

United States 12 Month Oil Fund, LP
Form 10-Q
May 15, 2009

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

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2009.

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number: 001-33859

United States 12 Month Oil Fund, LP
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-0431897
(I.R.S. Employer
Identification No.)

1320 Harbor Bay Parkway, Suite 145
Alameda, California 94502
(Address of principal executive offices) (Zip code)

(510) 522-3336
(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

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

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Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

UNITED STATES 12 MONTH OIL FUND, LP
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Part I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

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United States 12 Month Oil Fund, LP
 Condensed Statements of Financial Condition
 At March 31, 2009 (Unaudited) and December 31, 2008

	March 31, 2009	December 31, 2008
Assets		
Cash and cash equivalents	\$ 120,171,370	\$ 4,012,323
Equity in UBS Securities LLC trading accounts:		
Cash	11,044,817	4,993,212
Unrealized gain (loss) on open commodity futures contracts	17,225,370	(2,754,630)
Interest receivable	29,581	2,343
Receivable from general partner	11,227	97,019
Other assets	181,354	-
Total assets	\$ 148,663,719	\$ 6,350,267
Liabilities and Partners' Capital		
General Partner management fees (Note 3)	\$ 72,764	\$ 2,151
Brokerage commissions payable	15,532	650
Other liabilities	30,219	99,888
Total liabilities	118,515	102,689
Commitments and Contingencies (Notes 3, 4 and 5)		
Partners' Capital		
General Partner	-	-
Limited Partners	148,545,204	6,247,578
Total Partners' Capital	148,545,204	6,247,578
Total liabilities and partners' capital	\$ 148,663,719	\$ 6,350,267
Limited Partners' units outstanding	4,900,000	200,000
Net asset value per unit	\$ 30.32	\$ 31.24
Market value per unit	\$ 30.24	\$ 29.89

See accompanying notes to condensed financial statements.

United States 12 Month Oil Fund, LP
Condensed Schedule of Investments (Unaudited)
At March 31, 2009

Open Futures Contracts

	Number of Contracts	Gain on Open Commodity Contracts	% of Partners' Capital
United States Contracts			
Crude Oil Futures contracts, expire May 2009	221	\$ 1,275,640	0.86
Crude Oil Futures contracts, expire June 2009	221	1,313,710	0.88
Crude Oil Futures contracts, expire July 2009	221	1,363,890	0.92
Crude Oil Futures contracts, expire August 2009	221	1,372,240	0.92
Crude Oil Futures contracts, expire September 2009	221	1,402,780	0.94
Crude Oil Futures contracts, expire October 2009	222	1,442,370	0.97
Crude Oil Futures contracts, expire November 2009	221	1,478,110	1.00
Crude Oil Futures contracts, expire December 2009	221	1,510,860	1.02
Crude Oil Futures contracts, expire January 2010	221	1,534,770	1.03
Crude Oil Futures contracts, expire February 2010	221	1,544,390	1.04
Crude Oil Futures contracts, expire March 2010	221	1,560,660	1.05
Crude Oil Futures contracts, expire April 2010	221	1,425,950	0.96
	2,653	17,225,370	11.59
Cash Equivalents			
	Cost	Market Value	
United States - Money Market Funds			
Fidelity Institutional Government Portfolio – Class I	\$ 40,002,946	40,002,946	26.93
Goldman Sachs Financial Square Funds - Government Fund	32,381,011	32,381,011	21.80
	\$ 72,383,957	72,383,957	48.73
Cash		47,787,413	32.17
Total Cash and Cash Equivalents		120,171,370	80.90
Cash on deposit with broker		11,044,817	7.44
Other assets and receivables in excess of liabilities		103,647	0.07
Total Partners' Capital		\$ 148,545,204	100.00

See accompanying notes to condensed financial statements.

United States 12 Month Oil Fund, LP
Condensed Statements of Operations (Unaudited)
For the three months ended March 31, 2009 and 2008

	Three months ended March 31, 2009	Three months ended March 31, 2008
Income		
Gains (losses) on trading of commodity futures contracts:		
Realized gains (losses) on closed positions	\$ (2,984,510)	\$ 415,890
Change in unrealized gains (losses) on open positions	19,980,000	(263,660)
Interest income	44,621	87,067
Other income	15,000	2,000
Total income	17,055,111	241,297
Expenses		
General Partner management fees (Note 3)	97,263	20,846
Brokerage commissions	28,767	1,590
Other expenses	51,336	13,537
Total expenses	177,366	35,973
Expense waiver	(11,227)	-
Net expenses	166,139	35,973
Net income	\$ 16,888,972	\$ 205,324
Net income (loss) per limited partnership unit	\$ (0.92)	\$ 4.08
Net income per weighted average limited partnership unit	\$ 7.20	\$ 0.82
Weighted average limited partnership units outstanding	2,346,667	250,549

See accompanying notes to condensed financial statements.

United States 12 Month Oil Fund, LP
 Condensed Statement of Changes in Partners' Capital (Unaudited)
 For the three months ended March 31, 2009

	General Partner	Limited Partners	Total
Balances, at December 31, 2008	\$ -	\$ 6,247,578	\$ 6,247,578
Addition of 5,300,000 partnership units	-	141,910,552	141,910,552
Redemption of 600,000 partnership units	-	(16,501,898)	(16,501,898)
Net income	-	16,888,972	16,888,972
Balances, at March 31, 2009	\$ -	\$ 148,545,204	\$ 148,545,204
Net Asset Value Per Unit			
At December 31, 2008	\$ 31.24		
At March 31, 2009	\$ 30.32		

See accompanying notes to condensed financial statements.

United States 12 Month Oil Fund, LP
Condensed Statements of Cash Flows (Unaudited)
For the three months ended March 31, 2009 and 2008

	Three months ended March 31, 2009	Three months ended March 31, 2008
Cash Flows from Operating Activities:		
Net income	\$ 16,888,972	\$ 205,324
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Increase in commodity futures trading account – cash	(6,051,605)	(430,622)
Unrealized (gains) losses on futures contracts	(19,980,000)	263,660
Increase in interest receivable and other assets	(208,592)	(2,848)
Decrease in receivable from general partner	85,792	-
Increase (decrease) in management fees payable	70,613	(3,303)
Increase (decrease) in other liabilities	(54,787)	11,756
Net cash provided by (used in) operating activities	(9,249,607)	43,967
Cash Flows from Financing Activities:		
Subscription of partnership units	141,910,552	-
Redemption of partnership units	(16,501,898)	(10,234,104)
Net cash provided by (used in) financing activities	125,408,654	(10,234,104)
Net Increase (Decrease) in Cash and Cash Equivalents	116,159,047	(10,190,137)
Cash and Cash Equivalents, beginning of period	4,012,323	18,174,276
Cash and Cash Equivalents, end of period	\$ 120,171,370	\$ 7,984,139

See accompanying notes to condensed financial statements.

United States 12 Month Oil Fund, LP
Notes to Condensed Financial Statements
For the three months ended March 31, 2009 (Unaudited)

NOTE 1 - ORGANIZATION AND BUSINESS

The United States 12 Month Oil Fund, LP (“US12OF”) was organized as a limited partnership under the laws of the state of Delaware on June 27, 2007. US12OF is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc. (the “NYSE Arca”). Prior to November 25, 2008, US12OF’s units traded on the American Stock Exchange (the “AMEX”). US12OF will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Amended and Restated Agreement of Limited Partnership dated as of December 4, 2007 (the “LP Agreement”). The investment objective of US12OF is for the changes in percentage terms of its units’ net asset value to reflect the changes in percentage terms of the price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of the 12 futures contracts on light, sweet crude oil as traded on the New York Mercantile Exchange (the “NYMEX”), consisting of the near month contract to expire and the contracts for the following 11 months for a total of 12 consecutive months’ contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contracts that are the next month contract to expire and the contracts for the following 11 consecutive months, less US12OF’s expenses. US12OF accomplishes its objectives through investments in futures contracts for light, sweet crude oil, and other types of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, “Futures Contracts”) and other oil-related investments such as cash-settled options on Futures Contracts, forward contracts for oil and over-the-counter transactions that are based on the price of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, “Other Crude Oil-Related Investments”). As of March 31, 2009, US12OF held 2,653 Futures Contracts traded on the NYMEX.

US12OF commenced investment operations on December 6, 2007 and has a fiscal year ending on December 31. United States Commodity Funds LLC (formerly known as Victoria Bay Asset Management, LLC) (the “General Partner”) is responsible for the management of US12OF. The General Partner is a member of the National Futures Association (the “NFA”) and became a commodity pool operator registered with the Commodity Futures Trading Commission effective December 1, 2005. The General Partner is also the general partner of the United States Oil Fund, LP (“USOF”), the United States Natural Gas Fund, LP (“USNG”), the United States Gasoline Fund, LP (“UGA”) and the United States Heating Oil Fund, LP (“USHO”), which listed their limited partnership units on the AMEX under the ticker symbols “USO” on April 10, 2006, “UNG” on April 18, 2007, “UGA” on February 26, 2008 and “UHN” on April 9, 2008, respectively.

The accompanying unaudited condensed financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission (the “SEC”) and, therefore, do not include all information and footnote disclosure required under accounting principles generally accepted in the United States of America. The financial information included herein is unaudited, however, such financial information reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of the condensed financial statements for the interim period.

US12OF issues limited partnership interests (“units”) to certain authorized purchasers (“Authorized Purchasers”) by offering baskets consisting of 100,000 units (“Creation Baskets”) through ALPS Distributors, Inc. (the “Marketing Agent”). The purchase price for a Creation Basket is based upon the net asset value of a unit determined as of the earlier of the close of the New York Stock Exchange (the “NYSE”) or 4:00 p.m. New York time on the day the order to create the basket is properly received. In addition, Authorized Purchasers pay US12OF a \$1,000 fee for each order to create one or more Creation Baskets or redeem one or more baskets consisting of 100,000 units (“Redemption Baskets”). Units may be purchased or sold on a nationally recognized securities exchange in smaller increments than a

Creation Basket or Redemption Basket. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the net asset value of US12OF but rather at market prices quoted on such exchange.

In November 2007, US12OF initially registered 11,000,000 units on Form S-1 with the SEC. On December 6, 2007, US12OF listed its units on the AMEX under the ticker symbol "USL". On that day, US12OF established its initial net asset value by setting the price at \$50.00 per unit and issued 300,000 units in exchange for \$15,001,000. US12OF also commenced investment operations on December 6, 2007 by purchasing Futures Contracts traded on the NYMEX based on light, sweet crude oil. As of March 31, 2009, US12OF had registered a total of 111,000,000 units.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Commodity futures contracts, forward contracts, physical commodities, and related options are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains or losses on open contracts are reflected in the condensed statement of financial condition and in the difference between the original contract amount and the market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the condensed financial statements. Changes in the unrealized gains or losses between periods are reflected in the condensed statement of operations. US12OF earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant at the 90-day Treasury bill rate. In addition, US12OF earns interest on funds held at the custodian at prevailing market rates earned on such investments.

Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

Income Taxes

US12OF is not subject to federal income taxes; each partner reports his/her allocable share of income, gain, loss deductions or credits on his/her own income tax return.

Additions and Redemptions

Authorized Purchasers may purchase Creation Baskets or redeem Redemption Baskets only in blocks of 100,000 units equal to the net asset value of the units determined as of 4:00 p.m. New York time on the day the order is placed.

US12OF records units sold or redeemed one business day after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in US12OF's condensed statement of financial condition as receivable for units sold, and amounts payable to Authorized Purchasers upon redemption are reflected as payable for units redeemed.

Partnership Capital and Allocation of Partnership Income and Losses

Profit or loss shall be allocated among the partners of US12OF in proportion to the number of units each partner holds as of the close of each month. The General Partner may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

Calculation of Net Asset Value

US12OF's net asset value is calculated on each trading day by taking the current market value of its total assets, subtracting any liabilities and dividing the amount by the total number of units issued and outstanding. US12OF uses the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

Net Income (Loss) per Unit

Net income (loss) per unit is the difference between the net asset value per unit at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units redeemed based on the amount of time the units were outstanding during such period. There were no units held by the General Partner at March 31, 2009.

Offering Costs

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by US12OF. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated therewith. These costs will be accounted for as a deferred charge and thereafter amortized to expense over twelve months on a straight-line basis or a shorter period if warranted.

Cash Equivalents

Cash and cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of three months or less.

Use of Estimates

The preparation of condensed financial statements in conformity with accounting principles generally accepted in the United States of America requires US12OF's management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTE 3 - FEES PAID BY THE FUND AND RELATED PARTY TRANSACTIONS

General Partner Management Fee

Under the LP Agreement, the General Partner is responsible for investing the assets of US12OF in accordance with the objectives and policies of US12OF. In addition, the General Partner has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to US12OF. For these services, US12OF is contractually obligated to pay the General Partner a fee, which is paid monthly and based on average daily net assets, that is equal to 0.60% per annum on average daily net assets.

Ongoing Registration Fees and Other Offering Expenses

US12OF pays all costs and expenses associated with the ongoing registration of units subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of units, and all legal, accounting, printing and other expenses associated with such offer and sale. For the three month periods ended March 31, 2009 and 2008, US12OF incurred \$21,000 and \$0, respectively, in registration fees and other offering expenses.

Directors' Fees

US12OF is responsible for paying its portion of the directors' and officers' liability insurance of the General Partner and the fees and expenses of the independent directors of the General Partner who are also its audit committee members. US12OF shares these fees with USOF, USNG, UGA and USHO based on the relative assets of each fund, computed on a daily basis. These fees for the calendar year 2009 are estimated to be a total of \$477,000 for all funds.

Licensing Fees

As discussed in Note 4, US12OF entered into a licensing agreement with the NYMEX on January 16, 2008. Pursuant to the agreement, US12OF and the affiliated funds managed by the General Partner pay a licensing fee that is equal to 0.04% for the first \$1,000,000,000 of combined assets of the funds and 0.02% for combined assets above

\$1,000,000,000. During the three month periods ended March 31, 2009 and 2008, US12OF incurred \$3,997 and \$1,370, respectively, under this arrangement.

Investor Tax Reporting Cost

The fees and expenses associated with US12OF's audit expenses and tax accounting and reporting requirements, with the exception of certain initial implementation service fees and base service fees which were borne by the General Partner, are paid by US12OF.

Other Expenses and Fees and Expense Waivers

In addition to the fees described above, US12OF pays all brokerage fees, taxes and other expenses in connection with the operation of US12OF, excluding costs and expenses paid by the General Partner as outlined in Note 4. The General Partner, though under no obligation to do so, agreed to pay certain expenses, to the extent that such expenses exceeded 0.15% (15 basis points) of US12OF's NAV, on an annualized basis, through March 31, 2009.

NOTE 4 - CONTRACTS AND AGREEMENTS

US12OF is party to a marketing agent agreement, dated as of November 13, 2007, with the Marketing Agent, whereby the Marketing Agent provides certain marketing services for US12OF as outlined in the agreement. The fee of the Marketing Agent, which is borne by the General Partner, is equal to 0.06% on US12OF's assets up to \$3 billion; and 0.04% on US12OF's assets in excess of \$3 billion.

The above fee does not include the following expenses, which are also borne by the General Partner: the cost of placing advertisements in various periodicals; web construction and development; or the printing and production of various marketing materials.

US12OF is also party to a custodian agreement, dated October 5, 2007, with Brown Brothers Harriman & Co. ("BBH&Co."), whereby BBH&Co. holds investments on behalf of US12OF. The General Partner pays the fees of the custodian, which are determined by the parties from time to time. In addition, US12OF is party to an administrative agency agreement, dated October 5, 2007, with the General Partner and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for US12OF. The General Partner also pays the fees of BBH&Co. for its services under this agreement and such fees are determined by the parties from time to time.

Currently, the General Partner pays BBH&Co. for its services, in the foregoing capacities, a minimum amount of \$75,000 annually for its custody, fund accounting and fund administration services rendered to US12OF and each of the affiliated funds managed by the General Partner, as well as a \$20,000 annual fee for its transfer agency services. In addition, the General Partner pays BBH&Co. an asset-based charge of (a) 0.06% for the first \$500 million of US12OF's, USOF's, USNG's, UGA's and USHO's combined net assets, (b) 0.0465% for US12OF's, USOF's, USNG's, UGA's and USHO's combined net assets greater than \$500 million but less than \$1 billion, and (c) 0.035% once US12OF's, USOF's, USNG's, UGA's and USHO's combined net assets exceed \$1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds \$75,000. The General Partner also pays transaction fees ranging from \$7.00 to \$30.00 per transaction.

US12OF has entered into a brokerage agreement with UBS Securities LLC ("UBS Securities"). The agreement requires UBS Securities to provide services to US12OF in connection with the purchase and sale of Futures Contracts and Other Crude Oil-Related Investments that may be purchased and sold by or through UBS Securities for US12OF's account. The agreement provides that UBS Securities charge US12OF commissions of approximately \$7 per round-turn trade, plus applicable exchange and NFA fees for Futures Contracts and options on Futures Contracts.

US12OF invests primarily in Futures Contracts traded on the NYMEX. On January 16, 2008, US12OF and the NYMEX entered into a licensing agreement whereby US12OF was granted a non-exclusive license to use certain of the NYMEX's settlement prices and service marks. The agreement has an effective date of December 4, 2007. Under

the licensing agreement, US12OF and the affiliated funds managed by the General Partner pay the NYMEX an asset-based fee for the license, the terms of which are described in Note 3.

US12OF expressly disclaims any association with the NYMEX or endorsement of US12OF by the NYMEX and acknowledges that “NYMEX” and “New York Mercantile Exchange” are registered trademarks of the NYMEX.

NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES

US12OF engages in the trading of futures contracts and options on futures contracts (collectively, “derivatives”). US12OF is exposed to both market risk, which is the risk arising from changes in the market value of the contracts, and credit risk, which is the risk of failure by another party to perform according to the terms of a contract.

US12OF may enter into futures contracts and options on futures contracts to gain exposure to changes in the value of an underlying commodity. A futures contract obligates the seller to deliver (and the purchaser to accept) the future delivery of a specified quantity and type of a commodity at a specified time and place. The contractual obligations of a buyer or seller may generally be satisfied by taking or making physical delivery of the underlying commodity or by making an offsetting sale or purchase of an identical futures contract on the same or linked exchange before the designated date of delivery.

The purchase and sale of future contracts and options on futures contracts require margin deposits with a futures commission merchant. Additional deposits may be necessary for any loss on contract value. The Commodity Exchange Act requires a futures commission merchant to segregate all customer transactions and assets from the futures commission merchant’s proprietary activities.

Futures contracts involve, to varying degrees, elements of market risk (specifically commodity price risk) and exposure to loss in excess of the amount of variation margin. The face or contract amounts reflect the extent of the total exposure US12OF has in the particular classes of instruments. Additional risks associated with the use of futures contracts are an imperfect correlation between movements in the price of the futures contracts and the market value of the underlying securities and the possibility of an illiquid market for a futures contract.

All of the futures contracts currently traded by US12OF are exchange-traded. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, US12OF must rely solely on the credit of its respective individual counterparties. However, in the future, if US12OF were to enter into non-exchange traded contracts, it would be subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any. US12OF also has credit risk since the sole counterparty to all domestic and foreign futures contracts is the exchange on which the relevant contracts are traded. In addition, US12OF bears the risk of financial failure by the clearing broker.

Fair Value of Derivative Instruments

Derivatives not Accounted for as Hedging Instruments under Statement 133	As of March 31, 2009		Asset Derivatives		As of December 31, 2008	
	Condensed Statement of Financial Condition Location	Unrealized Appreciation	Condensed Statement of Financial Condition Location	Unrealized Depreciation		
Commodity Contracts	Assets	\$ 17,225,370 *	Assets		\$ (2,754,630)	

* Includes cumulative appreciation/(depreciation) of futures contracts as reported on the Condensed Schedule of Investments

The Effect of Derivative Instruments on the Condensed Statements of Operations
for the three months ended March 31, 2009 and 2008

Derivatives not Accounted for as for as Hedging Instruments under Statement 133	Location of Gain or (Loss) on Derivatives Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income 2009	Change in Unrealized Appreciation or (Depreciation) Recognized in Income 2009	Realized Gain or (Loss) on Derivatives Recognized in Income 2008	Change in Unrealized Appreciation or (Depreciation) Recognized in Income 2008
Commodity Contracts	Realized gains (losses) on closed positions	\$ (2,984,510)	\$ —	\$ 415,890	\$ —
	Change in unrealized gains (losses) on open positions	—	19,980,000	—	(263,660)

US12OF's cash and other property, such as U.S. Treasuries, deposited with a futures commission merchant are considered commingled with all other customer funds subject to the futures commission merchant's segregation requirements. In the event of a futures commission merchant's insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other property deposited. The insolvency of a futures commission merchant could result in the complete loss of US12OF's assets posted with that futures commission merchant; however, the vast majority of US12OF's assets are held in Treasuries, cash and/or cash equivalents with US12OF's custodian and would not be impacted by the insolvency of a futures commission merchant. Also, the failure or insolvency of US12OF's custodian could result in a substantial loss of US12OF's assets.

US12OF invests its cash in money market funds that seek to maintain a stable net asset value. US12OF is exposed to any risk of loss associated with an investment in these money market funds. As of March 31, 2009 and December 31, 2008, US12OF had deposits in domestic and foreign financial institutions, including cash investments in money market funds, in the amounts of \$131,216,187 and \$9,005,535, respectively. This amount is subject to loss should these institutions cease operations.

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, US12OF is exposed to a market risk equal to the value of futures contracts purchased and unlimited liability on such contracts sold short. As both a buyer and a seller of options, US12OF pays or receives a premium at the outset and then bears the risk of unfavorable changes in the price of the contract underlying the option.

US12OF's policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting controls and procedures. In addition, US12OF has a policy of requiring review of the credit standing of each broker or counterparty with which it conducts business.

The financial instruments held by US12OF are reported in its condensed statement of financial condition at market or fair value, or at carrying amounts that approximate fair value, because of their highly liquid nature and short-term maturity.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, US12OF adopted FAS 157 – Fair Value Measurements (“FAS 157”). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. The changes to current practice resulting from the application of FAS 157 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. FAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of US12OF (observable inputs) and (2) US12OF’s own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the FAS 157 hierarchy are as follows:

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Level I – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II – Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level III – Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

The following table summarizes the valuation of US12OF's securities at March 31, 2009 using the fair value hierarchy:

At March 31, 2009	Total	Level I	Level II	Level III
Investments	\$ 72,383,957	\$ 72,383,957	\$ -	\$ -
Other Financial Instruments	17,225,370	17,225,370	-	-

NOTE 7 - FINANCIAL HIGHLIGHTS

The following table presents per unit performance data and other supplemental financial data for the three months ended March 31, 2009 and 2008 for the limited partners. This information has been derived from information presented in the condensed financial statements.

	For the three months ended March 31, 2009 (Unaudited)	For the three months ended March 31, 2008 (Unaudited)
Per Unit Operating Performance:		
Net asset value, beginning of period	\$ 31.24	\$ 54.23
Total income (loss)	(0.85)	4.22
Total expenses	(0.07)	(0.14)
Net increase (decrease) in net asset value	(0.92)	4.08
Net asset value, end of period	\$ 30.32	\$ 58.31
Total Return	(2.94) %	7.52%
Ratios to Average Net Assets		
Total income	25.94%	1.73%
Management fees*	0.60%	0.60%
Total expenses excluding management fees*	0.49%	0.44%
Expense waived*	(0.07) %	-%
Net expenses excluding management fees*	0.42%	0.44%

Net income	25.69%	1.47%
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*Annualized

Total returns are calculated based on the change in value during the period. An individual limited partner's total return and ratio may vary from the above total returns and ratios based on the timing of contributions to and withdrawals from US12OF.

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

The following discussion should be read in conjunction with the condensed financial statements and the notes thereto of the United States 12 Month Oil Fund, LP ("US12OF") included elsewhere in this quarterly report on Form 10-Q.

Forward-Looking Information

This quarterly report on Form 10-Q, including this "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding the plans and objectives of management for future operations. This information may involve known and unknown risks, uncertainties and other factors that may cause US12OF's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe US12OF's future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project," the negative words, other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and US12OF cannot assure investors that the projections included in these forward-looking statements will come to pass. US12OF's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

US12OF has based the forward-looking statements included in this quarterly report on Form 10-Q on information available to it on the date of this quarterly report on Form 10-Q, and US12OF assumes no obligation to update any such forward-looking statements. Although US12OF undertakes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, investors are advised to consult any additional disclosures that US12OF may make directly to them or through reports that US12OF in the future files with the U.S. Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Introduction

US12OF, a Delaware limited partnership, is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc. (the "NYSE Arca"). The investment objective of US12OF is to have the changes in percentage terms of its units' net asset value ("NAV") reflect the changes in percentage terms of the spot price of light, sweet crude oil delivered to Cushing, Oklahoma, as measured by the changes in the average of the prices of 12 Futures Contracts on crude oil traded on the New York Mercantile Exchange (the "Benchmark Futures Contracts") consisting of the near month contract to expire and the contracts for the following 11 months for a total of 12 consecutive months' contracts, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire and the contracts for the following 11 consecutive months, less US12OF's expenses.

US12OF seeks to achieve its investment objective by investing in a combination of oil futures contracts and other oil interests such that such that changes in its NAV, measured in percentage terms, will closely track the changes in the Benchmark Futures Contracts, also measured in percentage terms. US12OF's general partner believes the Benchmark Futures Contracts historically have exhibited a close correlation with the spot price of light, sweet crude oil. It is not the intent of US12OF to be operated in a fashion such that the NAV will equal, in dollar terms, the spot price of light, sweet crude oil or any particular futures contract based on light, sweet crude oil. Management believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in listed crude oil futures contracts.

On any valuation day, the Benchmark Futures Contracts are the near month futures contract for light, sweet crude oil traded on the New York Mercantile Exchange (the “NYMEX”) and the contracts for the following 11 months for a total of 12 consecutive months’ contracts unless the near month contract will expire within two weeks of the valuation day, in which case the Benchmark Futures Contracts are the next month contract for light, sweet crude oil traded on the NYMEX and the contracts for the following 11 consecutive months. “Near month contract” means the next contract traded on the NYMEX due to expire. “Next month contract” means the first contract traded on the NYMEX due to expire after the near month contract.

US12OF may also invest in futures contracts for other types of crude oil, heating oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures or other U.S. and foreign exchanges (collectively, “Futures Contracts”) and other oil interests such as cash-settled options on Oil Futures Contracts, forward contracts for oil and over-the-counter transactions that are based on the price of crude oil, other petroleum-based fuels, Oil Futures Contracts and indices based on the foregoing (collectively, “Other Crude Oil-Related Investments”). For convenience and unless otherwise specified, Other Crude Oil-Related Investments collectively are referred to as “Crude Oil Interests” in this quarterly report on Form 10-Q.

The general partner of US12OF, United States Commodity Funds LLC (formerly, Victoria Bay Asset Management, LLC) (the “General Partner”), which is registered as a commodity pool operator (“CPO”) with the U.S. Commodity Futures Trading Commission (the “CFTC”), is authorized by the Amended and Restated Agreement of Limited Partnership of US12OF (the “LP Agreement”) to manage US12OF. The General Partner is authorized by US12OF in its sole judgment to employ and establish the terms of employment for, and termination of, commodity trading advisors or futures commission merchants.

Average crude oil futures prices were volatile during the three months ended March 31, 2009 and exhibited wide daily swings along with an uneven upward trend from late February to late March, 2009. The average price of the Benchmark Futures Contracts started the period at \$54.01 per barrel. The low of the period was in February 2009 when prices reached \$44.24 per barrel. Average prices rose sharply over the course of the period and hit a peak in March 2009 of \$58.97 per barrel. The period ended with the average price of the Benchmark Futures Contracts at \$55.94 per barrel, up approximately 3.57% over the period. Similarly, US12OF’s NAV rose during the period from a starting level of \$31.24 per unit to a high in January 2009 of \$33.70 per unit. US12OF’s NAV reached its low for the period in February 2009 at \$24.34 per unit. The NAV on March 31, 2009 was \$30.32, down approximately 2.94% over the period.

For the first half of 2008, the crude oil futures market remained in a state of backwardation, meaning that the price of the near month crude oil futures contract was typically higher than the price of the next month crude oil futures contract, or contracts further away from expiration. For much of the third quarter of 2008, the crude oil futures market moved back and forth between a mild backwardation market and a mild contango market. A contango market is one in which the price of the near month crude oil futures contract is less than the price of the next month crude oil futures contract, or contracts further away from expiration. From late November 2008 to the end of 2008, the market moved into a much steeper contango market. During the first quarter of 2009, the crude oil market remained in contango. During parts of January and February 2009, the level of contango was unusually steep, reflecting that the cost of oil futures contracts further from expiration were significantly higher than the near month oil futures contract. For a discussion of the impact of backwardation and contango on total returns, see “Term Structure of Crude Oil Prices and the Impact on Total Returns”.

Valuation of Futures Contracts and the Computation of the NAV

The NAV of US12OF units is calculated once each trading day as of the earlier of the close of the New York Stock Exchange (the “NYSE”) or 4:00 p.m. New York time. The NAV for a particular trading day is released after 4:15 p.m. New York time. Trading on the NYSE typically closes at 4:00 p.m. New York time. US12OF uses the NYMEX closing price (determined at the earlier of the close of the NYMEX or 2:30 p.m. New York time) for the contracts held on the NYMEX, but calculates or determines the value of all other US12OF investments, including ICE Futures contracts or other futures contracts, as of the earlier of the close of the NYSE or 4:00 p.m. New York time.

Results of Operations and the Crude Oil Market

Results of Operations. On December 6, 2007, US12OF listed its units on the American Stock Exchange (the “AMEX”) under the ticker symbol “USL.” On that day, US12OF established its initial offering price at \$50.00 per unit and issued

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300,000 units to the initial authorized purchaser, Merrill Lynch Professional Clearing Corp., in exchange for \$15,001,000 in cash. As a result of the acquisition of the AMEX by NYSE Euronext, US12OF's units no longer trade on the AMEX and commenced trading on the NYSE Arca on November 25, 2008.

Since its initial offering of 11,000,000 units, US12OF has made one subsequent offering of its units: 100,000,000 units which were registered with the SEC on March 31, 2009. As of March 31, 2009, US12OF had issued 5,800,000 units, 4,900,000 of which were outstanding. As of March 31, 2009, there were 105,200,000 units registered but not yet issued.

More units may have been issued by US12OF than are outstanding due to the redemption of units. Unlike funds that are registered under the Investment Company Act of 1940, as amended, units that have been redeemed by US12OF cannot be resold by US12OF. As a result, US12OF contemplates that additional offerings of its units will be registered with the SEC in the future in anticipation of additional issuances and redemptions.

For the Three Months Ended March 31, 2009 Compared to the Three Months Ended March 31, 2008

As of March 31, 2009, the total unrealized gain on Futures Contracts owned or held on that day was \$17,225,370 and US12OF established cash deposits, including cash investments in money market funds, that were equal to \$131,216,187. The majority of US12OF's cash assets were held in overnight deposits at US12OF's custodian bank, while 8.42% of the cash balance was held as with the futures commission merchant as margin deposits for the Futures Contracts purchased. The ending per unit NAV on March 31, 2009 was \$30.32.

By comparison, as of March 31, 2008, the total unrealized gain on Futures Contracts owned or held on that day was \$1,261,710 and US12OF established cash deposits, including cash investments in money market funds, that were equal to \$10,413,869. The majority of those cash assets were held in overnight deposits at US12OF's custodian bank, while 23.33% of the cash balance was held with the futures commission merchant as margin deposits for the Futures Contracts purchased. The ending per unit NAV on March 31, 2008 was \$58.31. The change in the per unit NAV for March 31, 2008 compared to March 31, 2009 was primarily a result of sharply lower prices for crude oil and the decline in the value of the crude oil Futures Contracts that US12OF had invested in between the period ended March 31, 2008 and the period ended March 31, 2009.

Portfolio Expenses. US12OF's expenses consist of investment management fees, brokerage fees and commissions, certain offering costs, licensing fees and the fees and expenses of the independent directors of the General Partner. The management fee that US12OF pays to the General Partner is calculated as a percentage of the total net assets of US12OF. US12OF pays the General Partner a management fee of 0.60% of net assets. The fee is accrued daily.

During the three month period ended March 31, 2009, the daily average total net assets of US12OF were \$65,742,433. During the three month period ended March 31, 2009, the management fee paid by US12OF amounted to \$97,263, and was accrued daily. By comparison, during the three month period ended March 31, 2008, the daily average total net assets of US12OF were \$13,973,607. During the three month period ended March 31, 2008, the management fee paid by US12OF amounted to \$20,846, and was accrued daily.

In addition to the management fee, US12OF pays for all brokerage fees, taxes and other expenses, including certain tax reporting costs, licensing fees for the use of intellectual property, ongoing registration or other fees paid to the SEC, the Financial Industry Regulatory Authority ("FINRA") and any other regulatory agency in connection with offers and sales of its units subsequent to the initial offering and all legal, accounting, printing and other expenses associated therewith. The total of these fees, taxes and expenses for the three months ended March 31, 2009 was \$80,103, as compared to \$15,127 for the three months ended March 31, 2008. The increase in expenses from the three months ended March 31, 2008 to the three months ended March 31, 2009 was primarily due to the relative size of US12OF and activity that resulted from its increased size, including the registration and the offering of additional units, increased brokerage fees, increased licensing fees and increased tax reporting costs due to the greater number of unitholders during the period. For the three months ended March 31, 2009, US12OF incurred \$21,000 in fees and other expenses relating to the registration and offering of additional units. By comparison, for the three months ended March 31, 2008, US12OF did not incur any fees and other expenses relating to the registration and offering of additional units. Expenses incurred in connection with organizing US12OF and the costs of the initial offering of units were borne by the General Partner, and are not subject to reimbursement by US12OF.

US12OF is responsible for paying its portion of the directors' and officers' liability insurance of the General Partner and the fees and expenses of the independent directors of the General Partner who are also its audit committee members. US12OF shares these fees with the United States Oil Fund, LP ("USOF"), the United States Natural Gas Fund, LP ("USNG"), the United States Gasoline Fund, LP ("UGA") and the United States Heating Oil Fund, LP ("USHO") based on the relative assets of each fund computed on a daily basis. The fees for calendar year 2009 are estimated to be a total of \$477,000 for all funds. By comparison, for the year ended December 31, 2008, these fees amounted to a total of \$282,000 for all funds, and US12OF's portion of such fees was \$1,762. Directors' expenses are expected to increase in 2009 due to payment for directors' and officers' liability insurance and an increase in the compensation awarded to the independent directors. Effective as of March 3, 2009, the General Partner has obtained directors' and officers' liability insurance covering all of the directors and officers of the General Partner. Previously, the General Partner did not have liability insurance for its directors and officers; instead, the independent directors received a payment in lieu of directors' and officers' insurance coverage.

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US12OF also incurs commissions to brokers for the purchase and sale of Futures Contracts, Other Crude Oil-Related Investments or short-term obligations of the United States of two years or less (“Treasuries”). During the three month period ended March 31, 2009, total commissions paid to brokers amounted to \$28,767. By comparison, during the three month period ended March 31, 2008, total commissions paid to brokers amounted to \$1,590. The increase in the total commissions paid to brokers was primarily a function of the increase in US12OF’s average total net assets and increased redemptions and creations of units during the period. The increase in assets required US12OF to purchase a greater number of futures contracts and incur a larger amount of commissions. As an annualized percentage of total net assets, the figure for the three months ended March 31, 2009 represents approximately 0.18% of total net assets. By comparison, the figure for the three months ended March 31, 2008 represented approximately 0.13% of total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

Interest Income. US12OF seeks to invest its assets such that it holds Futures Contracts and Other Crude Oil-Related Investments in an amount equal to the total net assets of the portfolio. Typically, such investments do not require US12OF to pay the full amount of the contract value at the time of purchase, but rather require US12OF to post an amount as a margin deposit against the eventual settlement of the contract. As a result, US12OF retains an amount that is approximately equal to its total net assets, which US12OF invests in Treasuries, cash and/or cash equivalents. This includes both the amount on deposit with the futures commission merchant as margin, as well as unrestricted cash and cash equivalents held with US12OF’s custodian bank. The Treasuries, cash and/or cash equivalents earn interest that accrues on a daily basis. For the three month period ended March 31, 2009, US12OF earned \$44,621 in interest income on such cash holdings. Based on US12OF’s average daily total net assets, this is equivalent to an annualized yield of 0.28%. US12OF did not purchase Treasuries during the three month period ended March 31, 2009 and held all of its funds in cash and/or cash equivalents during this time period. By comparison, for the three month period ended March 31, 2008, US12OF earned \$87,067 in interest income on such cash holdings. Based on US12OF’s average daily total net assets, this is equivalent to an annualized yield of 2.51%. US12OF did not purchase Treasuries during the three month period ended March 31, 2008 and held all of its funds in cash and/or cash equivalents during this time period. Interest rates on short-term investments in the United States, including cash, cash equivalents, and short-term Treasuries, were sharply lower during the three month period ended March 31, 2009 compared to the same time period in 2008. As a result, the amount of interest earned by US12OF as a percentage of total net assets was lower during the three month period ended March 31, 2009.

Tracking US12OF’s Benchmark. US12OF seeks to manage its portfolio such that changes in its average daily NAV, on a percentage basis, closely track changes in the average of the daily prices of the Benchmark Futures Contracts, also on a percentage basis. Specifically, US12OF seeks to manage the portfolio such that over any rolling period of 30 valuation days, the average daily change in the NAV is within a range of 90% to 110% (0.9 to 1.1) of the average daily change in the price of the Benchmark Futures Contracts. As an example, if the average daily movement of the average of the prices of the Benchmark Futures Contracts for a particular 30-day time period was 0.5% per day, US12OF management would attempt to manage the portfolio such that the average daily movement of the NAV during that same time period fell between 0.45% and 0.55% (i.e., between 0.9 and 1.1 of the benchmark’s results). US12OF’s portfolio management goals do not include trying to make the nominal price of US12OF’s NAV equal to the average of the nominal prices of the current Benchmark Futures Contracts or the spot price for crude oil. Management believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in listed crude oil Futures Contracts.

For the 30 valuation days ended March 31, 2009, the simple average daily change in the Benchmark Futures Contracts was -0.669%, while the simple average daily change in the NAV of US12OF over the same time period was -0.664%. The average daily difference was -0.006% (or -0.6 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Futures Contracts, the average error in daily tracking by the NAV was -1.018%, meaning that over this time period US12OF’s tracking error was within the plus or minus 10% range established as its benchmark tracking goal. The first chart below shows the daily movement of US12OF’s NAV

versus the daily movement of the Benchmark Futures Contracts for the 30-day period ended March 31, 2009.

*PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

*PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

Since the offering of US12OF units to the public on December 6, 2007 to March 31, 2009, the simple average daily change in the Benchmark Futures Contracts was -0.106%, while the simple average daily change in the NAV of US12OF over the same time period was -0.102%. The average daily difference was 0.004% (or 0.4 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Futures Contracts, the average error in daily tracking by the NAV was 0.158%, meaning that over this time period US12OF's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

An alternative tracking measurement of the return performance of US12OF versus the return of its Benchmark Futures Contracts can be calculated by comparing the actual return of US12OF, measured by changes in its NAV, versus the expected changes in its NAV under the assumption that US12OF's returns had been exactly the same as the daily changes in its Benchmark Futures Contracts.

For the three month period ended March 31, 2009, the actual total return of US12OF as measured by changes in its NAV was -2.94%. This is based on an initial NAV of \$31.24 on December 31, 2008 and an ending NAV as of March 31, 2009 of \$30.32. During this time period, US12OF made no distributions to its unitholders. However, if US12OF's daily changes in its NAV had instead exactly tracked the changes in the daily return of the Benchmark Futures Contracts, US12OF would have ended the first quarter of 2009 with an estimated NAV of \$30.43, for a total return over the relevant time period of -2.59%. The difference between the actual NAV total return of US12OF of -2.94% and the expected total return based on the Benchmark Futures Contracts of -2.59% was an error over the time period of -0.35%, which is to say that US12OF's actual total return trailed the benchmark result by that percentage. Management believes that a portion of the difference between the actual return and the expected benchmark return can be attributed to the net impact of the expenses and the interest that US12OF collects on its cash and cash equivalent holdings. During the three month period ended March 31, 2009, US12OF received interest income of \$44,621, which is equivalent to a weighted average interest rate of 0.28% for the three month period ended March 31, 2009. In addition, during the three month period ended March 31, 2009, US12OF also collected \$15,000 from brokerage firms creating or redeeming baskets of units. This income also contributed to US12OF's actual return. However, if the total assets of US12OF continue to increase, management believes that the impact on total returns of these fees from creations and redemptions will diminish as a percentage of the total return. During the three month period ended March 31, 2009, US12OF incurred net expenses of \$166,139. Income from interest and brokerage collections net of expenses was \$(106,518), which is equivalent to a weighted average net interest rate of -0.66% for the three month period ended March 31, 2009.

By comparison, for the three month period ended March 31, 2008, the actual total return of US12OF as measured by changes in its NAV was 7.52%. This is based on an initial NAV of \$54.23 on December 31, 2007 and an ending NAV as of March 31, 2008 of \$58.31. During this time period, US12OF made no distributions to its unitholders. However, if US12OF's daily changes in its NAV had instead exactly tracked the changes in the daily return of the Benchmark Futures Contracts, US12OF would have ended the first quarter of 2008 with an estimated NAV of \$53.59, for a total return over the relevant time period of 7.18%. The difference between the actual NAV total return of US12OF of 7.52% and the expected total return based on the Benchmark Futures Contracts of 7.18% was an error over the time period of 0.34%, which is to say that US12OF's actual total return exceeded the benchmark result by that percentage. Management believes that a portion of the difference between the actual return and the expected benchmark return can be attributed to the impact of the interest that US12OF collects on its cash and cash equivalent holdings. During the three month period ended March 31, 2008, US12OF received interest income of \$87,067, which is equivalent to a weighted average interest rate of 2.51% for the three month period ended March 31, 2008. In addition, during the three month period ended March 31, 2008, US12OF also collected \$2,000 from brokerage firms creating or redeeming baskets of units. During the three month period ended March 31, 2008, US12OF incurred total expenses of \$35,973. Income from interest and brokerage collections net of expenses was \$53,094, which is equivalent to a weighted average net interest rate of 1.53% for the three month period ended March 31, 2008. This income also contributed to US12OF's actual return exceeding the benchmark results.

There are currently three factors that have impacted or are most likely to impact US12OF's ability to accurately track its Benchmark Futures Contracts.

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First, US12OF may buy or sell its holdings in the then current Benchmark Futures Contracts at a price other than the closing settlement price of that contract on the day during which US12OF executes the trade. In that case, US12OF may pay a price that is higher, or lower, than that of the Benchmark Futures Contracts, which could cause the changes in the daily NAV of US12OF to either be too high or too low relative to the changes in the Benchmark Futures Contracts. During the three month period ended March 31, 2009, management attempted to minimize the effect of these transactions by seeking to execute its purchase or sale of the Benchmark Futures Contracts at, or as close as possible to, the end of the day settlement price. However, it may not always be possible for US12OF to obtain the closing settlement price and there is no assurance that failure to obtain the closing settlement price in the future will not adversely impact US12OF's attempt to track its Benchmark Futures Contracts over time.

Second, US12OF earns interest on its cash, cash equivalents and Treasury holdings. US12OF is not required to distribute any portion of its income to its unitholders and did not make any distributions to unitholders during the three month period ended March 31, 2009. Interest payments, and any other income, were retained within the portfolio and added to US12OF's NAV. When this income exceeds the level of US12OF's expenses for its management fee, brokerage commissions and other expenses (including ongoing registration fees, licensing fees and the fees and expenses of the independent directors of the General Partner), US12OF will realize a net yield that will tend to cause daily changes in the NAV of US12OF to track slightly higher than daily changes in the average of the prices of the Benchmark Futures Contracts. During the three month period ended March 31, 2009, US12OF earned, on an annualized basis, approximately 0.28% on its cash holdings. It also incurred cash expenses on an annualized basis of 0.60% for management fees and approximately 0.18% in brokerage commission costs related to the purchase and sale of futures contracts, and 0.25% for other expenses. The foregoing fees and expenses resulted in a net yield on an annualized basis of approximately -0.75% and affected US12OF's ability to track its benchmark. If short-term interest rates rise above the current levels, the level of deviation created by the yield would increase. Conversely, if short-term interest rates were to decline, the amount of error created by the yield would decrease. When short-term yields drop to a level lower than the combined expenses of the management fee and the brokerage commissions, then the tracking error becomes a negative number and would tend to cause the daily returns of the NAV to underperform the daily returns of the Benchmark Futures Contracts.

Third, US12OF may hold Other Crude Oil-Related Investments in its portfolio that may fail to closely track the Benchmark Futures Contracts' total return movements. In that case, the error in tracking the benchmark could result in daily changes in the NAV of US12OF that are either too high, or too low, relative to the daily changes in the Benchmark Futures Contracts. During the three month period ended March 31, 2009, US12OF did not hold any Other Crude Oil-Related Investments. However, there can be no assurance that in the future US12OF will not make use of such Other Crude Oil-Related Investments.

Term Structure of Crude Oil Futures Prices and the Impact on Total Returns. Several factors determine the total return from investing in a futures contract position. One factor that impacts the total return that will result from investing in near month crude oil futures contracts and "rolling" those contracts forward each month is the price relationship between the current near month contract and the later month contracts. For example, if the price of the near month contract is higher than the next month contract (a situation referred to as "backwardation" in the futures market), then absent any other change there is a tendency for the price of a next month contract to rise in value as it becomes the near month contract and approaches expiration. Conversely, if the price of a near month contract is lower than the next month contract (a situation referred to as "contango" in the futures market), then absent any other change there is a tendency for the price of a next month contract to decline in value as it becomes the near month contract and approaches expiration.

As an example, assume that the price of crude oil for immediate delivery (the "spot" price), was \$50 per barrel, and the value of a position in the near month futures contract was also \$50. Over time, the price of the barrel of crude oil will fluctuate based on a number of market factors, including demand for oil relative to its supply. The value of the near month contract will likewise fluctuate in reaction to a number of market factors. If investors seek to maintain their position in a near month contract and not take delivery of the oil, every month they must sell their current near month

contract as it approaches expiration and invest in the next month contract.

If the futures market is in backwardation, e.g., when the expected price of crude oil in the future would be less, the investor would be buying a next month contract for a lower price than the current near month contract. Hypothetically, and assuming no other changes to either prevailing crude oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the interest earned on Treasuries, cash and/or cash equivalents), the value of the next month contract would rise as it approaches expiration and becomes the new near month contract. In this example, the value of the \$50 investment would tend to rise faster than the spot price of crude oil, or fall slower. As a result, it would be possible in this hypothetical example for the price of spot crude oil to have risen to \$60 after some period of time, while the value of the investment in the futures contract would have risen to \$65, assuming backwardation is large enough or enough time has elapsed. Similarly, the spot price of crude oil could have fallen to \$40 while the value of an investment in the futures contract could have fallen to only \$45. Over time, if backwardation remained constant, the difference would continue to increase.

If the futures market is in contango, the investor would be buying a next month contract for a higher price than the current near month contract. Hypothetically, and assuming no other changes to either prevailing crude oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the interest earned on cash), the value of the next month contract would fall as it approaches expiration and becomes the new near month contract. In this example, it would mean that the value of the \$50 investment would tend to rise slower than the spot price of crude oil, or fall faster. As a result, it would be possible in this hypothetical example for the spot price of crude oil to have risen to \$60 after some period of time, while the value of the investment in the futures contract will have risen to only \$55, assuming contango is large enough or enough time has elapsed. Similarly, the spot price of crude oil could have fallen to \$45 while the value of an investment in the futures contract could have fallen to \$40. Over time, if contango remained constant, the difference would continue to increase.

The chart below compares the price of the near month contract to the average price of the near 12 months over the last 10 years (1999-2008). When the price of the near month contract is higher than the average price of the near 12 month contracts, the market would be described as being in backwardation. When the price of the near month contract is lower than the average price of the near 12 month contracts, the market would be described as being in contango. Although the prices of the near month contract and the average price of the near 12 month contracts do tend to move up or down together, it can be seen that at times the near month prices are clearly higher than the average price of the near 12 month contracts (backwardation), and other times they are below the average price of the near 12 month contracts (contango).

Near Month Price ("CL1") vs Average Price of the Near 12 Months ("12 Month Strip") *
(10 years between 1999-2008)

*PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

An alternative way to view the same data is to subtract the average dollar price of the near 12 month contracts from the dollar price of the near month contract. If the resulting number is a positive number, then the near month price is higher than the average price of the near 12 months and the market could be described as being in backwardation. If the resulting number is a negative number, then the near month price is lower than the average price of the near 12 months and the market could be described as being in contango. The chart below shows the results from subtracting the average price of the near 12 month contracts from the near month price for the 10 year period between 1999 and 2008.

Near Month Price minus Average Price of Near 12 Months *
(1999-2008)

***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

An investment in a portfolio that involved owning only the near month contract would likely produce a different result than an investment in a portfolio that owned an equal number of each of the near 12 months' worth of contracts. Generally speaking, when the crude oil futures market is in backwardation, the near month only portfolio would tend to have a higher total return than the 12 month portfolio. Conversely, if the crude oil futures market was in contango, the portfolio containing 12 months' worth of contracts would tend to outperform the near month only portfolio. The chart below shows the annual results of owning a portfolio consisting of the near month contract and a portfolio containing the near 12 months' worth of contracts. In addition, the chart shows the annual change in the spot price of light, sweet crude oil. In this example, each month, the near month only portfolio would sell the near month contract at expiration and buy the next month out contract. The portfolio holding an equal number of the near 12 months' worth of contracts would sell the near month contract at expiration and replace it with the contract that becomes the new twelfth month contract.

***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

As seen in the chart above, there have been periods of both positive and negative annual total returns for both hypothetical portfolios over the last 10 years. In addition, there have been periods during which the near month only approach had higher returns, and periods where the 12 month approach had higher total returns. The above chart does not represent the performance history of US12OF or any affiliated funds.

Historically, the crude oil futures markets have experienced periods of contango and backwardation, with backwardation being in place more often than contango. During 2006 and the first half of 2007, these markets experienced contango. However, starting in the third quarter of 2007, the crude oil futures market moved into backwardation and remained in that condition for the rest of the year. The crude oil markets remained in backwardation until late in the second quarter of 2008 when they moved into contango. The crude oil market moved back into contango for the balance of 2008. During the first quarter of 2009, the crude oil market remained in contango. During parts of January and February 2009, the degree of contango was unusually steep.

The General Partner believes that holding futures contracts whose expiration dates are spread out over a 12 month period of time will cause the total return of such a portfolio to vary compared to a portfolio that holds only a single month's contract (such as the near month contract). In particular, the General Partner believes that the total return of a portfolio holding contracts with a range of expiration months will be impacted differently by the price relationship between different contract months of the same commodity future compared to the total return of a portfolio consisting of the near month contract. The General Partner believes that based on historical evidence a portfolio that held futures contracts with a range of expiration dates spread out over a 12 month period of time would typically be impacted less by the positive effect of backwardation, and less by the negative effect of contango, compared to a portfolio that held contracts of a single near month. As a result, absent the impact of any other factors, a portfolio of 12 different monthly contracts would tend to have a lower total return than a near month only portfolio in a backwardation market and a higher total return in a contango market. However there can be no assurance that such historical relationships would provide the same or similar results in the future.

Periods of contango or backwardation do not materially impact US12OF's investment objective of having percentage changes in its per unit NAV track percentage changes in the average of the prices of the Benchmark Futures Contracts since the impact of backwardation and contango tended to equally impact the percentage changes in price of both US12OF's units and the Benchmark Futures Contracts. It is impossible to predict with any degree of certainty whether backwardation or contango will occur in the future. It is likely that both conditions will occur during different periods.

Crude Oil Market. During the three month period ended March 31, 2009, crude oil prices were impacted by several factors. On the consumption side, demand remained weak inside and outside the United States as continued global economic growth, including emerging economies such as China and India, remained weak to negative for the first quarter of the year.

On the supply side, efforts to reduce production by the Organization of the Petroleum Exporting Countries to more closely match global consumption were only partly successful. This divergence between production and consumption has led to large build-ups in crude oil inventories and contributed to weak oil prices. However, crude oil prices did finish the quarter approximately 11% higher.

Crude Oil Price Movements in Comparison to other Energy Commodities and Investment Categories. The General Partner believes that investors frequently measure the degree to which prices or total returns of one investment or asset class move up or down in value in concert with another investment or asset class. Statistically, such a measure is usually done by measuring the correlation of the price movements of the two different investments or asset classes over some period of time. The correlation is scaled between 1 and -1, where 1 indicates that the two investment options move up or down in price or value together, known as "positive correlation," and -1 indicating that they move in completely opposite directions, known as "negative correlation." A correlation of 0 would mean that the movements of the two are neither positively or negatively correlated, known as "non-correlation." That is, the investment options sometimes move up and down together and other times move in opposite directions.

For the ten year time period between 1998 and 2008, the chart below compares the monthly movements of crude oil prices versus the monthly movements of the prices of several other energy commodities, such as natural gas, heating oil, and unleaded gasoline, as well as several major non-commodity investment asset classes, such as large cap U.S. equities, U.S. government bonds and global equities. It can be seen that over this particular time period, the movement of crude oil on a monthly basis was NOT strongly correlated, positively or negatively, with the movements of large cap U.S. equities, U.S. government bonds or global equities. However, movements in crude oil had a strong positive correlation to movements in heating oil and unleaded gasoline. Finally, crude oil had a positive, but weaker, correlation with natural gas.

10 Year Correlation Matrix 1998-2008	Large Cap U.S. Equities (S&P 500)	U.S. Govt. Bonds (EFFAS U.S. Government Bond Index)	Global Equities (FTSE World Index)	Unleaded Gasoline	Natural Gas	Heating Oil	Crude Oil
Large Cap U.S. Equities (S&P 500)	1.000	-0.223	0.936	0.266	0.045	0.003	0.063
U.S. Govt. Bonds (EFFAS U.S. Government Bond Index)		1.000	-0.214	-0.134	0.054	0.037	-0.29

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Global Equities (FTSE World Index)	1.000	0.384	0.072	0.084	0.155
Unleaded Gasoline		1.000	0.254	0.787	0.747
Natural Gas			1.000	0.394	0.292
Heating Oil				1.000	0.738
Crude Oil					1.000

source: Bloomberg,
NYMEX

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The chart below covers a more recent, but much shorter, range of dates than the above chart. Over the one year period ended March 31, 2009, crude oil continued to have a strong positive correlation with heating oil and unleaded gasoline. During this period, it also had a stronger correlation with the movements of natural gas than it had displayed over the ten year period ended December 31, 2008. Notably, the correlation between crude oil and both large cap U.S. equities and global equities, which had been essentially non-correlated over the ten year period ended December 31, 2008, displayed results that indicated that they had a mildly positive correlation over this shorter time period, particularly due to the recent downturn in the U.S. economy. Finally, the results showed that crude oil and U.S. government bonds, which had essentially been non-correlated for the ten year period ended December 31, 2008, were weakly negatively correlated over this more recent time period.

Correlation Matrix - 12 months ended March 31, 2009	Large Cap U.S. Equities (S&P 500)	U.S. Govt. Bonds (EFFAS U.S. Government Bond Index)	Global Equities (FTSE World Index)	Unleaded Gasoline	Heating Oil	Natural Gas	Crude Oil
Large Cap U.S. Equities (S&P 500)	1.000	0.234	0.980	0.504			