riverhill Energy Corporation or any other future operators developing the underlying properties.

Financial information of the trust is not prepared in accordance with GAAP.

The financial statements of the trust are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, or GAAP. Although this basis of accounting is permitted for royalty trusts by the U.S. Securities and Exchange Commission, the financial statements of the trust differ from GAAP financial statements because revenues are not accrued in the month of production and cash reserves may be established for specified contingencies and deducted which could not be accrued in GAAP financial statements.

The limited liability of trust unit holders is uncertain.

The trust unit holders are not protected from the liabilities of the trust to the same extent that a shareholder would be protected from a corporation s liabilities. The structure of the trust does not include the interposition of a limited liability entity such as a corporation or limited partnership which would provide further limited liability protection to trust unit holders. While the trustee is liable for any excess liabilities incurred if the trustee fails to insure that such liabilities are to be satisfied only out of trust assets, under the laws of Texas, which are unsettled on this point, a holder of units may be jointly and severally liable for any liability of the trust if the satisfaction of such liability was not contractually limited to the assets of the trust and the assets of the trust and the trustee are not adequate to satisfy such liability. As a result, trust unit holders may be exposed to personal liability.

USE OF PROCEEDS

In connection with this offering, BROG entered into an agreement with an affiliate of Wachovia Capital Markets, LLC, pursuant to which such affiliate agreed to act as a qualified intermediary in order to facilitate a like-kind exchange under Section 1031 of the U.S. Internal Revenue Code. Under the terms of this agreement, the net proceeds from this offering after expenses, which Burlington Resources estimates will be approximately $120.8 million, or approximately $139.0 million if the underwriters exercise their purchase option in full, will be reinvested by Burlington Resources through Wachovia s affiliate in assets, which consist primarily of oil and gas properties.

The trust will not receive any proceeds from the sale of the trust units, which are owned indirectly by Burlington Resources. Burlington Resources will use remaining proceeds received from the sale of the trust units offered by this prospectus supplement, if any, for acquisitions or for general corporate purposes.

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SELECTED FINANCIAL DATA

The following table sets forth certain selected financial data of the trust for each of the periods indicated. This information should be read in conjunction with our Consolidated Financial Statements and Notes thereto incorporated by reference in the trust s Form 10-K for the year ended December 31, 2004, as amended by Amendment 1 thereto on Form 10-K/A filed April 6, 2005 and Amendment 2 thereto on Form 10-K/A filed July 25, 2005. Please read Where You Can Find More Information.

	Year Ended December 31,					Quarter Ended March 31,	
	2000	2001	2002	2003	2004	2004	2005
	(In thousands, except per unit amounts)					(Unaudited)	
Income Statement Data:							
Royalties(1):							
Oil royalty income	$ 24,902	$ 22,467	$ 15,013	$ 17,928	$ 27,181		
Gas royalty income	10,934	17,349	8,817	14,668	17,836		
Total royalty income(2)(3)	$ 35,836	$ 39,816	$ 23,831	$ 32,596	$ 45,017	$ 9,207	$ 13,531
Distributable Income:							
Interest income	85	78	17	14	20	3	11
Total Income	$ 35,921	$ 39,894	$ 23,848	$ 32,610	$ 45,037	$ 9,210	$ 13,543
Expenditures general and administrative	376	421	432	497	490	184	299
Distributable income	$ 35,545	$ 39,473	$ 23,415	$ 32,113	$ 44,547	$ 9,026	$ 13,244
Distributable income per unit (46,608,796 Units)	$ 0.76	$ 0.85	$ 0.50	$ 0.69	$ 0.96	$ 0.19	$ 0.28