JOHNSON & JOHNSON
Form 424B5
December 04, 2013
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Amount of Registration Fee (1)
Floating Rate Notes due 2016	$800,000,000	100.000%	$800,000,000	$103,040
0.700% Notes due 2016	$400,000,000	99.879%	$399,516,000	$51,458
1.650% Notes due 2018	$600,000,000	99.780%	$598,680,000	$77,110
3.375% Notes due 2023	$550,000,000	99.941%	$549,675,500	$70,798
4.375% Notes due 2033	$650,000,000	99.433%	$646,314,500	$83,245
4.500% Notes due 2043	$500,000,000	99.706%	$498,530,000	$64,211
Total:				$449,862

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-172513

Prospectus Supplement

(to Prospectus dated February 28, 2011)

$800,000,000 Floating Rate Notes due 2016

$400,000,000 0.700% Notes due 2016

$600,000,000 1.650% Notes due 2018

$550,000,000 3.375% Notes due 2023

$650,000,000 4.375% Notes due 2033

$500,000,000 4.500% Notes due 2043

We will pay interest quarterly on the floating rate notes on February 28, May 28, August 28 and November 28 of each year, beginning on February 28, 2014. We will pay interest on the 2016 notes on May 28 and November 28 of each year, beginning May 28, 2014. We will pay interest on the 2018 notes, 2023 notes, 2033 notes and 2043 notes on June 5 and December 5 of each year, beginning on June 5, 2014.

The notes will be our senior unsecured obligations and will rank equally with our other unsecured and unsubordinated debt from time to time outstanding. The notes will be issued in minimum denominations of $2,000 and additional increments of $1,000. We may redeem some or all of the fixed-rate notes at any time, and from time to time, at the redemption prices described in this prospectus supplement. The floating rate notes may not be redeemed prior to maturity.

Investing in the notes involves risks. See "Risk Factors" on page S-3 of this prospectus supplement.

	Price to Public(1)	**Underwriting Discount**	**Proceeds to Us, Before Expenses**
Per floating rate note due 2016	100.000%	0.250%	99.750%
Total	$ 800,000,000	$ 2,000,000	$ 798,000,000
Per 0.700% note due 2016	99.879%	0.250%	99.629%
Total	$ 399,516,000	$ 1,000,000	$ 398,516,000
Per 1.650% note due 2018	99.780%	0.350%	99.430%
Total	$ 598,680,000	$ 2,100,000	$ 596,580,000

Per 3.375% note due 2023	99.941%	0.450%	99.491%
Total	$ 549,675,500	$ 2,475,000	$ 547,200,500
Per 4.375% note due 2033	99.433%	0.875%	98.558%
Total	$ 646,314,500	$ 5,687,500	$ 640,627,000
Per 4.500% note due 2043	99.706%	0.875%	98.831%
Total	$ 498,530,000	$ 4,375,000	$ 494,155,000

(1) Plus accrued interest, if any, from December 5, 2013.

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

The underwriters expect to deliver the notes through the facilities of The Depository Trust Company for the accounts of its direct participants, including Clearstream Banking, Société Anonyme and the Euroclear Bank S.A./N.V., against payment therefor in New York, New York on or about December 5, 2013.

Joint Book-Running Managers

BofA Merrill Lynch **Goldman, Sachs & Co.** **J.P. Morgan**

Citigroup **Deutsche Bank Securities** **RBS**

Senior Co-Managers

BNP PARIBAS **HSBC** **Mitsubishi UFJ Securities** **The Williams Capital Group, L.P.**

Co-Managers

RBC Capital Markets **Santander**

The date of this prospectus supplement is December 2, 2013

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ABOUT THIS PROSPECTUS SUPPLEMENT

In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus supplement, in the accompanying prospectus or in any free writing prospectus filed by us with the Securities and Exchange Commission (the SEC). We have not, and the underwriters have not, authorized anyone to provide you with any other information. If you receive any different or inconsistent information, you should not rely on it.

We and the underwriters are offering to sell the notes only in jurisdictions where sales are permitted.

You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than its respective date.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of the notes. The second part is the accompanying prospectus dated February 28, 2011, which we refer to as the accompanying prospectus. The accompanying prospectus contains a description of our debt securities and gives more general information, some of which may not apply to the notes. The accompanying prospectus also incorporates by reference documents that are described under Where You Can Find More Information in that prospectus.

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References in this prospectus supplement to Johnson & Johnson, we, us and our and all similar references are to Johnson & Johnson and its consolidated subsidiaries, unless otherwise stated or the context otherwise requires. However, in the Description of the Notes and related summary sections of this prospectus supplement and the Description of Debt Securities section of the accompanying prospectus, references to we, us and our are to Johnson Johnson, the parent company only, and not to any of its subsidiaries.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not relate strictly to historical or current facts and anticipate results based on management s plans that are subject to uncertainty. Forward-looking statements may be identified by the use of words like plans, expects, will, anticipates, estimates and other words of similar meaning in conjunction with, among o things, discussions of future operations, financial performance, our strategy for growth, product development, regulatory approval, market position and expenditures.

Forward-looking statements are based on current expectations of future events. We cannot guarantee that any forward-looking statement will be accurate, although we believe that we have been reasonable in our expectations and assumptions. Investors should realize that if underlying assumptions prove inaccurate or that unknown risks or uncertainties materialize, actual results could vary materially from our expectations and projections. Investors are therefore cautioned not to place undue reliance on any forward-looking statements. We do not undertake to update any forward-looking statements as a result of new information or future events or developments.

Risks and uncertainties include, but are not limited to:

- general industry conditions and competition;
- economic factors, such as interest rate and currency exchange rate fluctuations;
- technological advances, new products and patents attained by competitors;
- challenges inherent in new product development, including obtaining regulatory approvals;
- challenges to patents;
- significant adverse litigation or government action;
- impact of business combinations;

- financial distress and bankruptcies experienced by significant customers and suppliers;
- changes to governmental laws and regulations and U.S. and foreign health care reforms;
- trends toward health care cost containment;
- increased scrutiny of the health care industry by government agencies;
- changes in behavior and spending patterns of purchasers of health care products and services;
- financial instability of international economies and sovereign risk;
- disruptions due to natural disasters;
- manufacturing difficulties or delays;
- complex global supply chains with increasing regulatory requirements; and
- product efficacy or safety concerns resulting in product recalls or regulatory action.

Our annual report on Form 10-K for the fiscal year ended December 30, 2012 contains, as Exhibit 99, a discussion of additional factors that could cause actual results to differ from expectations.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC s web site at www.sec.gov. You may also read and copy any document we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is considered to be part of this prospectus supplement, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, until we complete our offering of the notes:

- Annual report on Form 10-K for the fiscal year ended December 30, 2012;
- Quarterly report on Form 10-Q for the quarter ended March 31, 2013;
- Quarterly report on Form 10-Q for the quarter ended June 30, 2013;
- Quarterly report on Form 10-Q for the quarter ended September 29, 2013; and
- Current reports on Form 8-K filed on February 25, 2013, April 26, 2013, June 20, 2013, August 20, 2013, October 15, 2013 and November 19, 2013.

You may request a copy of these filings at no cost, by writing or telephoning us at the following address.

Corporate Secretary s Office

Johnson & Johnson

One Johnson & Johnson Plaza

New Brunswick, NJ 08933

(732) 524-2455

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SUMMARY

The following summary highlights information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. It may not contain all of the information that you should consider before investing in the notes. You should carefully read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under Where You Can Find More Information.

Johnson & Johnson

We have approximately 127,600 employees worldwide engaged in the research and development, manufacture and sale of a broad range of products in the health care field. Johnson & Johnson is a holding company, which has more than 275 operating companies conducting business in virtually all countries of the world. Our primary focus has been on products related to human health and well-being.

Johnson & Johnson was incorporated in the State of New Jersey in 1887. Our principal office is located at One Johnson & Johnson Plaza, New Brunswick, NJ 08933. Our telephone number is (732) 524-0400.

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The Offering

The following is a brief summary of the terms and conditions of this offering. It does not contain all of the information that you need to consider in making your investment decision. To understand all of the terms and conditions of the offering of the notes, you should carefully read this prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under Where You Can Find More Information.

Issuer	Johnson & Johnson
Securities offered	$800,000,000 floating rate notes due 2016

$400,000,000 0.700% notes due 2016

$600,000,000 1.650% notes due 2018

$550,000,000 3.375% notes due 2023

$650,000,000 4.375% notes due 2033

$500,000,000 4.500% notes due 2043

Issue Date	December 5, 2013
Maturity Date	November 28, 2016 for the floating rate notes due 2016

November 28, 2016 for the 2016 notes

December 5, 2018 for the 2018 notes

December 5, 2023 for the 2023 notes

December 5, 2033 for the 2033 notes

December 5, 2043 for the 2043 notes

Interest rate	U.S. dollar three-month LIBOR, plus 0.070% for the floating rate notes due 2016

0.700% per annum for the 2016 notes

1.650% per annum for the 2018 notes

3.375% per annum for the 2023 notes

4.375% per annum for the 2033 notes

4.500% per annum for the 2043 notes

Interest payment dates	Interest on the floating rate notes will accrue from and including December 5, 2013 and is payable quarterly in arrears on February 28, May 28, August 28 and November 28 of each year, beginning on February 28, 2014.
	Interest on the 2016 notes will accrue from and including December 5, 2013 and is payable semi-annually on May 28 and November 28 of each year, beginning May 28, 2014. Interest on the 2018 notes, 2023 notes, 2033 notes and 2043 notes will accrue from and including December 5, 2013 and is payable semi-annually on June 5 and December 5 of each year, beginning on June 5, 2014.

Optional redemption	We may, at our option, redeem the 2016 notes, 2018 notes and 2023 notes at any time at the make-whole redemption prices described in this prospectus supplement under Description of the Notes Optional Redemption.
	At any time prior to June 5, 2033, in the case of the 2033 notes, and June 5, 2043, in the case of the 2043 notes, the 2033 notes and 2043 notes may be redeemed in whole or in part, at our option, at the make-whole redemption prices described in this prospectus supplement under Description of the Notes Optional Redemption.
	At any time on or after June 5, 2033, in the case of the 2033 notes, and June 5, 2043, in the case of the 2043 notes (in each case, six months prior to the respective maturity date), the 2033 notes and the 2043 notes may be redeemed in whole or in part, at our option, at a redemption price equal to 100% of notes to be redeemed, plus accrued and unpaid interest to the date of redemption.
	We may not redeem the floating rate notes prior to maturity.
Ranking	The notes will be our senior unsecured obligations and will rank equally with our other unsecured and unsubordinated debt from time to time outstanding.
Further issuances	We may from time to time issue further notes ranking equally and ratably with the notes in all respects, including the same terms as to status, redemption or otherwise.
Trading	The notes are new issuances of securities with no established trading market. The notes will not be listed on any national securities exchange or be quoted on any automated dealer quotation system.
Trustee	The Bank of New York Mellon Trust Company, N.A.

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RISK FACTORS

Before purchasing the notes, you should consider carefully the information under the headings Risk Factors in our annual report on Form 10-K, as amended, for the year ended December 30, 2012 and in our subsequently filed quarterly reports on Form 10-Q. You should also carefully consider the other information included in this prospectus supplement, the accompanying prospectus and other information incorporated by reference herein and therein. Each of the risks described in these documents could materially and adversely affect our business, financial condition, results of operations and prospects, and could result in a partial or complete loss of your investment. See Where You Can Find More Information.

USE OF PROCEEDS

We expect to receive net proceeds from this offering of $3,475,078,500 after deducting underwriting discounts, but before deducting expenses of the offering. We intend to use the net proceeds of the offering of notes to repay commercial paper and for other general corporate purposes. As of September 29, 2013, we had approximately $3.0 billion of commercial paper outstanding with a weighted average interest rate of 0.0602% and a weighted maturity of 25.9 days.

RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges represents our historical ratio and is calculated on a total enterprise basis. The ratio is computed by dividing the sum of earnings before provision for taxes on income and fixed charges by fixed charges. Fixed charges represent interest expense (before interest is capitalized), amortization of debt discount and an appropriate interest factor on operating leases.

	Nine Months Ended	Fiscal Year Ended				
	September 29, 2013	December 30, 2012	January 1, 2012	January 2, 2011	January 3, 2010	December 28, 2008
Ratio of Earnings to Fixed Charges	24.98	18.69	17.18	27.87	24.75	25.46

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DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the debt securities set forth under the heading Description of Debt Securities in the accompanying prospectus, to which description reference is hereby made.

General

The notes offered hereby will be our unsecured obligations and will be issued under an Indenture dated as of September 15, 1987, between us and The Bank of New York Mellon Trust Company, N.A. (as successor to BNY Midwest Trust Company which succeeded Harris Trust and Savings Bank), Chicago, Illinois, as trustee (the Trustee), as amended by a First Supplemental Indenture dated as of September 1, 1990 (the Indenture). The floating rate notes due 2016 are sometimes referred to herein as the floating rate notes. The 0.700% notes due 2016, 1.650% notes due 2018, 3.375% notes due 2023, 4.375% notes due 2033 and 4.500% notes due 2043 are sometimes respectively referred to herein as the 2016 notes, 2018 notes, 2023 notes, 2033 notes and 2043 notes. The 2016 notes, 2018 n 2023 notes, 2033 notes and 2043 notes are sometimes referred to herein as the fixed rate notes.

The floating rate notes and 2016 notes will mature on November 28, 2016. The 2018 notes will mature on December 5, 2018. The 2023 notes will mature on December 5, 2023. The 2033 notes will mature on December 5, 2033, and the 2043 notes will mature on December 5, 2043.

The notes will be entitled to the benefits of our covenants described under the caption Description of Debt Securities Certain Covenants in the accompanying prospectus.

Notes will be issued in minimum denominations of $2,000 and additional increments of $1,000. The notes do not have the benefit of a sinking fund.

Interest on the Fixed Rate Notes

The fixed rate notes will bear interest from December 5, 2013, or from the most recent interest payment date for which interest has been paid or provided for.

The 2016 notes are payable semiannually on May 28 and November 28 of each year (each such date an interest payment date with respect to the 2016 notes), beginning May 28, 2014, to the beneficial owners of the notes at the close of business on the applicable record date, which is the May 13 and November 13 next preceding such interest payment date.

The 2018 notes, 2023 notes, 2033 notes and 2043 notes are payable semiannually on June 5 and December 5 of each year (each such date an interest payment date with respect to the 2018 notes, 2023 notes, 2033 notes and 2043 notes), beginning June 5, 2014, to the beneficial owners of such notes at the close of business on the applicable record date, which is the May 21 and November 20 next preceding such interest payment date.

The 2016 notes will bear interest at the rate of 0.700% per annum. The 2018 notes will bear interest at the rate of 1.650% per annum. The 2023 notes will bear interest at the rate of 3.375% per annum. The 2033 notes will bear interest at the rate of 4.375% per annum. The 2043 notes will bear interest at the rate of 4.500% per annum. Interest on the fixed rate notes will be calculated on the basis of a 360-day year of twelve 30-day months.

Interest on the Floating Rate Notes

The floating rate notes will bear interest from December 5, 2013, or from the most recent interest payment date to which interest has been paid or provided for, payable quarterly on February 28, May 28, August 28 and

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November 28 of each year (each such date an interest payment date with respect to the floating rate notes), beginning February 28, 2014, to the beneficial owners of the notes at the close of business on the applicable record date, which is the February 13, May 13, August 13 or November 13 next preceding such interest payment date. Interest on the floating rate notes will accrue from and including December 5, 2013, to, but excluding, the first interest payment date and then from and including the immediately preceding interest payment date to which interest has been paid or provided for to, but excluding, the next interest payment date or the maturity date, as the case may be. We refer to each of these periods as an interest period. The amount of accrued interest that we will pay for any interest period can be calculated by multiplying the face amount of the floating rate notes then outstanding by an accrued interest factor. This accrued interest factor is computed by adding the interest factor calculated for each day from December 5, 2013, or from the most recent interest payment date to which interest has been paid or provided for, to the applicable interest payment date. The interest factor for each day is computed by dividing the interest rate applicable to that day by 360.

The rate of interest on the floating rate notes will be reset quarterly by the calculation agent (the Calculation Agent). The Calculation Agent will set the initial interest rate on the floating rate notes on December 5, 2013, and reset the interest rate on each interest payment date, each of which is referred to as an interest reset date . For the floating rate notes, the interest rate in effect on any particular day will be the interest rate determined with respect to the latest interest reset date that occurs on or before that day. If any interest reset date would otherwise be a day that is not a London business day, the interest reset date will be postponed to the next day that is a London business day, except that, if that day falls in the next succeeding calendar month, the interest reset date will be the immediately preceding London business day. A London business day is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

The Calculation Agent is The Bank of New York Mellon Trust Company, N.A., unless and until such time as a successor is appointed. If that bank is unable or unwilling to continue to act as the calculation agent or if it fails to calculate properly the interest rate on the floating rate notes for any interest period, we will appoint another leading commercial or investment bank engaged in the London interbank market to act as calculation agent in its place. The calculation agent may not resign its duties without a successor having been appointed. The interest rate on the floating rate notes for a particular interest period will be a per annum rate equal to U.S. dollar three-month LIBOR as determined on the interest determination date plus 0.070%. The interest determination date for an interest period with respect to the floating rate notes will be the second London business day preceding the interest reset date. Promptly upon determination, the Calculation Agent will inform the Trustee and us of the interest rate for the next interest period. If any interest determination date would fall on a day that is not a London business day, the interest determination date will be postponed to the next succeeding London business day, except that, if that day falls in the next succeeding calendar month, the interest determination date will be the immediately preceding London business day.

If an interest payment date, other than the maturity date, for the floating rate notes falls on a day that is not a London business day, then such interest payment date will be postponed to the next day that is a London business day, except that, if that London business day falls in the next succeeding calendar month, then, unless it relates to interest payable at maturity, the interest payment date will be the immediately preceding London business day. If the maturity date of the floating rate notes falls on a day that is not a London business day, then the related payment of principal and interest will be made on the next day that is a London business day with the same effect as if made on the date that the payment was first due, and no interest will accrue on the amount so payable for the period from the maturity date.

U.S. dollar three-month LIBOR shall mean, as of any interest determination date:

(a) the offered quotation to leading banks in the London interbank market for three-month U.S. dollar deposits, as defined by:

the British Bankers Association, or the BBA;

its successor in such capacity, such as NYSE Euronext Rate Administration Ltd.; or such other entity assuming the responsibility of the BBA or its successor in calculating the London interbank offered rates for U.S. dollar deposits in the event the BBA or its successor no longer do so,

and calculated by their appointed calculation agent and published, as such rate appears:

on the Reuters Monitor Money Rates Service, or Reuters, page LIBOR01 (or a successor page on such service); or

if Reuters page LIBOR01 (or a successor page on such service) is not available on such date, on Bloomberg L.P., or Bloomberg, page BBAM (or a successor page on such service); or

if such rate is not available on either Reuters page LIBOR01 (or a successor page on such service) or Bloomberg page BBAM (or a successor page on such service), on such other information system that provides such information,

in each case as of 11:00 a.m., London time, on such interest determination date;

(b) if no such rate is so published, then the rate for such interest determination date shall be the arithmetic mean of the rates for three-month U.S. dollar deposits quoted by four major reference banks selected by the Calculation Agent (after consultation with us) to the Calculation Agent as of 11:00 a.m., London time, on such interest determination date, it being understood that at least two such quotes must have been so provided to the Calculation Agent; or

(c) if the U.S. dollar three-month LIBOR cannot be determined on such interest determination date using the foregoing methods, then the U.S. dollar three-month LIBOR for the relevant interest period shall be the U.S. dollar three-month LIBOR as determined using the foregoing methods for the first day before such interest determination date on which U.S. dollar three-month LIBOR can be so determined.

Upon request from any holder of floating rate notes, the Calculation Agent will provide the interest rate in effect for such floating rate notes for the current interest period and, if it has been determined, the interest rate to be in effect for the next interest period.

All percentages resulting from any calculation of the interest rate on the floating rate notes will be rounded to the nearest one hundred-thousandth of a percentage point with five one millionths of a percentage point rounded upwards (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on the floating rate notes will be rounded to the nearest cent (with one-half cent being rounded upward). Each calculation of the interest rate on the floating rate notes by the Calculation Agent will (in the absence of manifest error) be final and binding on the holders, the Trustee and us.

The interest rate on the floating rate notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether the banks that provide rates to the BBA in connection with the calculation of LIBOR may have been under-reporting or otherwise manipulating or attempting to manipulate LIBOR. Actions by the BBA, regulators or law enforcement agencies may result in changes to the manner in which LIBOR is determined. At this time, it is not possible to predict the effect of any such changes and any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such potential changes may adversely affect the trading market for LIBOR-based securities, including the floating rate notes.

Optional Redemption

We may, at our option, redeem the 2016 notes, the 2018 notes and the 2023 notes, at any time prior to maturity, and the 2033 notes and the 2043 notes at any time prior to June 5, 2033, in the case of the 2033 notes, and June 5, 2043, in the case of the 2043 notes, either in whole or in part, upon at least 30 days, but not more than 60 days, prior notice given by mail to the registered address of each holder of the notes to be redeemed. If we elect to redeem the notes, we will pay a redemption price equal to the greater of the following amounts, plus, in each case, accrued and unpaid interest thereon to, but not including, the redemption date:

100% of the aggregate principal amount of the notes to be redeemed on the redemption date; or

the sum of the present values of the Remaining Scheduled Payments.

In determining the present values of the Remaining Scheduled Payments, we will discount such payments to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) using a discount rate equal to the Treasury Rate plus 0.030%, in the case of the 2016 notes, 0.050%, in the case of the 2018 notes, or 0.100%, in the case of the 2023 notes, 2033 notes and 2043 notes.

At any time on or after June 5, 2033, in the case of the 2033 notes, and June 5, 2043, in the case of the 2043 notes (in each case, six months prior to the respective maturity date), the 2033 notes and 2043 notes may be redeemed in whole or in part, at our option, at a redemption price equal to 100% of the principal amount of notes to be redeemed, plus accrued and unpaid interest to the date of redemption.

The following terms are relevant to the determination of the redemption price.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity (computed as of the third business day immediately preceding that redemption date) of the Comparable Treasury Issue. In determining this rate, we will assume a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Comparable Treasury Issue means the United States Treasury security selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Independent Investment Banker means Goldman, Sachs & Co., J.P. Morgan Securities LLC or Merrill Lynch, Pierce, Fenner & Smith Incorporated or their respective successors as may be appointed from time to time by us; provided, however, that if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a primary treasury dealer), we will substitute another primary treasury dealer.

Comparable Treasury Price means, with respect to any redemption date, (1) the arithmetic average of four Reference Treasury Dealer Quotations for such redemption date after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if we obtain fewer than four Reference Treasury Dealer Quotations, the arithmetic average of all Reference Treasury Dealer Quotations for such redemption date.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the arithmetic average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer as of 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Reference Treasury Dealer means Goldman, Sachs & Co., J.P. Morgan Securities LLC or Merrill Lynch, Pierce, Fenner & Smith Incorporated, and each of their respective successors and any other primary treasury dealers selected by us.

Remaining Scheduled Payments means, with respect to any note to be redeemed, the remaining scheduled payments of the principal thereof and interest thereon that would be due after the related redemption date but for such redemption; provided, however, that, if such redemption date is not an interest payment date with respect to

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such note, the amount of the next scheduled interest payment thereon will be reduced by the amount of interest accrued thereon to such redemption date.

A partial redemption of the notes of a series may be effected by such method as the Trustee may deem fair and appropriate and may provide for the selection for redemption of portions (equal to the minimum authorized denomination for the notes or any integral multiple thereof) of the principal amount of notes of such series of a denomination larger than the minimum authorized denomination for the notes. If less than all of the notes of such series are to be redeemed, the notes of a series to be redeemed shall be selected by the Trustee by a method the Trustee deems to be fair and appropriate and in accordance with applicable depository procedures.

Notice of any redemption will be delivered at least 30 days but not more than 60 days before the redemption date to each holder of the notes to be redeemed. Once notice of redemption is delivered, the notes called for redemption will become due and payable on the redemption date and at the applicable redemption price, plus accrued and unpaid interest to the redemption date.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes, or portions thereof, called for redemption. On or before the redemption date, we will deposit with the paying agent (or the Trustee) money sufficient to pay the redemption price of and accrued interest on the notes to be redeemed on that date.

The floating rate notes may not be redeemed prior to maturity.

Further Issues

We may from time to time, without notice to, or the consent of, the registered holders of any series of notes, create and issue further notes equal in rank to any series of the notes offered by this prospectus supplement in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the further notes or except for the first payment of interest following the issue date of the further notes). These further notes may be consolidated and form a single series with the applicable existing series of notes and will have the same terms as to status, redemption or otherwise as that existing series of notes.

Book-Entry System

The notes of each series will be issued in fully registered form and will be represented by a global certificate or certificates (the Global Security) registered in the name of a nominee of The Depository Trust Company (DTC or the Depositary). The Global Securities representing the notes of each series will be deposited with, or on behalf of, the Depositary. Investors may elect to hold interests in the Global Security through the Depositary, Clearstream Banking, Société Anonyme, which we refer to as Clearstream, Luxembourg, or Euroclear Bank S.A./N.V., as operator of the Euroclear System, which we refer to as Euroclear, if they are participants in such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers securities accounts in Clearstream, Luxembourg s and Euroclear s names on the books of their respective depositaries, which in turn will hold such interests in customers securities accounts in the depositaries names on the books of the Depositary. Citibank, N.A. will act as depositary for Clearstream, Luxembourg and JPMorgan Chase Bank will act as depositary for Euroclear, which we refer to in such capacities as the U.S. Depositaries. The notes will not be exchangeable for certificates issued in definitive, registered form (Certificated Notes) at the option of the holder and, except as set forth below, will not otherwise be issuable in definitive form.

DTC has advised us and the underwriters as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (Participants) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Clearstream, Luxembourg advises that it is incorporated under the laws of Luxembourg as a bank. Clearstream, Luxembourg holds securities for its customers, which we refer to as Clearstream, Luxembourg Customers, and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg Customers through electronic book-entry transfers between their accounts. Clearstream, Luxembourg provides to Clearstream, Luxembourg Customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg interfaces with domestic securities markets in over 30 countries through established depository and custodial relationships. As a bank, Clearstream, Luxembourg is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector, also known as the Commission de Surveillance du Secteur Financier. Clearstream, Luxembourg Customers are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Clearstream, Luxembourg Customers in the United States are limited to securities brokers and dealers and banks. Indirect access to Clearstream, Luxembourg is also available to other institutions such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg Customer.

Distributions with respect to the notes held through Clearstream, Luxembourg will be credited to cash accounts of Clearstream, Luxembourg Customers in accordance with its rules and procedures, to the extent received by the U.S. Depositary of Clearstream, Luxembourg.

Euroclear advises that it was created in 1968 to hold securities for its participants, which we refer to as Euroclear Participants, and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank S.A./N.V., which we refer to as the Euroclear Operator, under contract with Euroclear Clearance Systems, S.C., a Belgian cooperative corporation, which we refer to as the Cooperative. All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator, not the Cooperative. The Cooperative establishes policy for Euroclear on behalf of Euroclear Participants. Euroclear Participants include banks, including central banks, securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law, which we refer to collectively as the Terms and Conditions. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding through Euroclear Participants.

Distributions with respect to the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by the U.S. Depositary for Euroclear.

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Euroclear further advises that investors that acquire, hold and transfer interests in the notes by book-entry through accounts with the Euroclear Operator or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the Global Security.

The Euroclear Operator advises that, under Belgian law, investors that are credited with securities on the records of the Euroclear Operator have a co-property right in the fungible pool of interests in securities on deposit with the Euroclear Operator in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of the Euroclear Operator, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with the Euroclear Operator. If the Euroclear Operator did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Euroclear Participants credited with such interests in securities on the Euroclear Operator s records, all Participants having an amount of interests in securities of such type credited to their accounts with the Euroclear Operator would have the right under Belgian law to the return of their pro rata share of the amount of interest in securities actually on deposit.

The Euroclear Operator advises that, under Belgian law, the Euroclear Operator is required to pass on the benefits of ownership in any interests in securities on deposit with it, such as dividends, voting rights and other entitlements, to any person credited with such interests in securities on its records.

Purchases of notes under the DTC system must be made by or through Direct Participants. Upon the issuance by us of the notes, DTC will credit, on its book-entry system, the respective principal amounts of the notes to the accounts of Participants. The accounts to be credited shall be designated by the underwriters. The ownership interest of each actual purchaser of each note (a Beneficial Owner) will be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the notes are expected to be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in notes, except as set forth below. To facilitate subsequent transfers, all notes deposited by Participants with DTC will be registered in the name of DTC s partnership nominee, Cede & Co. The deposit of notes with DTC and their registration in the name of Cede & Co. will not effect any change in beneficial ownership. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the Global Security.

Title to book-entry interests in the notes will pass by book-entry registration of the transfer within the records of Clearstream, Luxembourg, Euroclear or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the notes may be transferred within Clearstream, Luxembourg and within Euroclear and between Clearstream, Luxembourg and Euroclear in accordance with procedures established for these purposes by Clearstream, Luxembourg and Euroclear. Book-entry interests in the notes may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfers of book-entry interests in the notes among Clearstream, Luxembourg and Euroclear and DTC may be effected in accordance with procedures established for this purpose by Clearstream, Luxembourg, Euroclear and DTC.

So long as the Depositary for the Global Security, or its nominee, is the registered owner of the Global Security, the Depositary or its nominee, as the case may be, will be considered the sole owner or holder of the notes for all purposes under the Indenture. Except as provided below, Beneficial Owners of the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive physical delivery of notes in definitive form and will not be considered the owners or holders thereof under the Indenture. Unless and until it is exchanged in whole or in part for individual certificates evidencing the notes represented thereby, the Global Security may not be transferred except as a whole by the Depositary for the Global Security to a nominee

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of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by the Depositary or any nominee to a successor Depositary or any nominee of such successor.

We expect that conveyance of notices and other communications by the Depositary to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. In addition, neither the Depositary nor Cede & Co. will consent or vote with respect to notes. We have been advised that the Depositary s usual procedure is to mail an omnibus proxy to us as soon as possible after the record date with respect to such consent or vote. The omnibus proxy would assign Cede & Co. s consenting or voting rights to those Direct Participants to whose accounts the notes are credited on such record date (identified in a listing attached to the omnibus proxy).

Until the notes are paid or payment thereof is duly provided for, we will, at all times, maintain a paying agent in The City of New York capable of performing the duties described herein to be performed by the Paying Agent. We have appointed the Trustee as Paying Agent. The office of the Paying Agent in The City of New York for all purposes relating to the notes is located at the date hereof at 101 Barclay Street, New York, New York 10286.

Payments of principal of and interest, if any, on the notes registered in the name of the Depositary or its nominee will be made by us through the Paying Agent to the Depositary or its nominee, as the case may be, as the registered owner of the Global Security. Neither we, the Trustee, any Paying Agent nor the registrar for the notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

We have been advised that the Depositary will credit the accounts of Direct Participants with payment in amounts proportionate to their respective holdings in principal amount of interest in the Global Security as shown on the records of the Depositary. We have been advised that the Depositary s practice is to credit Direct Participants accounts on the applicable payment date unless the Depositary has reason to believe that it will not receive payment on such date. We expect that payments by Participants to Beneficial Owners will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers. Such payments will be the responsibility of such Participants.

If the Depositary with respect to the Global Security is at any time unwilling or unable to continue as Depositary and a successor Depositary is not appointed by us within 90 days, we will issue Certificated Notes in exchange for the notes represented by such Global Security. In addition, we may at any time and in our sole discretion determine not to use the Depositary s book-entry system, and, in such event, we will issue Certificated Notes in exchange for the notes represented by such Global Security.

Global Clearance and Settlement Procedures

Initial settlement for the notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with the Depositary s rules and will be settled in immediately available funds using the Depositary s Same-Day Funds Settlement System. Secondary market trading between Clearstream, Luxembourg Customers and/or Euroclear Participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

Cross-market transfers between persons holding directly or indirectly through the Depositary on the one hand, and directly or indirectly through Clearstream, Luxembourg Customers or Euroclear Participants, on the other, will be effected in the Depositary in accordance with the Depositary s rules on behalf of the relevant European international clearing system by its U.S. Depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such

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system in accordance with its rules and procedures and within its established deadlines, in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. Depositary to take action to effect final settlement on its behalf by delivering interests in the notes to or receiving interests in the notes from the Depositary, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to the Depositary. Clearstream, Luxembourg Customers and Euroclear Participants may not deliver instructions directly to their respective U.S. Depositaries.

Because of time-zone differences, credits of interests in the notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the business day following the Depositary settlement date. Such credits or any transactions involving interests in such notes settled during such processing will be reported to the relevant Clearstream, Luxembourg Customers or Euroclear Participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of interests in the notes by or through a Clearstream, Luxembourg Customer or a Euroclear Participant to a DTC participant will be received with vne; FONT-FAMILY: times new roman; FONT-SIZE: 10pt"> 11,463 6,095

Current deferred income taxes
276 505
Current liabilities of discontinued operations
- 5,140
Total current liabilities
282,815 256,094
Other Liabilities:

Asset retirement obligations
1,595 1,568
Deferred taxes and other liabilities
10,867 10,496 295,277 268,158
Commitments and Contingencies (Note 5)

Shareholders' Equity:

Preferred stock - $1.00 par value, 960,000 shares

authorized, none outstanding
- -
Common stock - $.10 par value, 7,500,000 shares

authorized, 4,217,596 shares outstanding
422 422
Contributed capital
11,693 11,693
Retained earnings
105,142 98,567
Total shareholders' equity
117,257 110,682 $412,534 $378,840

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

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ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
CASH PROVIDED BY OPERATIONS:		
Net earnings	$6,575	$5,583
Adjustments to reconcile net earnings to net cash from operating activities -		
Depreciation, depletion and amortization	4,163	3,422
Property sale (gains) losses	(2,901)	(2,883)
Dry hole costs incurred	11	362
Impairment of oil and gas properties	265	226
Provision for doubtful accounts	(49)	300
Deferred income taxes	(27)	2,597
Net change in fair value contracts	2,882	(814)
Decrease (increase) in accounts receivable	(18,930)	(31,878)
Decrease (increase) in inventories	(10,507)	(4,165)
Decrease (increase) in income tax receivable	417	58
Decrease (increase) in prepayments	3,218	559
Increase (decrease) in accounts payable	19,102	26,342
Increase (decrease) in accrued liabilities	4,931	1,186
Other changes, net	61	(177)
Net cash provided by operating activities	9,211	718
INVESTING ACTIVITIES:		
Property and equipment additions	(15,222)	(14,976)
Insurance and state collateral (deposits) refunds	42	-
Proceeds from property sales	1,346	6,609
Proceeds from discontinued operations	3,546	-
Investment in marketable securities	-	(11,098)
Redemption of marketable securities	-	2,400
Net cash (used in) investing activities	(10,288)	(17,065)
Increase (decrease) in cash and cash equivalents	(1,077)	(16,347)
Cash and cash equivalents at beginning of period	37,066	29,032
Cash and cash equivalents at end of period	$35,989	$12,685

The accompanying notes are an integral part of these financial statements

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ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but, in the opinion of the Company's management, include all adjustments (consisting of normal recurring accruals) necessary for the fair presentation of its financial position at March 31, 2012, its results of operations for the three months ended March 31, 2012 and 2011 and its cash flows for the three months ended March 31, 2012 and 2011. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to Securities and Exchange Commission rules and regulations. The impact on the accompanying financial statements of events occurring after March 31, 2012, has been evaluated through the date these financial statements were issued. During the first quarter of 2012, the Company discontinued its refined products marketing operation (See Note 6) and as a result, certain prior year balances were reclassified for consistency of presentation.

Although the Company believes the disclosures made are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements, and the notes thereto, included in the Company's latest annual report on Form 10-K. The interim statement of operations is not necessarily indicative of results to be expected for a full year.

Note 2 - Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation

The Company is engaged in the business of crude oil and natural gas marketing, as well as tank truck transportation of liquid chemicals and oil and gas exploration and production. Its primary area of operation is within a 1,000 mile radius of Houston, Texas. The accompanying condensed consolidated financial statements include the accounts of Adams Resources & Energy, Inc., a Delaware corporation, and its wholly owned subsidiaries (the "Company") after elimination of all intercompany accounts and transactions.

Cash and Cash Equivalents

Cash and cash equivalents include any Treasury bill, commercial paper, money market fund or federal funds with maturity of 90 days or less. Depending on cash availability and market conditions, investments in corporate and municipal bonds, which are classified as investments in marketable securities, may also be made from time to time. Cash and cash equivalents are maintained with major financial institutions and such deposits may exceed the amount of federally backed insurance provided. While the Company regularly monitors the financial stability of such institutions, cash and cash equivalents ultimately remain at risk subject to financial viability of such institutions.

Inventory

Inventory consists of crude oil held in storage tanks and at third-party pipelines as part of the Company’s crude oil marketing operations. Crude oil inventory is carried at the lower of average cost or market.

Prepayments

The components of prepayments and other are as follows (in thousands):

	March 31, 2012	December 31, 2011
Cash collateral deposits for commodity purchases	$5,000	$6,521
Insurance premiums	1,383	2,033
Commodity imbalances and futures	67	1,452
Rents, license and other	983	645
	$7,433	$10,651

Property and Equipment

Expenditures for major renewals and betterments are capitalized, and expenditures for maintenance and repairs are expensed as incurred. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets. When properties are retired or sold, the related cost and accumulated depreciation, depletion and amortization ("DD&A") is removed from the accounts and any gain or loss is reflected in earnings.

Oil and gas exploration and development expenditures are accounted for in accordance with the successful efforts method of accounting. Direct costs of acquiring developed or undeveloped leasehold acreage, including lease bonus, brokerage and other fees, are capitalized. Exploratory drilling costs are initially capitalized until the properties are evaluated and determined to be either productive or nonproductive. Such evaluations are made on a quarterly basis. If an exploratory well is determined to be nonproductive, the costs of drilling the well are charged to expense. Costs incurred to drill and complete development wells, including dry holes, are capitalized. As of March 31, 2012, the Company had no unevaluated or suspended exploratory drilling costs.

Depreciation, depletion and amortization of the cost of proved oil and gas properties is calculated using the unit-of-production method. The reserve base used to calculate depreciation, depletion and amortization for leasehold acquisition costs and the cost to acquire proved properties is the sum of proved developed reserves and proved undeveloped reserves. For lease and well equipment, development costs and successful exploration drilling costs, the reserve base includes only proved developed reserves. All other property and equipment is depreciated using the straight-line method over the estimated average useful lives of three to twenty years.

The Company reviews its long-lived assets for impairment whenever there is evidence that the carrying value of such assets may not be recoverable. Any impairment recognized is permanent and may not be restored. Producing oil and gas properties are reviewed on a field-by-field basis. For properties requiring impairment, the fair value is estimated based on an internal discounted cash-flow model. Cash flows are developed based on estimated future production and prices and then discounted using a market based rate of return consistent with that used by the Company in evaluating cash flows for other assets of a similar nature. For the three-month periods ended March 31, 2012 and 2011, there were $1,000 and zero, respectively, impairment provisions on producing oil and gas properties.

On a quarterly basis, management evaluates the carrying value of non-producing oil and gas leasehold properties and may deem them impaired based on remaining lease term, area drilling activity and the Company's plans for the property. This fair value measure depends highly on management's assessment of the likelihood of continued exploration efforts in a given area and, as such, data inputs are categorized as "unobservable or Level 3" inputs. Importantly, this fair value measure only applies to the write-down of capitalized costs and will never result in an increase to reported earnings. Accordingly, impairment provisions on non-producing properties totaling $264,000 and $226,000 were recorded for the three-month periods ended March 31, 2012 and 2011, respectively. Capitalized costs for non-producing oil and gas leasehold interests currently represent approximately three percent of total oil and gas property costs and are categorized as follows:

	March 31, 2012	December 31, 2011
South Texas Project acreage	$2,344,000	$2,212,000
West Texas Project acreage	230,000	288,000
Napoleonville, Louisiana acreage	323,000	320,000
Other acreage areas	360,000	475,000
Total Non-producing Leasehold Costs	$3,257,000	$3,295,000

The South Texas, West Texas and Napoleonville acreage areas have active or scheduled drilling operations underway and holding the underlying acreage is essential to the ongoing exploration effort. The "Other Acreage Areas" category consists of smaller onshore interests dispersed over a wide geographical area. As generally not being the operator of the property, the Company does not maintain the underlying detail acreage data and the Company is dependent on the operator when determining which specific acreage will ultimately be drilled. The capitalized cost detail on a property-by-property basis is reviewed however, by management, and deemed impaired if development is not anticipated prior to lease expiration. Onshore leasehold periods are normally three years and may contain renewal options. Capitalized cost activity on the "Other Acreage Areas" was as follows:

Balance December 31, 2011	$475,000
Property additions	149,000
Impairments	$(264,000)
Balance March 31, 2012	$360,000

In January 2011, the Company completed the sale of its interest in certain producing oil and gas properties located in the on-shore Gulf Coast region of Texas. Proceeds from the sale totaled $6.2 million and the pre-tax gain from this transaction totaled $2,708,000. Also during the first quarter 2011, the Company sold a portion of its interest in certain non-producing oil and gas properties located in West Texas. Total proceeds from the sale were $329,000 and the Company recorded a $125,000 gain from this transaction.

Cash Deposits and Other Assets

The Company has established certain deposits to support participation in its liability insurance program and remittance of state crude oil severance taxes and other state collateral deposits. Insurance collateral deposits are invested at the discretion of the Company's insurance carrier and such investments primarily consist of intermediate term federal government bonds and bonds backed by federal agencies. Components of cash deposits and other assets are as follows (in thousands):

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	March 31, 2012	December 31, 2011
Insurance collateral deposits	$3,289	$3,331
State collateral deposits	168	168
Materials and supplies	692	668
	$4,149	$4,167

Revenue Recognition

Certain commodity purchase and sale contracts utilized by the Company's marketing businesses qualify as derivative instruments. Further, all natural gas, as well as certain specifically identified crude oil purchase and sale contracts, are designated as trading activities. From the time of contract origination, such trading activity contracts are marked-to-market and recorded on a net revenue basis in the accompanying financial statements.

Most crude oil purchase contracts and sale contracts qualify and are designated as non-trading activities and the Company considers such contracts as normal purchases and sales activity. For normal purchases and sales, the Company's customers are invoiced monthly based upon contractually agreed upon terms with revenue recognized in the month in which the physical product is delivered to the customer. Such sales are recorded gross in the financial statements because the Company takes title, has risk of loss for the products, is the primary obligor for the purchase, establishes the sale price independently with a third party and maintains credit risk associated with the sale of the product.

Certain crude oil contracts may be with a single counterparty to provide for similar quantities of crude oil to be bought and sold at different locations. These contracts are entered into for a variety of reasons, including effecting the transportation of the commodity, to minimize credit exposure, and/or to meet the competitive demands of the customer. Such buy/sell arrangements are reflected on a net revenue basis in the accompanying financial statements.

Transportation customers are invoiced, and the related revenue is recognized, as the service is provided. Oil and gas revenue from the Company's interests in producing wells is recognized as title and physical possession of the oil and gas passes to the purchaser.

Concentration of Credit Risk

The Company's largest customers consist of large multinational integrated oil companies and utilities. In addition, the Company transacts business with independent oil producers, major chemical concerns, crude oil and natural gas trading companies and a variety of commercial energy users. Within this group of customers the Company generally derives up to 50 percent of its revenues from two to three large crude oil refining concerns. While the Company has ongoing established relationships with certain domestic refiners of crude oil, alternative markets are readily available since the Company supplies less than one percent of U.S. domestic refiner demand. As a fungible commodity delivered to major Gulf Coast supply points, the Company's crude oil sales can be readily delivered to alternative end markets. Management believes that a loss of any of those customers where the Company currently derives more than 10 percent of its revenues would not have a material adverse effect on the Company's operations.

Accounts receivable associated with crude oil and natural gas marketing activities comprise approximately 90 percent of the Company's total receivables and industry practice requires payment for such sales to occur within 25 days of the end of the month following a transaction. The Company's customer makeup, credit policies and the relatively short duration of receivables mitigate the uncertainty typically associated with receivables management.

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Letter of Credit Facility

The Company maintains a Credit and Security Agreement with Wells Fargo Bank to provide a $60 million stand-by letter of credit facility that is used to support the Company's crude oil and natural gas purchases within the marketing segment. This facility is collateralized by the eligible accounts receivable within those operations. Stand-by letters of credit issued totaled $36.3 million and $38.9 million as of March 31, 2012 and December 31, 2011, respectively. The issued stand-by letters of credit are cancelled as the underlying purchase obligations are satisfied by cash payment when due. The letter of credit facility places certain restrictions on the Company's Gulfmark Energy, Inc. and Adams Resources Marketing, Ltd. subsidiaries. Such restrictions included the maintenance of a combined 1.1 to 1.0 current ratio and the maintenance of positive net earnings excluding inventory valuation changes, as defined, among other restrictions. The Company is currently in compliance with all such financial covenants.

Statement of Cash Flows

Interest paid totaled $1,000 and zero during the three-month periods ended March 31, 2012 and 2011, respectively, while taxes paid during these same periods totaled $76,000 and $114,000, respectively. In addition during the first quarter 2011, the Company received a state income tax refund of $86,000. Non-cash investing activities for property and equipment were $4,843,000 and $4,070,000 as of March 31, 2012 and December 31, 2011, respectively and $1,512,000 and $2,868,000 as of March 31, 2011 and December 31, 2010, respectively. There were no significant non-cash financing activities in any of the periods reported.

Earnings Per Share

Earnings per share are based on the weighted average number of shares of common stock and potentially dilutive common stock shares outstanding during the period. The weighted average number of shares outstanding was 4,217,596 for 2011, 2010 and 2009. There were no potentially dilutive securities during those periods.

Share-Based Payments

During the periods presented herein, the Company had no stock-based employee compensation plans, nor any other share-based payment arrangements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Examples of significant estimates used in the accompanying consolidated financial statements include the oil and gas reserve volumes that form the foundation for (1) calculating depreciation, depletion and amortization and (2) deriving cash flow estimates to assess impairment triggers or estimated values associated with oil and gas property, revenue accruals, the provision for bad debts, insurance related accruals, income tax timing differences, contingencies and valuation of fair value contracts.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax basis.

Use of Derivative Instruments

The Company's marketing segment is involved in the purchase and sale of crude oil and natural gas. The Company seeks to make a profit by procuring such commodities as they are produced and then delivering such products to the end users or intermediate use marketplace. As is typical for the industry, such transactions are made pursuant to the terms of forward month commodity purchase and/or sale contracts. Certain of these contracts meet the definition of a derivative instrument, and therefore, the Company accounts for such contracts at fair value, unless the normal purchase and sale exception is applicable. Such underlying contracts are standard for the industry and are the governing document for the Company's crude oil and natural gas wholesale distribution businesses. The accounting methodology utilized by the Company for its commodity contracts is further discussed below under the caption "Fair Value Measurements".

None of the Company's derivative instruments have been designated as hedging instruments and the estimated fair value of forward month commodity contracts (derivatives) is reflected in the accompanying Unaudited Condensed Consolidated Balance Sheet as of March 31, 2012 as follows (in thousands):

	Balance Sheet Location and Amount			
	Current Assets	Other Assets	Current Liabilities	Other Liabilities
Asset Derivatives				
- Fair Value Forward Hydrocarbon Commodity				
Contracts at Gross Valuation	$3,274	$-	$-	$-
Liability Derivatives				
- Fair Value Forward Hydrocarbon Commodity	-			
Contracts at Gross Valuation	-	-	4,773	-
Less Counterparty Offsets	(2,420)	-	(2,420)	-
As Reported Fair Value Contracts	$854	$-	$2,353	$-

Forward month commodity contracts (derivatives) are reflected in the accompanying Unaudited Condensed Consolidated Balance Sheet as of December 31, 2011 as follows (in thousands):

	Balance Sheet Location and Amount			
	Current Assets	Other Assets	Current Liabilities	Other Liabilities
Asset Derivatives				
- Fair Value Forward Hydrocarbon Commodity				
Contracts at Gross Valuation	$3,500	$-	$-	$-
Liability Derivatives				
- Fair Value Forward Hydrocarbon Commodity				
Contracts at Gross Valuation	-	-	2,117	-
Less Counterparty Offsets	(1,436)	-	(1,436)	-
As Reported Fair Value Contracts	$2,064	$-	$681	$-

The Company only enters into commodity contracts with credit worthy counterparties or obtains collateral support for such activities. As of March 31, 2012 and December 31, 2011, the Company was not holding nor has it posted any collateral to support its forward month fair value derivative activity. The Company is not subject to any credit-risk related trigger events.

Forward month commodity contracts (derivatives) are reflected in the accompanying Unaudited Condensed Consolidated Statement of Operations for the three months ended March 31, 2012 and 2011 as follows (in thousands):

	Earnings (Loss) Three Months Ended March 31,	
Location	2012	2011
Revenues – marketing	$(2,882)	$ 814

Fair Value Measurements

The carrying amount reported in the balance sheet for cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the immediate or short-term maturity of these financial instruments. Marketable securities are recorded at fair value based on market quotations from activity traded liquid markets.

Fair value contracts consist of derivative financial instruments and are recorded as either an asset or liability measured at its fair value. Changes in fair value are recognized immediately in earnings unless the derivatives qualify for, and the Company elects, cash flow hedge accounting. The Company had no contracts designated for hedge accounting during any current reporting periods.

Fair value estimates are based on assumptions that market participants would use when pricing an asset or liability and the Company uses a fair value hierarchy of three levels that prioritizes the information used to develop those assumptions. Currently, for all items presented herein, the Company utilizes a market approach to valuing its contracts. On a contract by contract, forward month by forward month basis, the Company obtains observable market data for valuing its contracts. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. The fair value hierarchy is summarized as follows:

Level 1 –quoted prices in active markets for identical assets or liabilities that may be accessed at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. For Level 1 valuation of marketable securities, the Company utilizes market quotations provided by its primary financial institution and for the valuation of derivative financial instruments the Company utilizes the New York Mercantile Exchange “NYMEX” for such valuations.

Level 2 – (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical assets or liabilities but in markets that are not actively traded or in which little information is released to the public, (c) observable inputs other than quoted prices and (d) inputs derived from observable market data. Source data for Level 2 inputs include information provided by the NYMEX, the Intercontinental Exchange “ICE”, published price data and indices, third party price survey data and broker provided forward price statistics.

Level 3 – Unobservable market data inputs for assets or liabilities.

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As of March 31, 2012, the Company's fair value assets and liabilities are summarized and categorized as follows (in thousands):

	Market Data Inputs				
	Gross Level 1	Gross Level 2	Gross Level 3	Counterparty	
	Quoted Prices	Observable	Unobservable	Offsets	Total
Derivatives					
- Current assets	$515	$2,759	$ -	$ (2,420)	$854
- Current liabilities	-	(4,773)	-	2,420	(2,353)
Net Value	$515	$(2,014)	$ -	$ -	$(1,499)

As of December 31, 2011, the Company's fair value assets and liabilities are summarized and categorized as follows (in thousands):

	Market Data Inputs				
	Gross Level 1	Gross Level 2	Gross Level 3	Counterparty	
	Quoted Prices	Observable	Unobservable	Offsets	Total
Derivatives					
- Current assets	$1,455	$2,045	$ -	$ (1,436)	$2,064
- Current liabilities	(675)	(1,442)	-	1,436	(681)
Net Value	$780	$603	$ -	$ -	$1,383

When determining fair value measurements, the Company makes credit valuation adjustments to reflect both its own nonperformance risk and its counterparty's nonperformance risk. When adjusting the fair value of derivative contracts for the effect of nonperformance risk, the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, and guarantees are considered. Credit valuation adjustments utilize Level 3 inputs, such as credit scores to evaluate the likelihood of default by the Company or its counterparties. As of March 31, 2012 and December 31, 2011, credit valuation adjustments were not significant to the overall valuation of the Company's fair value contracts. As a result, applicable fair value assets and liabilities in their entirety are classified in Level 2 of the fair value hierarchy.

Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update (ASU) No. 2011-04, which further amends the Fair Value Measurements and Disclosures topic of the Accounting Standards Codification. Among other provisions, ASU 2011-04 expands and modifies certain principles and requirements for measuring fair value and disclosing fair value measurement information. The Company adopted ASU 2011-04 effective January 1, 2012 and the adoption of ASU 2011-04 did not have a material impact on the Company's financial statements, but additional disclosures regarding fair value measurements resulted.

Management believes the impact of other recently issued standards and updates, which are not yet effective, will not have a material impact on the Company's consolidated financial position, results of operations or cash flows upon adoption.

Note 3 – Segment Reporting

The Company is engaged in the business of crude oil and natural gas as well as tank truck transportation of liquid chemicals, and oil and gas exploration and production. Information concerning the Company's various business activities is summarized as follows (in thousands):

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- Three Month Comparison

	Revenues	Segment Operating Earnings	Depreciation Depletion and Amortization	Property and Equipment Additions
Period Ended March 31, 2012				
Marketing				
- Crude Oil	$855,846	$7,765	$ 1,290	$4,199
- Natural gas	1,584	393	1	-
Marketing Total	857,430	8,158	1,291	4,199
Transportation	16,268	3,054	1,251	4,688
Oil and gas	3,791	402	1,621	6,335
	$877,489	$11,614	$ 4,163	$15,222
Period Ended March 31, 2011				
Marketing				
- Crude Oil	$643,683	$6,327	$ 728	$3,460
- Natural gas	1,333	519	1	28
Marketing Total	645,016	6,846	729	3,488
Transportation	16,073	1,992	845	4,127
Oil and gas	2,757	2,046	1,742	7,355
	$663,846	$10,884	$ 3,316	$14,970

Segment operating earnings reflect revenues net of operating costs and depreciation, depletion and amortization and are reconciled to earnings from continuing operations before income taxes, as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Segment operating earnings (loss)	$11,614	$10,884
- General and administrative expenses	(2,232)	(2,109)
Operating earnings	9,382	8,775
- Interest income	21	48
- Interest expense	(1)	-
Earnings from continuing operations before income taxes and discontinued operations	$9,402	$8,823

Identifiable assets by industry segment are as follows (in thousands):

	March 31, 2012	December 31, 2011
Marketing		
- Crude oil	$293,872	$253,817
- Natural gas	8,544	12,246
Marketing Total	302,416	266,063
Transportation	32,273	27,221
Oil and gas	34,229	29,105
Other	43,616	56,451

	$412,534	$378,840

Intersegment sales are insignificant. Other identifiable assets are primarily corporate cash, and assets not identified with any specific segment of the Company's business. All sales by the Company occurred in the United States.

Note 4 - Transactions with Affiliates

Mr. K. S. Adams, Jr., Chairman and Chief Executive Officer, and certain of his family partnerships and affiliates have participated as working interest owners with the Company's subsidiary, Adams Resources Exploration Corporation. Mr. Adams and such affiliates participate on terms similar to those afforded other non-affiliated working interest owners. In recent years, such related party transactions generally result after the Company has first identified oil and gas prospects of interest. Typically the available dollar commitment to participate in such transactions is greater than the amount management is comfortable putting at risk. In such event, the Company first determines the percentage of the transaction it wants to obtain, which allows a related party to participate in the investment to the extent there is excess available. In those instances where there was no excess availability there has been no related party participation. Similarly, related parties are not required to participate, nor is the Company obligated to offer any such participation to a related or other party. When such related party transactions occur, they are individually reviewed and approved by the Audit Committee comprised of the independent directors on the Company's Board of Directors. For the first three months of 2012 and 2011, the Company's investment commitments totaled approximately $6.3 million and $7.3 million, respectively, in those oil and gas projects where a related party was also participating in such investments. As of March 31, 2012 and December 31, 2011, the Company owed a combined net total of $73,000 and $58,000, respectively, to these related parties. In connection with the operation of certain oil and gas properties, the Company also charges such related parties for administrative overhead primarily as prescribed by the Council of Petroleum Accountants Society Bulletin 5. Such overhead recoveries totaled $36,000 and $42,000 for the three-month period March 31, 2012 and 2011, respectively.

The Company also enters into certain transactions in the normal course of business with other affiliated entities including direct cost reimbursement for shared phone and secretarial services. For the three-month periods ended March 31, 2012 and 2011, the affiliated entities charged the Company $9,000 and $5,000, respectively, of expense reimbursement and the Company charged the affiliates $24,000 and $29,000, respectively, for such expense reimbursements. In January 2012, the Company relocated its primary office lease space to a building operated by an affiliated entity. Estimated annual rental expense, including pro rata building operating expense are $480,000 per year under a seven year lease term. The lease rental rate was determined by an independent appraisal. Rental expense paid to such related party for the three months ended March 31, 2012 totals $81,000.

Note 5 - Commitments and Contingencies

Under certain of the Company's automobile and workers' compensation insurance policies, the Company can either receive a return of premium paid or be assessed for additional premiums up to pre-established limits. Additionally under the policies, in certain instances the risk of insured losses is shared with a group of similarly situated entities. The Company has appropriately recognized estimated expenses and related liabilities for losses incurred but not reported to the Company or its insurance carrier of $1,285,000 as of March 31, 2012 and December 31, 2011.

Effective January 1, 2012, the Company began a self-insurance program for managing employee medical claims. On a monthly basis, the Company establishes a liability for expected claims incurred. As claims are paid, the liability is relieved. As of March 31, 2012 accrued medical claims totaled $338,000 and the Company has purchased third party insurance stop-loss coverage for annual individual medical claims exceeding $100,000.

From time to time as incidental to its operations, the Company may become involved in various lawsuits and/or disputes. Primarily as an operator of an extensive trucking fleet, the Company is a party to motor vehicle accidents, worker compensation claims and other items of general liability typical for the industry. Management of the Company is presently unaware of any claims against the Company that are either outside the scope of insurance coverage or that may exceed the level of insurance coverage and could potentially represent a material adverse effect on the Company's financial position or results of operations.

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Note 6 – Discontinued Operation

On February 27, 2012, the Company completed the sale of contracts, inventory and certain equipment associated with the refined products segment of its marketing business. Revenues from this segment included in net earnings (loss) from discontinued operations totaled $25,633,000 and $33,342,000 for the three-month periods ended March 31, 2012 and 2011, respectively. This business experienced marginal results in recent years including an operating loss of $788,000 for the year 2011. The Company received $2 million in cash proceeds plus a cash payment of $1,546,000 for the agreed value of refined product inventories on the date of sale. The net gain recognized upon this sale totaled $1,622,000. The Company is conducting an orderly wind-down of the operation which primarily consists of collecting outstanding accounts receivable and satisfying all existing obligations. The Company's fee interest in certain parcels of real estate was retained and the estimated fair value of such properties exceeded the Company's cost basis in the properties. Therefore, an impairment assessment of long-lived assets was not necessary. The proceeds secured from this transaction exceeded the sum of carrying costs of the assets sold plus severance and other wind-down costs and as a result, the first quarter 2012 pre-tax earnings from this former segment totaled $808,000. The first quarter 2011 pre-tax loss from this segment totaled $300,000. Accounts receivable retained and payable obligations were substantially collected or satisfied as of the date of this report.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

\- Marketing

Marketing segment revenues, operating earnings and depreciation were as follows (in thousands):

	Revenues	Segment Operating Earnings	Depreciation Depletion and Amortization
Period ended March 31, 2012			
- Crude Oil	$855,846	$7,765	$ 1,290
- Natural gas	1,584	393	1
Total	$857,430	$8,158	$ 1,291
Period ended March 31, 2011			
- Crude oil	$643,683	$6,327	$ 728
- Natural gas	1,333	519	1
Total	$645,016	$6,846	$ 729

Supplemental volume and price information is as follows:

	Three Months Ended March 31, 2012	2011
Field Level Purchase Volumes – Per day (1)		
Crude oil – barrels	87,036	75,416
Natural gas – mmbtu's	195,752	204,758

Average Purchase Price		
Crude Oil – per barrel	$106.82	$91.94
Natural Gas – per mmbtu	$2.50	$4.09

(1) Reflects the volume purchased from third parties at the oil and gas wellhead or lease level.

Crude oil revenues increased during the first quarter 2012 because of higher crude oil prices and volumes as shown in the table above. Volume increases resulted from new well production developed by the Company's customer base primarily in the Eagle Ford shale trend of South Texas, while prices fluctuated with general market trends.

Two significant factors affecting comparative crude oil segment operating earnings are inventory valuations and forward commodity contract (derivatives or mark-to-market) valuations. As a purchaser and shipper of crude oil, the Company holds inventory in storage tanks and third-party pipelines. Inventory sales turnover occurs approximately every three days, but the quantity held in stock at the end of a given period is reasonably consistent. As a result, during periods of increasing crude oil prices, the Company recognizes inventory liquidation gains while during periods of falling prices, the Company recognizes liquidation and valuation losses. Over time, these gains and losses tend to offset and have limited impact on cash flow. The average acquisition cost of crude oil moved from the $98 per barrel level at December 31, 2011 to the $110 per barrel level for March 2012 resulting in inventory liquidation gains of $2,538,000 for the first three months of 2012. A similar event occurred during the first quarter of 2011 as crude oil prices increased from $88 per barrel to $104 per barrel producing a $3,171,000 inventory liquidation gain. As of March 31, 2012, the Company held 264,763 barrels of crude oil inventory at an average price of $110.10 per barrel.

Crude oil marketing operating earnings are also affected by the change between differing report dates in the valuation of the Company's forward month commodity contracts (derivative instruments). Such non-cash valuations are calculated and recorded at each period end based on the underlying data existing as of such date. The Company generally enters into these derivative instruments as part of a pricing strategy based on crude oil purchases at the wellhead or field-lease level. The valuation of derivative instruments as of period end requires the recognition of valuation gains and losses. The impact on crude oil operating earnings of inventory liquidations and derivative valuations is summarized as follows (in thousands):

	First Quarter	
	2012	2011
As reported segment operating earnings	$7,765	$6,327
Add (less) -		
Inventory liquidation (gains) losses	(2,538)	(3,171)
Derivative valuation (gains) losses	3,476	(503)
Field level segment operating earnings	$8,703	$2,653

Field level operating earnings increased with the noted volume additions and due to improved unit margins. Unit margins benefitted from South Texas sourced production selling at a discount to world crude oil prices due to its relative abundance in relation to the infrastructure available to deliver such oil to market.

Natural gas sales are reported net of underlying natural gas acquisition costs and thus reflect gross margins. As shown above, such margins were reduced in the current quarter as average field level purchase volumes were off four percent for the comparative current period. In addition, the current low level of natural gas prices has curtailed drilling activity and caused a generally stagnant period for the Company's natural gas operation.

- Transportation

Transportation segment revenues, earnings and depreciation are as follows (in thousands):

	Three Months Ended March 31, 2012	2011	Increase (Decrease)
Revenues	$16,268	$16,073	1 %
Operating earnings	$3,054	$1,992	53 %
Depreciation	$1,251	$845	48 %

Customer demand and revenues for the transportation segment were consistent and strong during both first quarters of 2012 and 2011. The 2012 period also realized $1,269,000 in gains from the sale of 66 used truck-tractors and absent such gains, operating results were consistent between periods. The transport segment is currently benefitting from the present low price environment for natural gas as this commodity is a basic feed stock for the Company's petrochemical industry customer base. The petrochemical industry has been expanding capacity and the long-term prospect for demand for chemical hauling services remains positive. Presently, the Company is operating at near full capacity with the availability of qualified drivers a significant constraint.

Transportation segment depreciation increased in 2012 with increased capitalized equipment costs following the replacement of substantial portions of the fleet during 2010, 2011 and 2012.

- Oil and Gas

Oil and gas segment revenues and operating earnings are primarily a function of crude oil and natural gas prices and volumes. Comparative amounts for revenues, operating earnings and depreciation and depletion are as follows (in thousands):

	Three Months Ended March 31, 2012	2011	Increase
Revenues	$3,791	$2,757	38 %
Operating earnings (loss), excluding gains from property sales	$402	$(787)	151 %
Depreciation and depletion	$1,621	$1,742	(7)%

Oil and gas segment revenues improved during 2012 as a result of increased crude oil volumes partially offset by reduced natural gas prices. Operating earnings improved with increased revenues and reduced dry hole expense as shown below. Depreciation and depletion expense was slightly reduced in 2012 despite ongoing drilling operations due to reduced capitalized costs following the recording of a year-end 2011 impairment of oil and gas property costs.

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Production volumes and price information is as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Crude Oil		
Volume – barrels	21,880	10,792
Average price per barrel	$98.17	$98.07
Natural gas		
Volume – mcf	540,973	429,958
Average price per mcf	$3.04	$3.95

Comparative exploration costs are summarized in the table below. Exploration cost components were as follows (in thousands):

	Three Months Ended March 31,	
	2012	2011
Dry hole expense	$11	$362
Prospect impairments	265	226
Seismic and geological	2	31
Total	$278	$619

During the first three months of 2012, the Company participated in the drilling of 33 successful wells with no dry holes. Additionally, the Company has an interest in 36 wells that were in process on March 31, 2012. Evaluation on the in-process wells is anticipated during the second quarter of 2012. Participation in the drilling of approximately 91 wells is planned for the remainder of 2012 on the Company's prospect acreage in Texas and Kansas.

\- Discontinued Operation

During the first quarter of 2012, the Company sold contracts, inventory and certain equipment associated with its refined products market segment and discontinued that operation. The pre-tax gain from this sale, net of first quarter 2012 operating expenses and wind-down cost totaled $808,000. See also Note 6 to Unaudited Condensed Consolidated Financial Statements.

\- Oil and gas Property Sales

In January 2011, the Company completed the sale of its interest in certain producing oil and gas properties located in the on-shore Gulf Coast region of Texas. Proceeds from the sale totaled $6.2 million and the pre-tax gain from this transaction totaled $2,708,000. Total proved reserves sold were approximately 26,000 barrels of crude oil and 2,148,000 mcf of natural gas. Sales negotiations were conducted by the third party operator of the properties on behalf of all working interest owners and the transaction was completed with a separate third party investment entity. The Company's proportionate interest in the transaction was approximately 5 percent and the Company elected to participate in the sale due to attractive pricing. Also during the first quarter 2011, the Company sold a portion of its interest in certain non-producing oil and gas properties located in West Texas. Total proceeds from the sale were $329,000 and the Company recorded a $125,000 gain from this transaction. Proceeds from the sales were used for general working capital purposes and the Company is continuing with oil and gas exploration operations in the vicinity of the properties sold.

- Outlook

The marketing and transportation segments are performing at expected levels with narrowing unit margins anticipated in the South Texas region as the year progresses due to a number of third party pipeline infrastructure projects currently under way that will increase competition in the area. Oil and gas segment operating earnings are hampered by low natural gas prices; however, such low prices are having a positive impact on transportation operations. Absent improved natural gas prices, a significant change in the current level of operating earnings from the oil and gas segment is not expected.

Liquidity and Capital Resources

The Company's liquidity primarily derives from net cash provided by operating activities and such amount was $9,211,000 and $718,000 for the three-month periods ended March 31, 2012 and 2011, respectively. As of March 31, 2012 and December 31, 2011, the Company had no bank debt or other forms of debenture obligations. Cash and cash equivalents totaled $35,989,000 as of March 31, 2012, and such balances are maintained in order to meet the timing of day-to-day cash needs. Working capital, the excess of current assets over current liabilities, totaled $44,105,000 as of March 31, 2012.

Capital expenditures during the first three months of 2012 included $8,887,000 for marketing and transportation equipment additions and $6,335,000 in property additions associated with oil and gas exploration and production activities. Over the course of the next nine months, the Company anticipates expending approximately $12.5 million on oil and gas exploration projects and approximately $13.5 million is planned for truck and trailer replacements and additions within the Company's transportation and marketing fleets.

From time to time, the Company may make cash prepayments to certain suppliers of crude oil and natural gas for the Company's marketing operations. Such prepayments totaled $5,000,000 as of March 31, 2012 and such amounts will be recouped and advanced from month to month as the suppliers deliver product to the Company. The Company also requires certain counterparties to post cash collateral with the Company in order to support their purchases from the Company. Such cash collateral held by the Company totaled zero as of March 31, 2012. Management believes current cash balances, together with expected cash generated from future operations and the ease of financing truck and trailer additions through leasing arrangements (should the need arise) will be sufficient to meet short-term and long-term liquidity needs.

The Company utilizes cash from operations to make discretionary investments in its oil and natural gas exploration, marketing and transportation businesses, which comprise substantially all of the Company's investing cash outflows for each of the periods in this filing. The Company does not look to proceeds from property sales to fund its cash flow needs. Except for an approximate $10.6 million commitment for transportation equipment operating leases and storage tank terminal arrangements and office lease space, the Company's future commitments and planned investments can be readily curtailed if operating cash flows contract.

Historically, the Company pays an annual dividend in the fourth quarter of each year. In December 2011, the Company paid a $.57 per common share or $2,404,000 dividend to its shareholders. The most significant item affecting future increases or decreases in liquidity is earnings from operations and such earnings are dependent on the success of future operations (see Item 1A Risk Factors in the Annual Report on Form 10-K for the year ended December 31, 2011).

Critical Accounting Policies and Use of Estimates

There has been no material changes to the Company's "Critical Accounting Policies and Use of Estimates" disclosures that have occurred since the disclosures provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to the Company's "Quantitative and Qualitative Disclosures about Market Risk" that have occurred since the disclosures provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Forward-Looking Statements – Safe Harbor Provisions

This quarterly report for the period ended March 31, 2012 contains certain forward-looking statements covered by the safe harbors provided under federal securities law and regulations. To the extent such statements are not recitations of historical fact, forward-looking statements involve risks and uncertainties. In particular, statements included herein and/or in the Company's latest annual report on Form 10-K under the captions (a) Production and Reserve Information, (b) Regulatory Status and Potential Environmental Liability, (c) Management's Discussion and Analysis of Financial Condition and Results of Operations, (d) Critical Accounting Policies and Use of Estimates, (e) Quantitative and Qualitative Disclosures about Market Risk, (f) Income Taxes, (g) Concentration of Credit Risk, (h) Fair Value Contract Activities, and (i) Commitments and Contingencies, among others, contain forward-looking statements. Where the Company expresses an expectation or belief regarding future results of events, such expression is made in good faith and believed to have a reasonable basis in fact. However, there can be no assurance that such expectation or belief will actually result or be achieved.

With the uncertainties of forward looking statements in mind, the reader should consider the risks discussed elsewhere in this report and other documents filed with the Securities and Exchange Commission from time to time and the important factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, under "Item 1A Risk Factor" that could cause actual results to differ materially from those expressed in any forward-looking statement made by or on behalf of the Company.

Item 4. Disclosure Controls and Procedures

The Company maintains "disclosure controls and procedures" (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")), which are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely discussions regarding required disclosure. As of the end of the period covered by this quarterly report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that there is a reasonable assurance that the disclosure controls and procedures as of the end of the period covered by this report are effective to ensure that information required to be disclosed in the Company's Exchange Act filings is recorded, processed, summarized and reported within the periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time as incident to its operations, the Company becomes involved in various lawsuits and/or disputes. Primarily as an operator of an extensive trucking fleet, the Company may be a party to motor vehicle accidents, worker compensation claims or other items of general liability as would be typical for the industry. Management of the Company is presently unaware of any claims against the Company that are either outside the scope of insurance coverage or that may exceed the level of insurance coverage and could potentially represent a material adverse effect on the Company's financial position or results of operations.

Item 1A. Risk Factors - There are no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Item 2. - None

Item 3. - None

Item 4. - Mine Safety Disclosures
Not Applicable

Item 5. - None

Item 6. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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.

ADAMS RESOURCES & ENERGY, INC
(Registrant)

Date: May 14, 2012

By /s/K. S. Adams, Jr.
K. S. Adams, Jr.
Chief Executive Officer

By /s/Frank T. Webster
Frank T. Webster
President & Chief Operating Officer

By /s/Richard B. Abshire
Richard B. Abshire
Chief Financial Officer

EXHIBIT INDEX

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