

Gulf Coast Ultra Deep Royalty Trust

2014

Federal Income Tax Information

GULF COAST ULTRA DEEP ROYALTY TRUST

FEDERAL INCOME TAX INFORMATION

This booklet provides 2014 tax information which will allow Trust Unit Holders to determine their pro rata share of deductions attributable to their investment in the Gulf Coast Ultra Deep Royalty Trust (the "Trust"). Each Trust Unit Holder is encouraged to read the entire booklet very carefully. The material herein is not intended and should not be construed as professional tax or legal advice. Each Trust Unit Holder should consult the Trust Unit Holder's own tax advisor regarding all tax compliance matters relating to the Units.

Instructions for Schedules A & B

Schedule A

For Trust Unit Holders who file income tax returns on the basis of the calendar year and the cash method during 2014, the Trustee has prepared Schedule A as an **EXAMPLE** which summarizes the distributable items required to prepare 2014 tax returns as if the Trust Unit Holder had held 100 Units during all of 2014.

Schedule B

Schedule B summarizes the distributable items on a one Unit basis. In accordance with the Trust Agreement, deductions for each quarter are deemed to be realized on the Quarterly Record Date for that quarter and are allocated to the Trust Unit Holders of record on that date. Therefore, Schedule B is prepared on a quarterly basis. Each Trust Unit Holder using Schedule B should compute his tax information by using the relevant information for each quarter for which he was a Trust Unit Holder of record. Then the results of all appropriate quarters should be combined.

I. FEDERAL INCOME TAX INFORMATION

1. Reporting of Income and Deductions.

(a) *Direct Ownership Reporting.* Tax counsel to the special committee of the board of directors of McMoran Exploration Co. advised the Trust at the time of formation that, for U.S. federal income tax purposes, in its opinion, the Trust will be treated as a grantor trust and not as an unincorporated business entity. No ruling has been or will be requested from the IRS or another taxing authority. The remainder of the discussion below is based on tax counsel's opinion. As a grantor trust, the Trust will not be subject to tax at the Trust level. Rather, the Trust Unit Holders will be considered to own and receive the Trust's assets and income and will be directly taxable thereon as though no trust were in existence. Under Treasury Regulations, the Trust is classified as a widely-held fixed investment trust. Those Treasury Regulations require the sharing of tax information among trustees and intermediaries that hold a trust interest on behalf of or for the account of a beneficial owner or any representative or agent of a trust interest holder of fixed investment trusts that are classified as widely-held fixed investment trusts. These reporting requirements provide for the dissemination of trust tax information by the trustee to intermediaries who are ultimately responsible for reporting the investor-specific information through Form 1099 to the investors and the IRS. Every trustee or intermediary that is required to file a Form 1099 for a Trust Unit Holder must furnish a written tax information statement that is in support of the amounts as reported on the applicable Form 1099 to the Trust Unit Holder. Any generic tax information provided by the Trustee of the Trust is intended to be used only to assist Trust Unit Holders in the preparation of their U.S. federal and state income tax returns.

(b) *Taxable Year.* Schedule B is prepared by calendar quarter on a per Unit basis to permit Trust Unit Holders with taxable years other than a calendar year to obtain their tax information by computing the relevant information for each quarter during their taxable year and then combining the results of each quarter. In accordance with the Trust Agreement, deductions for each quarter are allocated to the Trust Unit Holders of record on the Quarterly Record Date. The taxable year for reporting a Trust Unit Holder's share of administration expenses is controlled by his taxable year. The taxable year of the Trust is irrelevant.

(c) *Unit Multiplication.* Because Schedule B shows only results per Unit, it will be necessary to multiply the results shown by the number of Units owned by the Trust Unit Holder during the applicable period to obtain the amount to be reported on his tax return. Deductions per Unit may be taken directly from the appropriate schedules.

(d) *Individual Taxpayer.* For Trust Unit Holders who held Units as an investment during 2014 and who file Form 1040, it is suggested that the items of income and deduction for 2014 be reported in the following manner:

<u>Item</u>	<u>Form 1040</u>
Interest Expense	Line 13, Schedule E
Administration Expense	Line 19, Schedule E

(e) *Widely Held Fixed Investment Trust Information.* The Trustee assumes that some Units are held by a middleman; as such term is broadly defined in U.S. Treasury Regulations (and includes custodians, nominees, certain joint owners, and brokers holding an interest for a custodian in street name). Therefore, the Trustee considers the Trust to be a non-mortgage widely held fixed investment trust ("WHFIT") for U.S. federal income tax purposes. The Bank of New York Mellon Trust Company, N.A. ("Trustee"), 601 Travis, 16th Floor, Houston, Texas 77002, telephone number 1-713-483-6792, is the representative of the Trust that will provide tax information in accordance with applicable U.S. Treasury Regulations governing the information reporting requirements of the Trust as a WHFIT. Notwithstanding the foregoing, the middlemen holding Units on behalf of Trust Unit Holders, and not the Trustee of the Trust, are solely responsible for complying with the information reporting requirements under the U.S. Treasury Regulations with respect to such Units, including the issuance of IRS Forms 1099 and certain written tax statements. Trust Unit Holders whose Units are held by middlemen should consult with such middlemen regarding the information that will be reported to them by the middlemen with respect to the Units.

2. Sale of Units. The sale, exchange or other disposition of a Unit is treated for federal income tax purposes as the sale of an interest in the underlying property of the Trust. Gain or loss is computed under the usual tax principles as the difference between selling price and adjusted tax basis of a Unit. The adjusted tax basis of a Unit is the original cost or other basis of the Unit reduced by any depletion allowed or allowable. The amount of gain, if any, realized upon the disposition of oil and gas property is treated as ordinary income to the extent of depletion claimed with respect to that property to the extent it reduced the Unit Holder's basis in the Units. The balance of any gain or any loss may be capital gain or loss depending on whether that Unit was held by the Trust Unit Holder as a capital asset, and either long-term or short-term depending on the holding period of the Unit. Capital gain or loss will be long-term if a Unit Holder's holding period for those Units exceeded one year as of the date of sale or exchange. A preferential rate of tax applies to long-term capital gains recognized by individuals, estates and trusts. Individuals, estates and trusts may also be subject to an additional 3.8% tax on any gain recognized as a result of selling, exchanging or otherwise disposing of a Unit.

3. Foreign Persons. The federal income taxation of non-resident aliens and foreign corporations is highly complex, and it is recommended that these persons consult their own tax advisors.

II. STATE INCOME TAX INFORMATION

Trust Unit Holders may have state filing requirements as a result of their ownership of Units. The Trust owns overriding royalty prospects in Louisiana and the Gulf of Mexico. If needed, the apportionment data required to comply with state tax filings is below. Trust Unit Holders should consult their tax advisors concerning state tax compliance matters relating to their ownership of Units.

Apportionment Percentage:

Louisiana -	42.13%
Other -	57.87%

The Bank of New York Mellon Trust Company, N.A.
Corporate Trustee
601 Travis, 16th Floor
Houston, Texas 77002
(713) 483-6792

GULF COAST ULTRA DEEP ROYALTY TRUST

EIN 46-6448579

TAX INFORMATION FOR THE YEAR 2014

230,172,696 Units Outstanding

Schedule A: 100 Unit Holder Calculations

For Trust Unit Holders Who File Returns On The Calendar Year Basis And The Cash Method

EXAMPLE

The calculations below are based on 100 Units held each record date.
(See Schedule B for factors used in the calculations).

<u>Date</u>	<u>Units Held</u>	<u>Trust Royalty Income</u>	<u>Trust Interest Income</u>	<u>Trust Interest Expense</u>	<u>Trust Administration Expense</u>
March 31, 2014	100	\$0.000000	0.000000	0.001600	0.030014
June 30, 2014	100	0.000000	0.000000	0.001600	0.000000
September 30, 2014	100	0.000000	0.000000	0.001626	0.022222
December 31, 2014	100	0.000000	0.000000	0.001907	0.057847
Totals		<u>\$0.000000</u>	<u>\$0.000000</u>	<u>\$0.006733</u>	<u>\$0.110083</u>
		Line 4, Part I, Schedule E	Line 1, Part I, Schedule B	Line 13, Part I, Schedule E	Line 19, Part I, Schedule E

Reconciliation Of Income And Cash Distribution

INCOME:

Trust Royalty Income	\$0.00
Trust Interest Income	0.00
Less: Trust Interest Expense	(0.01)
Less: Trust Administration Expense	(0.11)
DECREASE (INCREASE) IN RESERVE*	0.12
TOTAL (Equals Cash Distribution)	<u>\$0.00</u>

* Increase or decrease in the reserve account is shown for information purposes only.

GULF COAST ULTRA DEEP ROYALTY TRUST

EIN 46-6448579

TAX INFORMATION FOR THE YEAR 2014

230,172,696 Units Outstanding

Schedule B: One Unit Factors

For Trust Unit Holders Who File Returns On The Calendar Year Basis And The Cash Method

EXAMPLE

Multiply amounts per Unit shown below by the number of Units owned on each record date. Combine the results and report where indicated on Form 1040.
(See examples on page 6.)

<u>Date</u>	<u>Trust Royalty Income</u>	<u>Trust Interest Income</u>	<u>Trust Interest Expense</u>	<u>Trust Administration Expense</u>
March 31, 2014	\$0.000000	0.000000	0.000016	0.000300
June 30, 2014	0.000000	0.000000	0.000016	0.000000
September 30, 2014	0.000000	0.000000	0.000016	0.000222
December 31, 2014	0.000000	0.000000	0.000019	0.000578
Totals	<u><u>\$0.000000</u></u>	<u><u>\$0.000000</u></u>	<u><u>\$0.000067</u></u>	<u><u>\$0.001100</u></u>
	Line 4, Part I, Schedule E	Line 1, Part I, Schedule B	Line 13, Part I, Schedule E	Line 19, Part I, Schedule E

Reconciliation Of Income And Cash Distribution

INCOME:

Trust Royalty Income	\$0.000000
Trust Interest Income	0.000000
Less: Trust Interest Expense	(0.000067)
Less: Trust Administration Expense	(0.001100)
DECREASE (INCREASE) IN RESERVE*	0.001167
TOTAL (Equals Cash Distribution)	<u><u>\$0.000000</u></u>

* Increase or decrease in the reserve account is shown for information purposes only.

GULF COAST ULTRA DEEP ROYALTY TRUST
EIN 46-6448579

Exhibit I

Individual Trust Unit Holder's Specific Location of Interest and Administration Expense on Schedule

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service (IRS)
Name(s) shown on return

Supplemental Income and Loss
(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)
▶ Attach to Form 1040, 1040NR, or Form 1041.
▶ Information about Schedule E and its separate instructions is at www.irs.gov/schedulee.

OMB No. 1545-0074

2014

Attachment
Sequence No. **13**

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use Schedule C or C-EZ (see instructions). If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40.

A Did you make any payments in 2014 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☐ No
B If "Yes," did you or will you file required Forms 1099? ☐ Yes ☐ No

1a	Physical address of each property (street, city, state, ZIP code)	Fair Rental Days	Personal Use Days	QJV
A		A		<input type="checkbox"/>
B		B		<input type="checkbox"/>
C		C		<input type="checkbox"/>

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.

Type of Property:

- | | | | |
|---------------------------|------------------------------|-------------|--------------------|
| 1 Single Family Residence | 3 Vacation/Short-Term Rental | 5 Land | 7 Self-Rental |
| 2 Multi-Family Residence | 4 Commercial | 6 Royalties | 8 Other (describe) |

Income:	Properties:	A	B	C
3 Rents received	3			
4 Royalties received	4			
Expenses:				
5 Advertising	5			
6 Auto and travel (see instructions)	6			
7 Cleaning and maintenance	7			
8 Commissions	8			
9 Insurance	9			
10 Legal and other professional fees	10			
11 Management fees	11			
12 Mortgage interest paid to banks, etc. (see instructions)	12			
13 Other interest	13			
14 Repairs	14			
15 Supplies	15			
16 Taxes	16			
17 Utilities	17			
18 Depreciation expense or depletion	18			
19 Other (list) ▶	19			
20 Total expenses. Add lines 5 through 19	20			
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a loss, see instructions to find out if you must file Form 6198	21			
22 Deductible rental real estate loss after limitation, if any, on Form 8562 (see instructions)	22	()	()	()
23a Total of all amounts reported on line 3 for all rental properties	23a			
b Total of all amounts reported on line 4 for all royalty properties	23b			
c Total of all amounts reported on line 12 for all properties	23c			
d Total of all amounts reported on line 18 for all properties	23d			
e Total of all amounts reported on line 20 for all properties	23e			
24 Income. Add positive amounts shown on line 21. Do not include any losses	24			
25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	()		
26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2.	26			

For Paperwork Reduction Act Notice, see the separate instructions.

Cat. No. 11344L

Schedule E (Form 1040) 2014