GOODRICH PETROLEUM CORP
Form 10-Q
May 06, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2015

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: 001-12719

GOODRICH PETROLEUM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	76-0466193
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

801 Louisiana, Suite 700

Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): (713) 780-9494

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 x 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 x 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.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	¨	Smaller reporting company	o

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

The number of shares outstanding of the Registrant's common stock as of May 4, 2015 was 57,167,476.

GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

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PART 1 – FINANCIAL INFORMATION

Item 1—Financial Statements

GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$6,426	$8
Accounts receivable, trade and other, net of allowance	9,084	12,993
Accrued oil and natural gas revenue	8,819	15,128
Fair value of oil and natural gas derivatives	38,504	47,444
Inventory	1,597	1,383
Prepaid expenses and other	893	1,340
Total current assets	65,323	78,296
PROPERTY AND EQUIPMENT:		
Oil and natural gas properties (successful efforts method)	1,526,303	1,478,042
Furniture, fixtures and equipment	7,656	7,645
	1,533,959	1,485,687
Less: Accumulated depletion, depreciation and amortization	(893,345)	(871,082)
Net property and equipment	640,614	614,605
Deferred tax assets	13,396	16,488
Deferred financing cost and other	14,821	12,749
TOTAL ASSETS	$734,154	$722,138
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$71,030	$86,823
Accrued liabilities	31,791	54,143
Accrued abandonment costs	145	145
Deferred tax liabilities current	13,396	16,488
Fair value of oil and natural gas derivatives	152	102
Total current liabilities	116,514	157,701
Long-term debt	585,591	568,625
Accrued abandonment costs	6,506	6,365
Fair value of oil and natural gas derivatives	139	464
Transportation obligation	4,090	4,127
Other non-current liability	656	630
Total liabilities	713,496	737,912
Commitments and contingencies (See Note 8)		

STOCKHOLDERS' EQUITY:		
Preferred stock: 10,000,000 shares $1.00 par value authorized:		
Series B convertible preferred stock, issued and outstanding 2,249,893 shares	2,250	2,250
Series C cumulative preferred stock, issued and outstanding 4,400 shares	4	4
Series D cumulative preferred stock, issued and outstanding 5,200 shares	5	5
Common stock: $0.20 par value, 100,000,000 shares authorized; issued and outstanding 57,111,742 and 45,105,205 shares, respectively	11,422	9,021
Additional paid in capital	1,129,350	1,066,770
Retained earnings (accumulated deficit)	(1,122,373)	(1,093,824)
Total stockholders' equity (deficit)	20,658	(15,774)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$734,154	$722,138

See accompanying notes to consolidated financial statements.

GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended March 31, 2015	2014
REVENUES:		
Oil and natural gas revenues	$24,143	$51,800
Other	(113)	3
	24,030	51,803
OPERATING EXPENSES:		
Lease operating expense	4,138	8,617
Production and other taxes	1,409	2,441
Transportation and processing	1,247	2,372
Depreciation, depletion and amortization	20,233	29,238
Exploration	3,658	2,317
General and administrative	7,751	8,941
Gain on sale of assets	(892)	—
Other	(45)	—
	37,499	53,926
Operating loss	(13,469)	(2,123)
OTHER INCOME (EXPENSE):		
Interest expense	(12,079)	(11,878)
Interest income and other	—	10
Gain (loss) on derivatives not designated as hedges	4,430	(8,501)
	(7,649)	(20,369)
Loss before income taxes	(21,118)	(22,492)
Income tax benefit	—	—
Net loss	(21,118)	(22,492)
Preferred stock dividends	7,431	7,431
Net loss applicable to common stock	$(28,549)	$(29,923)
PER COMMON SHARE		
Net loss applicable to common stock - basic	$(0.58)	$(0.68)
Net loss applicable to common stock - diluted	$(0.58)	$(0.68)
Weighted average common shares outstanding - basic	49,110	44,273
Weighted average common shares outstanding - diluted	49,110	44,273

See accompanying notes to consolidated financial statements.

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GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(21,118)	$(22,492)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation and amortization	20,233	29,238
(Gain) loss on derivatives not designated as hedges	(4,430)	8,501
Net cash received (paid) in settlement of derivative instruments	13,094	(2,731)
Amortization of leasehold costs	2,160	1,647
Share based compensation (non-cash)	1,886	2,350
Exploration cost	177	44
Amortization of finance cost, debt discount and accretion	2,092	2,632
Amortization of transportation obligation	189	210
(Gain) loss on sale of assets	(892)	—
Change in assets and liabilities:		
Accounts receivable, trade and other, net of allowance	3,893	(4,112)
Accrued oil and natural gas revenue	6,309	(2,157)
Inventory	(214)	96
Prepaid expenses and other	475	362
Accounts payable	(15,851)	7,333
Accrued liabilities	(2,286)	(14,366)
Net cash provided by operating activities	5,717	6,555
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(68,354)	(58,154)
Proceeds from sale of assets	777	625
Net cash used in investing activities	(67,577)	(57,529)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank borrowings	97,000	15,000
Principal payments of bank borrowings	(166,000)	(5,000)
Proceeds from Second Lien Notes	100,000	—
Proceeds from equity offering	47,986	—
Preferred stock dividends	(7,431)	(7,431)
Debt issuance costs	(3,027)	(5)
Other	(250)	—
Net cash provided by financing activities	68,278	2,564
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,418	(48,410)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	8	49,220
CASH AND CASH EQUIVALENTS, END OF PERIOD	$6,426	$810

See accompanying notes to consolidated financial statements.

GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—Description of Business and Significant Accounting Policies

Goodrich Petroleum Corporation (together with its subsidiary, "we," "our," or the "Company") is an independent oil and natural gas company engaged in the exploration, development and production of oil and natural gas on properties primarily in (i) Southwest Mississippi and Southeast Louisiana, which includes the Tuscaloosa Marine Shale Trend ("TMS"), (ii) South Texas, which includes the Eagle Ford Shale Trend and (iii) Northwest Louisiana and East Texas, which includes the Haynesville Shale Trend.

Liquidity and Capital Resources—We are an exploration and production Company with interests in non-conventional oil shale properties that require large investments of capital to develop. Our immediate capital resources to develop our properties come from cash on hand, operating cash flows and borrowings on our Senior Credit Facility. The current significant decline in crude oil prices and to a lesser extent the continued depressed natural gas prices has negatively impacted our cash flows that enable us to invest in and maintain our properties and service our long term obligations.

We have taken the following steps in the three months ended March 31, 2015 to mitigate the effects of the abnormally low crude oil prices on our operations:

1. We have significantly reduced our capital expenditures planned for 2015 thereby conserving capital.

2. We have extended the maturity of our Senior Credit Facility to February 24, 2017.

3. We have received proceeds from our issuance of $100 million Second Lien Notes.

4. We have received proceeds of $48 million from the sale of 12,000,000 shares of our common stock to the public.

5. We have reduced our staff headcount by 18% from year-end 2014 levels thereby reducing expenses.

Additionally, we have approximately 70% of our remaining projected 2015 oil production favorably hedged.

We have other resource options to enhance liquidity as well, such as selling non-core properties, entering into joint venture in our core areas and/or further reducing our planned capital expenditures.

As a result of the steps we have taken to enhance our liquidity, we anticipate cash from operations, cash on hand and available borrowing capacity will be sufficient to meet our investing, financing, and working capital requirements through the end of 2015, however the effects of an extended period of low commodity prices will require us to take further cost cutting measures.

Principles of Consolidation— The consolidated financial statements of the Company included in this Quarterly Report on Form 10-Q have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and accordingly, certain information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“US GAAP”) has been condensed or omitted. The consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiary. Intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation. Certain data in prior periods’ financial statements have been adjusted to conform to the presentation of the current period. We have evaluated subsequent events through the date of this filing.

Use of Estimates—Our management has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with US GAAP.

Cash and Cash Equivalents—Cash and cash equivalents includes cash on hand, demand deposit accounts and temporary cash investments with maturities of ninety days or less at the date of purchase.

Property and Equipment—As of March 31, 2015, we had interests in oil and natural gas properties totaling $639.3 million, net of accumulated depletion, which we account for under the successful efforts method. Under this method, costs of acquiring unproved and proved oil and natural gas leasehold acreage are capitalized. When proved reserves are found on an unproved property, the associated leasehold cost is transferred to proved properties. Significant unproved leases are reviewed periodically, and a valuation allowance is provided for any estimated decline in value. Costs of all other unproved leases are amortized over the estimated average holding period of the leases. Development costs are capitalized, including the costs of unsuccessful development wells.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Impairment—We periodically assess our long-lived assets recorded in oil and natural gas properties on the Consolidated Balance Sheets to ensure that they are not carried in excess of fair value, which is computed using level 3 inputs such as discounted cash flow models or valuations, based on estimated future commodity prices and our various operational assumptions. An evaluation is performed on a field-by-field basis at least annually or whenever changes in facts and circumstances indicate that our oil and natural gas properties may be impaired.

Fair Value Measurement—Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset should reflect its highest and best use by market participants, whether in-use or an in-exchange valuation premise. The fair value of a liability should reflect the risk of nonperformance, which includes, among other things, our credit risk.

We use various methods, including the income approach and market approach, to determine the fair values of our financial instruments that are measured at fair value on a recurring basis, which depend on a number of factors, including the availability of observable market data over the contractual term of the underlying instrument. For some of our instruments, the fair value is calculated based on directly observable market data or data available for similar instruments in similar markets. For other instruments, the fair value may be calculated based on these inputs as well as other assumptions related to estimates of future settlements of these instruments. We separate our financial instruments into three levels (levels 1, 2 and 3) based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the fair value of our instruments. Our assessment of an instrument can change over time based on the maturity or liquidity of the instrument, which could result in a change in the classification of the instruments between levels.

Each of these levels and our corresponding instruments classified by level are further described below:

- Level 1 Inputs— unadjusted quoted market prices in active markets for identical assets or liabilities. Included in this level are our senior notes;
- Level 2 Inputs— quotes which are derived principally from or corroborated by observable market data. Included in this level are our bank debt and commodity derivatives whose fair values are based on third-party quotes or available interest rate information and commodity pricing data obtained from third party pricing sources and our creditworthiness or that of our counterparties; and
- Level 3 Inputs— unobservable inputs for the asset or liability, such as discounted cash flow models or valuations, based on our various assumptions and future commodity prices. Included in this level would be acquisitions and impairments of oil and natural gas properties.

As of March 31, 2015 and December 31, 2014, the carrying amounts of our cash and cash equivalents, trade receivables and payables represented fair value because of the short-term nature of these instruments.

The following table summarizes the fair value of our financial instruments and long lived assets that are recorded or disclosed at fair value classified in each level as of March 31, 2015:

Fair Value Measurements as of March 31, 2015

Description	(in thousands) Level 1	Level 2	Level 3	Total
Recurring Fair Value Measurements				
Commodity Derivatives (see Note 6)	$—	$38,213	$—	$38,213
Debt (see Note 3)	(240,893)	(52,000)	(58,943)	(351,836)
Total recurring fair value measurements	$(240,893)	$(13,787)	$(58,943)	$(313,623)

Depreciation—Depreciation and depletion of producing oil and natural gas properties is calculated using the units-of-production method. Proved developed reserves are used to compute unit rates for unamortized tangible and intangible development costs, and proved reserves are used for unamortized leasehold costs. Gains and losses on disposals or retirements that are significant or include an entire depreciable or depletable property unit are included in operating income. Depreciation of furniture, fixtures and equipment, consisting of office furniture, computer hardware and software and leasehold improvements, is computed using the straight-line method over their estimated useful lives, which vary from three to five years.

GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transportation Obligation—We entered into a natural gas gathering agreement with an independent service provider, effective July 27, 2010. The agreement is scheduled to remain in effect for a period of ten years and requires the service provider to construct pipelines and facilities to connect our wells to the service provider's gathering system in our Eagle Ford Shale Trend area of South Texas. In compensation for the services, we agreed to pay the service provider 110% of the total capital cost incurred by the service provider to construct new pipelines and facilities. The service provider bills us for 20% of the accumulated unpaid capital costs annually. The transportation obligation liability was $5.4 million as of each of March 31, 2015 and December 31, 2014.

We accounted for the agreement by recording a long-term asset, included in "Deferred financing cost and other" on the Consolidated Balance Sheets. The asset is being amortized using the units-of-production method and the amortization expense is included in "Transportation and processing" on the Consolidated Statements of Operations. The related current and long-term liabilities are presented on the Consolidated Balance Sheets in "Accrued liabilities" and "Transportation obligation", respectively.

Asset Retirement Obligations—Asset retirement obligations are related to the abandonment and site restoration requirements that result from the exploration and development of our oil and gas properties. We record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. Accretion expense is included in "Depreciation, depletion and amortization" on our Consolidated Statements of Operations. See Note 2.

Revenue Recognition—Oil and natural gas revenues are recognized when production is sold to a purchaser at a fixed or determinable price, when delivery has occurred and title has transferred, and if collectability of the revenue is probable. Revenues from the production of crude oil and natural gas properties in which we have an interest with other producers are recognized using the entitlements method. We record a liability or an asset for natural gas balancing when we have sold more or less than our working interest share of natural gas production, respectively. At March 31, 2015 and December 31, 2014, the net liability for natural gas balancing was immaterial. Differences between actual production and net working interest volumes are routinely adjusted.

Derivative Instruments—We use derivative instruments such as futures, forwards, options, collars and swaps for purposes of hedging our exposure to fluctuations in the price of crude oil and natural gas and to hedge our exposure to changing interest rates. Accounting standards related to derivative instruments and hedging activities require that all derivative instruments subject to the requirements of those standards be measured at fair value and recognized as assets or liabilities in the balance sheet. We offset the fair value of our asset and liability positions with the same counterparty for each commodity type. Changes in fair value are required to be recognized in earnings unless specific hedge accounting criteria are met. All our realized gain or losses on our derivative contracts are the result of cash settlements. We have not designated any of our derivative contracts as hedges; accordingly, changes in fair value are reflected in earnings. See Note 6.

Income or Loss Per Share—Basic income (loss) per common share is computed by dividing net income (loss) applicable to common stockholders for each reporting period by the weighted-average number of common shares outstanding during the period. Diluted income (loss) per common share is computed by dividing net income (loss) applicable to common stockholders for each reporting period by the weighted average number of common shares outstanding during the period, plus the effects of potentially dilutive stock options, stock warrants and restricted stock calculated using the Treasury Stock method and the potential dilutive effect of the conversion of shares associated with our 5.375% Series B Convertible Preferred Stock ("Series B Preferred Stock"), 3.25% Convertible Senior Notes due 2026 (the “2026 Notes”), 5% Convertible Senior Notes due 2029 (the “2029 Notes”) and 5% Convertible Senior Notes due 2032 (the “2032 Notes”). See Note 4.

Commitments and Contingencies—Liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Recoveries from third parties, when probable of realization, are separately recorded and are not offset against the related environmental liability.

Guarantees—On March 2, 2011, we issued and sold $275 million aggregate principal amount of our 8.875% Senior Notes due 2019 (the “2019 Notes”). Upon issuance of the guarantee related to the 2019 Notes, our subsidiary also became a guarantor on our outstanding 2029 Notes and our 2026 Notes, pursuant to the respective indentures governing the 2029 Notes and 2026 Notes. On August 26, 2013 and October 1, 2013, we issued $109.25 million and $57.0 million, respectively, aggregate principal amount of our 2032 Notes, which are also guaranteed by our subsidiary pursuant to the terms of the indenture governing the 2032 Notes. The 2019 Notes, 2029 Notes, 2026 Notes and 2032 Notes are guaranteed on a senior unsecured basis by our 100% owned subsidiary, Goodrich Petroleum Company, L.L.C. On March 12, 2015 we issued and sold $100 million aggregate principal amount of our 8% Second Lien

Senior Secured Notes due 2018 (the “Second Lien Notes”) and upon issuance our subsidiary became the guarantor of the Second Lien Notes under the governing indenture.

Goodrich Petroleum Corporation, as the parent company (the “Parent Company”), has no independent assets or operations. The guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing our 2019 Notes, 2026 Notes, 2029 Notes and 2032 Notes, as discussed below. The Parent Company has no other subsidiaries. In addition, there are no restrictions on the ability of the Parent Company to obtain funds from its subsidiary by dividend or loan. Finally, the Parent Company’s wholly-owned subsidiary does not have restricted assets that exceed 25% of net assets as of the most recent fiscal year end that may not be transferred to the Parent Company in the form of loans, advances or cash dividends by the subsidiary without the consent of a third party.

Guarantees of the 2019 Notes will be released under certain circumstances, including in the event a Subsidiary Guarantor (as defined in the indenture governing the 2019 Notes) is sold or disposed of (whether by merger, consolidation, the sale of its capital stock or the sale of all or substantially all of its assets (other than by lease)) and whether or not the Subsidiary Guarantor is the surviving entity in such transaction to a person which is not the Parent Company or a Restricted Subsidiary of the Parent Company, such Subsidiary Guarantor will be released from its obligations under its Subsidiary Guarantee if the sale or other disposition does not violate the covenants described under “Limitation on Sales of Assets and Subsidiary Stock” in the indenture governing the 2019 Notes. In addition, a Subsidiary Guarantor will be released from its obligations under the indenture and its guarantee if such Subsidiary Guarantor ceases to guarantee any other indebtedness of the Parent Company or a Subsidiary Guarantor under a credit facility, and is not a borrower under the Senior Secured Credit Agreement, provided no Event of Default (as defined in the indenture governing the 2019 Notes) has occurred and is continuing; or if the Parent Company designates such subsidiary as an Unrestricted Subsidiary and such designation complies with the other applicable provisions of the indenture or if such subsidiary otherwise no longer meets the definition of a Restricted Subsidiary; or in connection with any covenant defeasance, legal defeasance or satisfaction and discharge of the 2019 Notes in accordance with the indenture.

Guarantees of the 2032 Notes, 2029 Notes and 2026 Notes will be released if the Subsidiary Guarantor no longer guarantees the 2019 Notes, if the Subsidiary Guarantor is dissolved or liquidated, if the Subsidiary Guarantor is no longer the Parent Company’s subsidiary or upon satisfaction and discharge of the 2032 Notes, 2029 Notes or 2026 Notes in accordance with their respective indentures.

Guarantees of the Second Lien Notes will be released under certain circumstances, including in the event a Subsidiary Guarantor is sold or disposed of (whether by merger, consolidation, the sale of its capital stock or the sale of all or substantially all of its assets (other than by lease)) and whether or not the Subsidiary Guarantor is the surviving entity in such transaction to a person which is not the Parent Company or a Restricted Subsidiary of the Parent Company, such Subsidiary Guarantor will be released from its obligations under its Subsidiary Guarantee if the sale or other disposition does not violate the covenants described under “Limitation on Sales of Assets and Subsidiary Stock” in the indenture governing the Second Lien Notes. In addition, a Subsidiary Guarantor will be released from its obligations under the indenture and its guarantee if such Subsidiary Guarantor ceases to guarantee any other indebtedness of the Parent Company or a Subsidiary Guarantor, provided no Event of Default (as defined in the indenture governing the Second Lien Notes) has occurred and is continuing; or if the Parent Company designates such subsidiary as an Unrestricted Subsidiary and such designation complies with the other applicable provisions of the indenture or if such subsidiary otherwise no longer meets the definition of a Restricted Subsidiary; or in connection with any covenant defeasance, legal defeasance or satisfaction and discharge of the Second Lien Notes in accordance with the indenture.

New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, Interest-Imputation of Interest, which seeks to simplify presentation of debt issuance costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. Entities should apply the amendments in this ASU on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. For public entities, this ASU is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The Company is currently evaluating the provisions of this ASU and assessing the impact, it may have on our consolidated financial statements.

GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On January 9, 2015, the FASB issued ASU 2015-01, which eliminates the concept of "extraordinary" items from US GAAP. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted, provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements.

On August 27, 2014, the FASB issued ASU 2014-15, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of the Company's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. The ASU applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods thereafter, with early adoption permitted.

In May 2014, the FASB issued ASU 2014-09 that introduces a new five-step revenue recognition model in which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires disclosures sufficient to enable users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. This standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the new guidance to determine the impact it will have on its consolidated financial statements.

NOTE 2—Asset Retirement Obligations

The reconciliation of the beginning and ending asset retirement obligation for the period ending March 31, 2015 is as follows (in thousands):

	March 31, 2015
Beginning balance at December 31, 2014	$6,510
Liabilities incurred	11
Revisions in estimated liabilities	—
Liabilities settled	—
Accretion expense	130
Dispositions	—
Ending balance	$6,651
Current liability	$145
Long term liability	$6,506

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GOODRICH PETROLEUM CORPORATION AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3—Debt

Debt consisted of the following balances as of the dates indicated (in thousands):

	March 31, 2015			December 31, 2014		
	Principal	Carrying Amount	Fair Value (1)	Principal	Carrying Amount	Fair Value (1)
Senior Credit Facility	$52,000	$52,000	$52,000	$121,000	$121,000	$121,000
3.25% Convertible Senior Notes due 2026	429	429	107	429	429	353
5.0% Convertible Senior Notes due 2029 (2)	6,692	6,692	2,543	6,692	6,692	3,480
5.0% Convertible Senior Notes due 2032 (3)	171,620	166,796	97,993	170,770	165,504	87,093
8.0% Second Lien Senior Secured Notes due 2018 (4)	100,000	84,674	58,943	—	—	—
8.875% Senior Notes due 2019	275,000	275,000	140,250	275,000	275,000	136,125
Total debt	$605,741	$585,591	$351,836	$573,891	$568,625	$348,051

(1) The carrying amount for the Second Amended and Restated Credit Agreement represents fair value as the variable interest rates are reflective of current market conditions. The fair value of the notes was obtained by direct market quotes within Level 1 of the fair value hierarchy.

(2) The debt discount was amortized using the effective interest rate method based upon an original five year term through October 1, 2014. The debt discount was fully amortized as of December 31, 2014.

(3) The debt discount is being amortized using the effective interest rate method based upon a four year term through October 1, 2017, the first repurchase date applicable to the 2032 Notes. The debt discount was $4.8 million and $5.3 million as of March 31, 2015 and December 31, 2014, respectively.

(4) The debt discount is being amortized using the effective interest rate method based upon a two and a half year term through September 1, 2017, the first repurchase date applicable to the Second Lien Notes. The debt discount as of March 31, 2015 was $15.3 million.

The following table summarizes the total interest expense (contractual interest expense, accretion, amortization of debt discount and financing costs) and the effective interest rate on the liability component of the debt (amounts in thousands, except effective interest rates):

	Three Months Ended March 31, 2015		Three Months Ended March 31, 2014	
	Interest Expense	Effective Interest Rate	Interest Expense	Effective Interest Rate
Senior Credit Facility	$1,537	3.9 %	$585	NM

3.25% Convertible Senior Notes due 2026	3	3.3	%	4	3.3	%
5.0% Convertible Senior Notes due 2029	84	5.0	%	1,424	11.0	%
5.0% Convertible Senior Notes due 2032	3,573	8.6	%	3,538	8.4	%
8.0% Second Lien Senior Secured Notes due 2018	555	15.6	%	—	—	%
8.875% Senior Notes due 2019	6,327	9.2	%	6,327	9.2	%
Total	$12,079			$11,878		

NM - Not meaningful.

Senior Credit Facility

Total lender commitments under the Second Amended and Restated Credit Agreement (including all amendments, the "Senior Credit Facility") are $600 million subject to borrowing base limitation, which as of March 31, 2015 was $150 million. Pursuant to the terms of the Senior Credit Facility, borrowing base redeterminations occur on a semi-annual basis on April 1 and October 1. As of March 31, 2015, we had $52 million outstanding under the Senior Credit Facility and $6.4 million in cash.   In February 2015, we entered into the Thirteenth Amendment with an effective date of February 26, 2015. On the effective date, the Thirteenth Amendment reduced our borrowing base to $200 million and extended the maturity of the Senior Credit Facility to February 24, 2017. In March 2015, we closed on $100 million of Second Lien Notes, which was used to pay down the amount drawn on our Senior Credit Facility.

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Our borrowing base was further reduced to $150 million upon the funding of the Second Lien Notes. The next borrowing base redetermination will occur on October 1, 2015. Interest on revolving borrowings under the Senior Credit Facility, as amended, accrues at a rate calculated, at our option, at the bank base rate plus 1.25% to 2.25% or LIBOR plus 2.25% to 3.25%, depending on borrowing base utilization. Substantially all our assets are pledged as collateral to secure the Senior Credit Facility.

The terms of the Senior Credit Facility as amended by the Thirteenth Amendment, require us to maintain certain covenants. Capitalized terms used here, but not defined, have the meanings assigned to them in the Senior Credit Facility. The primary financial covenants include:

- Current Ratio of 1.0/1.0;
- Interest Coverage Ratio of EBITDAX of not less than 2.0/1.0 for the trailing four quarters EBITDAX. The interest for such period to apply solely to the cash portion of interest expense; and
- Maximum Secured Debt no greater than 2.5 times EBITDAX for the trailing four quarters.

As used in connection with the Senior Credit Facility, Current Ratio is consolidated current assets (including current availability under the Senior Credit Facility, but excluding non-cash assets related to our derivatives) to consolidated current liabilities (excluding non-cash liabilities related to our derivatives, accrued capital expenditures and current maturities under the Senior Credit Facility).

As used in connection with the Senior Credit Facility, EBITDAX is earnings before interest expense, income tax, depreciation, depletion and amortization, exploration expense, stock based compensation and impairment of oil and natural gas properties. In calculating EBITDAX for this purpose, gains/losses on derivatives not designated as hedges, less net cash received (paid) in settlement of commodity derivatives are excluded from Adjusted EBITDAX.

We were in compliance with all the financial covenants of the Senior Credit Facility as of March 31, 2015.

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8% Second Lien Senior Secured Notes due 2018

On March 12, 2015, we issued and sold $100 million of our Second Lien Notes. We sold 100,000 Second