

Midstates Petroleum Company, Inc.  
Form 10-Q  
May 09, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended March 31, 2014

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: 001-35512

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**MIDSTATES PETROLEUM COMPANY, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**4400 Post Oak Parkway, Suite 1900**  
**Houston, Texas**  
(Address of principal executive offices)

**45-3691816**  
(I.R.S. Employer  
Identification No.)

**77027**  
(Zip Code)

**(713) 595-9400**

(Registrant's telephone number, including area code)

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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.

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
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

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The number of shares outstanding of our common stock at May 6, 2014 is shown below:

<b>Class</b>	<b>Number of shares outstanding</b>
Common stock, \$0.01 par value	70,272,636

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**MIDSTATES PETROLEUM COMPANY, INC.**  
**QUARTERLY REPORT ON**  
**FORM 10-Q**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2014**

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**GLOSSARY OF OIL AND NATURAL GAS TERMS**

**Bbl:** One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to oil, condensate or natural gas liquids.

**Boe:** Barrels of oil equivalent, with 6,000 cubic feet of natural gas being equivalent to one barrel of oil.

**Boe/d:** Barrels of oil equivalent per day.

**Completion:** The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

**Dry hole:** A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production do not exceed production expenses and taxes.

**Exploratory well:** A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir.

**Mcf:** One thousand cubic feet of natural gas.

**MMBoe:** One million barrels of oil equivalent.

**MMBtu:** One million British thermal units.

**Net acres:** The percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

**NYMEX:** The New York Mercantile Exchange.

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**Proved reserves:** Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons, as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price is the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

**Reasonable certainty:** A high degree of confidence.

**Recompletion:** The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

**Reserves:** Estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible as of a given date by application of development projects to known accumulations.

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**Reservoir:** A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

**Spud or Spudding:** The commencement of drilling operations of a new well.

**Wellbore:** The hole drilled by the bit that is equipped for oil or gas production on a completed well. Also called well or borehole.

**Working interest:** The right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on a cash, penalty, or carried basis.



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**PART I - FINANCIAL INFORMATION**

**MIDSTATES PETROLEUM COMPANY, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

**(In thousands, except share amounts)**

	March 31, 2014	December 31, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 14,648	\$ 33,163
Accounts receivable:		
Oil and gas sales	105,250	102,483
Joint interest billing	58,664	42,631
Other	1,150	1,090
Commodity derivative contracts		700
Deferred income taxes	7,869	11,837
Other current assets	4,378	693
Total current assets	191,959	192,597
<b>PROPERTY AND EQUIPMENT:</b>		
Oil and gas properties, on the basis of full cost accounting	3,202,699	3,060,661
Other property and equipment	11,782	11,113
Less accumulated depreciation, depletion, amortization and impairment	(1,130,248)	(976,880)
Net property and equipment	2,084,233	2,094,894
<b>OTHER ASSETS:</b>		
Commodity derivative contracts	827	19
Other noncurrent assets	52,993	54,597
Total other assets	53,820	54,616
<b>TOTAL</b>	<b>\$ 2,330,012</b>	<b>\$ 2,342,107</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 24,799	\$ 21,493
Accrued liabilities	268,063	204,381
Commodity derivative contracts	37,147	27,880
Total current liabilities	330,009	253,754
<b>LONG-TERM LIABILITIES:</b>		
Asset retirement obligations	27,184	26,308
Commodity derivative contracts	2,355	3,651
Long-term debt	1,701,150	1,701,150
Deferred income taxes	9,053	15,291
Other long-term liabilities	2,491	1,954
Total long-term liabilities	1,742,233	1,748,354
<b>COMMITMENTS AND CONTINGENCIES (Note 12)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.01 par value, 49,675,000 shares authorized; no shares issued or outstanding		
Series A mandatorily convertible preferred stock, \$0.01 par value, \$365,581 and \$358,550 liquidation value at March 31, 2014 and December 31, 2013, respectively; 8% cumulative dividends; 325,000 shares issued and outstanding	3	3
	705	689

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Common stock, \$0.01 par value, 300,000,000 shares authorized; 70,595,724 shares issued and 70,341,865 shares outstanding at March 31, 2014 and 68,925,745 shares issued and 68,807,043 shares outstanding at December 31, 2013

Treasury stock	(1,313)	(664)
Additional paid-in-capital	873,096	871,047
Retained deficit	(614,721)	(531,076)
Total stockholders' equity	257,770	339,999
<b>TOTAL</b>	<b>\$ 2,330,012</b>	<b>\$ 2,342,107</b>

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

Table of Contents**MIDSTATES PETROLEUM COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands, except per share amounts)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>REVENUES:</b>		
Oil sales	\$ 116,222	\$ 72,218
Natural gas liquid sales	25,519	9,719
Natural gas sales	25,385	8,795
Losses on commodity derivative contracts net	(22,673)	(20,124)
Other	209	414
Total revenues	144,662	71,022
<b>EXPENSES:</b>		
Lease operating and workover	20,127	13,871
Gathering and transportation	2,855	
Severance and other taxes	7,647	5,955
Asset retirement accretion	497	254
Depreciation, depletion, and amortization	66,901	41,976
Impairment in carrying value of oil and gas properties	86,471	
General and administrative	11,684	11,026
Acquisition and transaction costs	128	
Other	330	
Total expenses	196,640	73,082
<b>OPERATING LOSS</b>	<b>(51,978)</b>	<b>(2,060)</b>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	10	5
Interest expense net of amounts capitalized	(33,947)	(10,867)
Total other income (expense)	(33,937)	(10,862)
<b>LOSS BEFORE TAXES</b>	<b>(85,915)</b>	<b>(12,922)</b>
Income tax benefit	2,270	4,973
<b>NET LOSS</b>	<b>\$ (83,645)</b>	<b>\$ (7,949)</b>
Preferred stock dividend	(2,620)	(4,117)
Participating securities - Series A Preferred Stock		
Participating securities - Non-vested Restricted Stock		
<b>NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<b>\$ (86,265)</b>	<b>\$ (12,066)</b>

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Basic and diluted net loss per share attributable to common shareholders	\$	(1.31)	\$	(0.18)
Basic and diluted weighted average number of common shares outstanding		65,987		65,634

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

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## MIDSTATES PETROLEUM COMPANY, INC.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(Unaudited)

(In thousands)

	Series A Preferred Stock	Common Stock	Treasury Stock	Additional Paid-in-Capital	Retained Deficit/ Accumulated Loss	Total Stockholders Equity
<b>Balance as of December 31, 2013</b>	\$ 3	\$ 689	\$ (664)	\$ 871,047	\$ (531,076)	\$ 339,999
Share-based compensation		16		2,049		2,065
Acquisition of treasury stock			(649)			(649)
Net loss					(83,645)	(83,645)
<b>Balance as of March 31, 2014</b>	\$ 3	\$ 705	\$ (1,313)	\$ 873,096	\$ (614,721)	\$ 257,770

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

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## MIDSTATES PETROLEUM COMPANY, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Three Months Ended March 31,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (83,645)	\$ (7,949)
<i>Adjustments to reconcile net loss to net cash provided by operating activities:</i>		
Losses on commodity derivative contracts net	22,673	20,124
Net cash paid for commodity derivative contracts not designated as hedging instruments	(14,810)	(5,004)
Asset retirement accretion	497	254
Depreciation, depletion, and amortization	66,901	41,976
Impairment in carrying value of oil and gas properties	86,471	
Share-based compensation, net of amounts capitalized to oil and gas properties	1,541	1,244
Deferred income taxes	(2,270)	(4,973)
Amortization of deferred financing costs	2,386	984
<i>Change in operating assets and liabilities:</i>		
Accounts receivable oil and gas sales	(2,767)	(9,002)
Accounts receivable JIB and other	(16,093)	(2,796)
Other current and noncurrent assets	(3,972)	(536)
Accounts payable	2,813	(925)
Accrued liabilities	37,170	28,847
Other	537	(41)
<b>Net cash provided by operating activities</b>	<b>\$ 97,432</b>	<b>\$ 62,203</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in property and equipment	(114,803)	(132,538)
<b>Net cash used in investing activities</b>	<b>\$ (114,803)</b>	<b>\$ (132,538)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from long-term borrowings		102,450
Deferred financing costs	(495)	(368)
Acquisition of treasury stock	(649)	
<b>Net cash (used in) provided by financing activities</b>	<b>\$ (1,144)</b>	<b>\$ 102,082</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(18,515)</b>	<b>31,747</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>\$ 33,163</b>	<b>\$ 18,878</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 14,648</b>	<b>\$ 50,625</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Non-cash transactions investments in property and equipment accrued - not paid	\$ 134,000	\$ 82,562

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Cash paid for interest, net of capitalized interest of \$4.6 million and \$7.1 million, respectively

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

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**MIDSTATES PETROLEUM COMPANY, INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements**

**1. Organization and Business**

Midstates Petroleum Company, Inc., through its wholly owned subsidiary Midstates Petroleum Company LLC, engages in the business of drilling for, and production of, oil, natural gas and natural gas liquids. Midstates Petroleum Company, Inc. was incorporated pursuant to the laws of the State of Delaware on October 25, 2011 to become a holding company for Midstates Petroleum Company LLC ( "Midstates Sub" ), which was previously a wholly owned subsidiary of Midstates Petroleum Holdings LLC ( "Holdings LLC" ). Pursuant to the terms of a corporate reorganization that was completed in connection with the closing of Midstates Petroleum Company, Inc.'s initial public offering on April 25, 2012, all of the interests in Midstates Petroleum Holdings LLC were exchanged for newly issued common shares of Midstates Petroleum Company, Inc., and as a result, Midstates Petroleum Company LLC became a wholly owned subsidiary of Midstates Petroleum Company, Inc. and Midstates Petroleum Holdings LLC ceased to exist as a separate entity. The terms "the Company," "we," "us," "our," and similar terms when used in the present tense, prospectively or for historical periods since April 25, 2012, refer to Midstates Petroleum Company, Inc. and its subsidiary, and for historical periods prior to April 25, 2012, refer to Midstates Petroleum Holdings LLC and its subsidiary, unless the context indicates otherwise. The term "Holdings LLC" refers solely to Midstates Petroleum Holdings LLC prior to the corporate reorganization.

On May 31, 2013, the Company closed on the acquisition of producing properties and undeveloped acreage in the Anadarko Basin in Texas and Oklahoma from Panther Energy Company, LLC and its partners for approximately \$618 million in cash (the "Anadarko Basin Acquisition" ), before customary post-closing adjustments. The Company funded the purchase price with a portion of the net proceeds from the private placement of \$700 million in aggregate principal amount of 9.25% senior unsecured notes due 2021, which also closed on May 31, 2013 ( "2021 Senior Notes" ).

On March 5, 2014, the Company executed a Purchase and Sale Agreement ( "PSA" ) to sell all of its ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana to a private buyer for a purchase price of \$170 million in cash, subject to standard post-closing adjustments. The PSA has an effective date of November 1, 2013. Acreage subject to the transaction does not include acreage and production in the western part of Louisiana in Beauregard Parish or other undeveloped acreage held outside the Pine Prairie field. The sale closed on May 1, 2014. See Note 13.

The Company has oil and gas operations and properties in Louisiana, Oklahoma, Texas and Kansas. At March 31, 2014, the Company operated oil and natural gas properties as one reportable segment engaged in the exploration, development and production of oil, natural gas liquids and natural gas. The Company's management evaluated performance based on one reportable segment as there were not significantly different economic or operational environments within its oil and natural gas properties.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***



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These interim financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) regarding interim financial reporting. Certain disclosures have been condensed or omitted from these financial statements. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ( GAAP ) for complete consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013 included in the Company 's Annual Report on Form 10-K as filed with the SEC on March 24, 2014.

All intercompany transactions have been eliminated in consolidation. In the opinion of the Company 's management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary to fairly present the financial position as of, and the results of operations for, all periods presented. In preparing the accompanying condensed consolidated financial statements, management has made certain estimates and assumptions that affect reported amounts in the condensed consolidated financial statements and disclosures of contingencies. Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results.

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*Recent Accounting Pronouncements*

The Company reviewed recently issued accounting pronouncements that became effective during the three months ended March 31, 2014, and determined that none would have a material impact on the Company's condensed consolidated financial statements.

**3. Fair Value Measurements of Financial Instruments**

*Assets and Liabilities Measured at Fair Value on a Recurring Basis*

*Derivative Instruments*

Commodity derivative contracts reflected in the condensed consolidated balance sheets are recorded at estimated fair value. At March 31, 2014 and December 31, 2013, all of the Company's commodity derivative contracts were with seven bank counterparties, and were classified as Level 2 in the fair value input hierarchy.

Derivative instruments listed below are presented gross and include collars and swaps that are carried at fair value. The Company records the net change in the fair value of these positions in Losses on commodity derivative contracts net in the Company's unaudited condensed consolidated statements of operations. See Note 4 for additional information on the Company's derivative instruments and balance sheet presentation.

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Fair Value Measurements at March 31, 2014				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in thousands)				
<b>Assets:</b>				
Commodity derivative NGL swaps	\$	\$ 391	\$	\$ 391
Commodity derivative gas swaps		827		827
Commodity derivative oil collars		4		4
Commodity derivative gas collars		261		261
Commodity derivative differential swaps		746		746
<b>Total assets</b>	<b>\$</b>	<b>\$ 2,229</b>	<b>\$</b>	<b>\$ 2,229</b>
<b>Liabilities:</b>				
Commodity derivative oil swaps	\$	\$ 35,022	\$	\$ 35,022
Commodity derivative NGL swaps		75		75
Commodity derivative gas swaps		5,391		5,391
Commodity derivative oil collars		352		352
Commodity derivative gas collars		64		64
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 40,904</b>	<b>\$</b>	<b>\$ 40,904</b>

Fair Value Measurements at December 31, 2013				
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
(in thousands)				
<b>Assets:</b>				
Commodity derivative NGL swaps	\$	\$ 469	\$	\$ 469
Commodity derivative gas swaps		488		488
Commodity derivative oil collars		64		64
Commodity derivative gas collars		751		751
Commodity derivative differential swaps		806		806
<b>Total assets</b>	<b>\$</b>	<b>\$ 2,578</b>	<b>\$</b>	<b>\$ 2,578</b>
<b>Liabilities:</b>				
Commodity derivative oil swaps	\$	\$ 32,209	\$	\$ 32,209
Commodity derivative NGL swaps		74		74
Commodity derivative gas swaps		809		809
Commodity derivative oil collars		272		272
Commodity derivative gas collars		26		26
<b>Total liabilities</b>	<b>\$</b>	<b>\$ 33,390</b>	<b>\$</b>	<b>\$ 33,390</b>

**4. Risk Management and Derivative Instruments**

The Company's production is exposed to fluctuations in crude oil, NGL and natural gas prices. The Company believes it is prudent to manage the variability in cash flows by entering into derivative financial instruments to economically hedge a portion of its crude oil, NGL and natural gas production. The Company utilizes various types of derivative financial instruments, including swaps and collars, to reduce fluctuations in cash flows resulting from changes in commodity prices. These derivative contracts are placed with major financial institutions that the Company believes are minimal credit risks. The oil, NGL and natural gas reference prices, upon which the commodity derivative contracts are based, reflect various market indices that management believes have a high degree of historical correlation with actual prices received by the Company.

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for its crude oil, NGL and natural gas production.

Inherent in the Company's portfolio of commodity derivative contracts are certain business risks, including market risk and credit risk. Market risk is the risk that the price of the commodity will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by the Company's counterparty to a contract. The Company does not

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require collateral from its counterparties but does attempt to minimize its credit risk associated with derivative instruments by entering into derivative instruments only with counterparties that are large financial institutions, which management believes present minimal credit risk. In addition, to mitigate its risk of loss due to default, the Company has entered into agreements with its counterparties on its derivative instruments that allow the Company to offset its asset position with its liability position in the event of default by the counterparty. Due to the netting arrangements, had the Company's counterparties failed to perform under existing commodity derivative contracts, the maximum loss at March 31, 2014 would have been approximately \$0.8 million.

**Commodity Derivative Contracts**

As of March 31, 2014, the Company had the following open commodity derivative contract positions:

	Hedged Volume	Weighted-Average Fixed Price		
<b>Oil (Bbls):</b>				
WTI Swaps 2014	3,274,950			\$ 88.85
WTI Swaps 2015	1,820,000			\$ 86.55
WTI Collars 2014	123,000	\$ 88.27	-	\$ 97.91
WTI to LLS Basis Differential Swaps 2014 (1)	366,000			\$ 5.35
<b>NGL (Bbls):</b>				
NGL Swaps 2014	81,000			\$ 61.86
<b>Natural Gas (MMBtu):</b>				
Swaps 2014 (2)	13,475,000			\$ 4.17
Swaps 2015	18,250,000			\$ 4.13
Collars 2014 (3)	1,188,003	\$ 3.96	-	\$ 5.06

(1) The Company enters into swap arrangements intended to fix the differential between the Louisiana Light Sweet ( LLS ) pricing and the West Texas Intermediate ( NYMEX WTI ) pricing.

(2) Includes 1,470,000 MMBtus in natural gas swaps that priced during the period, but had not cash settled as of March 31, 2014.

(3) Includes 64,667 MMBtus that priced during the period, but had not cash settled as of March 31, 2014.

**Balance Sheet Presentation**

The following table summarizes the gross fair values of derivative instruments by the appropriate balance sheet classification, even when the derivative instruments are subject to netting arrangements and qualify for net presentation in the Company's unaudited condensed consolidated balance sheets at March 31, 2014 and December 31, 2013, respectively (in thousands):

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Type	Balance Sheet Location (1)		March 31, 2014	December 31, 2013
Oil Swaps	Derivative financial instruments	Current Liabilities	\$ (32,667)	\$ (28,871)
Oil Swaps	Derivative financial instruments			
	Non-Current Liabilities		(2,355)	(3,338)
NGL Swaps	Derivative financial instruments	Current Assets	391	469
NGL Swaps	Derivative financial instruments	Current Liabilities	(75)	(74)
Gas Swaps	Derivative financial instruments	Current Assets		469
Gas Swaps	Derivative financial instruments	Non-Current Assets	827	19
Gas Swaps	Derivative financial instruments	Current Liabilities	(5,391)	(496)
Gas Swaps	Derivative financial instruments			
	Non-Current Liabilities			(313)
Oil Collars	Derivative financial instruments	Current Assets	4	64
Oil Collars	Derivative financial instruments	Current Liabilities	(352)	(272)
Gas Collars	Derivative financial instruments	Current Assets	261	751
Gas Collars	Derivative financial instruments	Current Liabilities	(64)	(26)
Basis Differential Swaps	Derivative financial instruments	Current Assets	746	806
<b>Total derivative fair value at period end</b>			<b>\$ (38,675)</b>	<b>\$ (30,812)</b>

(1) The fair values of commodity derivative instruments reported in the Company's condensed consolidated balance sheets are subject to netting arrangements and qualify for net presentation. The following table summarizes the location and fair value amounts of all derivative instruments in the unaudited condensed consolidated balance sheets, as well as the gross recognized derivative assets, liabilities and amounts offset in the unaudited condensed consolidated balance sheets at March 31, 2014 and December 31, 2013, respectively (in thousands):

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Not Designated as ASC 815 Hedges:		Balance Sheet Classification	Gross Recognized Assets/ Liabilities	March 31, 2014	
				Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
<b>Derivative assets:</b>					
Commodity contracts	Derivative financial instruments - current	\$	1,402	\$	1,402
Commodity contracts	Derivative financial instruments - noncurrent		827		827
		\$	<b>2,229</b>	\$	<b>1,402</b>
<b>Derivative liabilities:</b>					
Commodity contracts	Derivative financial instruments - current	\$	38,549	\$	1,402
Commodity contracts	Derivative financial instruments - noncurrent		2,355		2,355
		\$	<b>40,904</b>	\$	<b>1,402</b>

Not Designated as ASC 815 Hedges:		Balance Sheet Classification	Gross Recognized Assets/ Liabilities	December 31, 2013	
				Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
<b>Derivative assets:</b>					
Commodity contracts	Derivative financial instruments - current	\$	2,559	\$	1,859
Commodity contracts	Derivative financial instruments - noncurrent		19		19
		\$	<b>2,578</b>	\$	<b>1,859</b>
<b>Derivative liabilities:</b>					
Commodity contracts	Derivative financial instruments - current	\$	29,739	\$	1,859
Commodity contracts	Derivative financial instruments - noncurrent		3,651		3,651
		\$	<b>33,390</b>	\$	<b>1,859</b>

*Gains (losses) on Commodity Derivative Contracts*

The Company does not designate its commodity derivative contracts as hedging instruments for financial reporting purposes. Accordingly, commodity derivative contracts are marked-to-market each quarter with the change in fair value during the periodic reporting period recognized currently as a gain or loss in Losses on commodity derivative contracts - net within revenues in the unaudited condensed consolidated statements of operations.

The following table presents realized net losses and unrealized net (losses) gains recorded by the Company related to the change in fair value of the derivative instruments in Losses on commodity derivative contracts - net for the periods presented:

	For the Three Months Ended March 31,	
	2014	2013
	(in thousands)	
Realized net losses	\$ (14,810)	\$ (5,004)
Unrealized net losses	(7,863)	(15,120)





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	March 31, 2014	December 31, 2013
	(in thousands)	
Oil and gas properties, on the basis of full cost accounting:		
Proved properties	\$ 3,017,064	\$ 2,817,062
Unevaluated properties	185,635	243,599
Other property and equipment	11,782	11,113
Less accumulated depreciation, depletion, amortization and impairment	(1,130,248)	(976,880)
<b>Net property and equipment</b>	<b>\$ 2,084,233</b>	<b>\$ 2,094,894</b>

*Oil and Gas Properties*

For the three months ended March 31, 2014 and 2013, the Company capitalized \$3.1 million and \$1.5 million, respectively, of internal costs directly related to exploration and development activities to oil and gas properties. Note that these amounts are inclusive of \$0.5 million and \$0.2 million of qualifying share-based compensation expense for the three months ended March 31, 2014 and 2013, respectively.

The Company accounts for its oil and gas properties under the full cost method. Under the full cost method, proceeds from the sale or disposition of oil and gas properties are accounted for as a reduction to capitalized costs unless a significant portion of the Company's reserve quantities are sold such that it results in a significant alteration of the relationship between capitalized costs and remaining proved reserves, in which case a gain or loss is generally recognized in income.

The Company performs a ceiling test on a quarterly basis. The test establishes a limit (ceiling) on the book value of oil and gas properties. The capitalized costs of oil and gas properties, net of accumulated DD&A and the related deferred income taxes, may not exceed this ceiling. The ceiling limitation is equal to the sum of: (i) the present value of estimated future net revenues from the projected production of proved oil and gas reserves, excluding future cash outflows associated with settling asset retirement obligations (ARO) accrued on the balance sheet, calculated using the average oil and natural gas sales price received by the Company as of the first trading day of each month over the preceding twelve months (such prices are held constant throughout the life of the properties) and a discount factor of 10%; (ii) the cost of unproved and unevaluated properties excluded from the costs being amortized; (iii) the lower of cost or estimated fair value of unproved properties included in the costs being amortized; and (iv) related income tax effects. If capitalized costs exceed this ceiling, the excess is charged to expense in the accompanying consolidated statements of operations.

At March 31, 2014 capitalized costs exceeded the ceiling and an impairment of oil and gas properties of \$83.5 million, after tax, was recorded. At March 31, 2013, capitalized costs did not exceed the ceiling, and an impairment to oil and gas properties was not required.

Depreciation, depletion and amortization is calculated using the Units of Production Method (UOP). The UOP calculation multiplies the percentage of estimated proved reserves produced by the cost of those reserves. The result is to recognize expense at the same pace that the reservoirs are estimated to be depleting. The amortization base in the UOP calculation includes the sum of proved property costs net of accumulated depreciation, depletion and amortization (DD&A), estimated future development costs (future costs to access and develop proved reserves) and asset retirement costs that are not already included in oil and gas property, less related salvage value. The following table presents

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depletion expense related to oil and gas properties for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31,	
	2014	2013
Depletion expense (in thousands)	\$ 66,204	\$ 41,589
Depletion expense (per Boe)	\$ 25.37	\$ 28.51

Oil and gas unevaluated properties and properties under development include costs that are not being depleted or amortized. These costs represent investments in unproved properties. The Company excludes these costs until proved reserves are found, until it is determined that the costs are impaired or until major development projects are placed in service, at which time the costs are moved into oil and natural gas properties subject to amortization. All unproved property costs are reviewed at least quarterly to determine if impairment has occurred. Unevaluated property was \$185.6 million at March 31, 2014 compared to \$243.6 million at December 31, 2013, decreasing primarily due to transfers of approximately \$21.4 million and \$38.1 million related to the Mississippian Lime and Anadarko Basin areas, respectively.

Table of Contents*Other Property and Equipment*

Other property and equipment consists of vehicles, furniture and fixtures, and computer hardware and software and are carried at cost. Depreciation is calculated principally using the straight-line method over the estimated useful lives of the assets, which range from five to seven years. Maintenance and repairs are charged to expense as incurred, while renewals and betterments are capitalized.

*Anadarko Basin Acquisition May 2013*

On May 31, 2013, the Company closed on the acquisition of producing properties and undeveloped acreage in the Anadarko Basin in Texas and Oklahoma from Panther Energy Company, LLC and its partners for approximately \$618 million in cash (before customary post-closing adjustments). The Company funded the purchase price of the Anadarko Basin Acquisition with a portion of the net proceeds from the private placement of \$700 million in aggregate principal amount of 9.25% senior unsecured notes due 2021, which also closed on May 31, 2013.

The transaction was accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. The final determination of fair value for certain assets and liabilities remains preliminary and will be completed after post-closing purchase price adjustments are finalized, but no later than one year from the acquisition date.

Since December 31, 2013 the Company has recorded adjustments to the purchase price to reduce the amounts allocated to proved and unproved properties by \$0.4 million and \$0.1 million, respectively. The following table reflects the adjusted allocation as of March 31, 2014 (in thousands):

	<b>Anadarko Basin Acquisition</b>	
Oil and gas properties		
Proved	\$	417,898
Unevaluated		207,683
<b>Total assets acquired</b>	<b>\$</b>	<b>625,581</b>
Asset retirement obligations		6,296
<b>Total liabilities assumed</b>	<b>\$</b>	<b>6,296</b>
<b>Net assets acquired</b>	<b>\$</b>	<b>619,285</b>

*Actual and Pro Forma Information*

Revenues attributable to the Anadarko Basin Acquisition included in the Company's unaudited condensed consolidated statements of operations for the three months ended March 31, 2014 were \$50.7 million.

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The following table presents unaudited pro forma information for the Company as if the Anadarko Basin Acquisition occurred on January 1, 2013 (in thousands, other than per share amounts):

	<b>For the Three Months Ended March 31, 2013</b>	
Revenues and other	\$	112,861
Net loss		(11,524)
Preferred stock dividends		(4,117)
Loss attributable to common shareholders	\$	(15,641)
Net loss per common share - basic and diluted	\$	(0.24)

The historical financial information was adjusted to give effect to the pro forma events that were directly attributable to the Anadarko Basin Acquisition and are factually supportable. The unaudited pro forma consolidated results are not necessarily indicative of what the Company's consolidated results of operations actually would have been had the acquisition been completed on January 1, 2013.

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In addition, the unaudited pro forma consolidated results do not purport to project the future results of operations for the combined Company.

***Pine Prairie Disposition***

On March 5, 2014, the Company executed a Purchase and Sale Agreement ( PSA ) to sell all of its ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana to a private buyer for a purchase price of \$170 million in cash, subject to standard post-closing adjustments. The PSA has an effective date of November 1, 2013. Acreage subject to the transaction does not include acreage and production in the western part of Louisiana in Beauregard Parish or other undeveloped acreage held outside the Pine Prairie field. The sale closed on May 1, 2014. See Note 13.

**6. Other Noncurrent Assets**

At March 31, 2014, other noncurrent assets consisted of \$42.8 million in deferred financing costs, \$10.0 million in field inventory, and \$0.2 million in other noncurrent assets.

At December 31, 2013, other noncurrent assets consisted of \$44.7 million in deferred financing costs, \$9.7 million in field inventory, and \$0.2 million in other noncurrent assets.

**7. Accrued Liabilities**

Accrued liabilities at March 31, 2014 consisted of \$114.2 million in accrued oil and gas capital expenditures, \$53.7 million in accrued interest, \$67.5 million in accrued revenue and royalty distributions, \$7.8 million in accrued taxes, \$7.0 million in accrued lease operating and workover expenses and \$17.9 million in other accrued liabilities.

Accrued liabilities at December 31, 2013 consisted of \$87.2 million in accrued oil and gas capital expenditures, \$64.4 million in accrued revenue and royalty distributions, \$21.3 million in accrued interest, \$8.3 million in accrued lease operating and workover expenses, \$4.4 million in accrued taxes, and \$18.8 million in other accrued liabilities.

**8. Long-Term Debt**

The Company's long-term debt as of March 31, 2014 and December 31, 2013 is as follows (in thousands):

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	At March 31, 2014		At December 31, 2013
	(in thousands)		
Revolving credit facility, due 2018	\$	401,150	\$ 401,150
Senior notes, due 2020		600,000	600,000
Senior notes, due 2021		700,000	700,000
<b>Long-term debt</b>	<b>\$</b>	<b>1,701,150</b>	<b>\$ 1,701,150</b>

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*Reserve-based Credit Facility*

As of March 31, 2014, the Company's credit facility consisted of a \$750 million senior revolving credit facility (the "Credit Facility") with a borrowing base of \$500 million, as recently reaffirmed on March 28, 2014, subject to the provisions discussed below. At March 31, 2014, outstanding letters of credit obligations total \$0.2 million.

The Credit Facility matures on May 31, 2018 and borrowings thereunder are secured by substantially all of the Company's oil and natural gas properties and bore interest at LIBOR plus an applicable margin, depending upon the Company's borrowing base utilization, between 1.75% and 2.75% per annum. At March 31, 2014 and 2013, the weighted average interest rate was 2.7% and 2.4%, respectively.

In addition to interest expense, the Credit Facility requires the payment of a commitment fee each quarter. The commitment fee is computed at the rate of either 0.375% or 0.50% per annum based on the average daily amount by which the borrowing base exceeds the outstanding borrowings during each quarter.

The borrowing base under the Credit Facility is subject to semiannual redeterminations in April and October and up to one additional time per six month period following each scheduled borrowing base redetermination, as may be requested by the Company or the administrative agent acting on behalf of lenders holding at least two thirds of the outstanding loans and other obligations.

Under the terms of the Credit Facility, the Company is required to repay the amount by which the principal balance of its outstanding loans and its letter of credit obligations exceed its redetermined borrowing base. The Company is permitted to make such repayment in six equal successive monthly payments commencing 30 days following the administrative agent's notice regarding such borrowing base reduction.

On March 28, 2014, the Company entered into a Fifth Amendment to the existing Credit Facility between the Company, as parent, Midstates Sub, as the borrower, SunTrust Bank, as administrative agent, and the other lenders and parties thereto (the "Fifth Amendment").

The Fifth Amendment amended the Credit Facility to (i) permit Midstates Sub to enter into the \$125 million Senior Secured Bridge Facility ("Bridge Facility") secured by the Company's Gulf Coast Assets and intended to provide the Company with additional sources of liquidity in the event the sale of the Company's Pine Prairie assets was delayed for any reason, (ii) affirm the current borrowing base thereunder of \$500 million, and (iii) provide for a decrease of the borrowing base to \$475 million upon, among other things, the closing of the sale of Midstates Sub's ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana for consideration equal to or greater than \$100 million ("Pine Prairie Disposition") or the entry into the Bridge Facility. Additionally, the Fifth Amendment amended certain provisions of the Credit Facility to, among other things, (i) subject to certain events, including the closing of the Pine Prairie Disposition, release Midstates Sub's Louisiana assets from liens securing the Credit Facility, (ii) increase the applicable margin for LIBOR Loans from a range of 1.75% to 2.75% depending on borrowing base utilization to a range of 2.00% to 3.00%, with corresponding changes to the applicable margin for base rate loans, (iii) amend the leverage ratio to be (A) 4.75:1.00 for the quarter ending March 31, 2014, (B) 4.50:1.00 for the quarter ending June 30, 2014, (C) 4.25:1.00 for the quarters ending September 30, 2014 and December 31, 2014 and (D) 4.00:1.00 for each quarter thereafter; provided that the leverage ratio shall be increased by 0.50 for the quarter of, and the two quarters following, the consummation of the Pine Prairie Disposition and (iv) allow for the Bridge Facility to be secured by a second lien on the Midstates Sub's Mississippian Lime and Anadarko Basin assets. As consideration for the participating lenders' consent to the Fifth Amendment, Midstates Sub paid a 0.10% amendment fee on the

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\$475 million borrowing base.

On May 1, 2014, the Company completed the Pine Prairie Disposition and terminated the Bridge Facility commitment. See Note 13.

As of March 31, 2014, the Company was in compliance with the minimum current ratio and the ratio of debt to EBITDA covenants as set forth in the Credit Facility. The Company's current ratio at March 31, 2014 was 1.0 to 1.0. At March 31, 2014, the Company's ratio of debt to EBITDA was 4.1 to 1.0.

Based upon the recent amendments to the Credit Facility, the Company believes its carrying amount at March 31, 2014 approximates its fair value (Level 2) due to the variable nature of the applicable interest rate and current financing terms available to the Company.



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*2020 Senior Notes*

On October 1, 2012, the Company issued \$600 million in aggregate principal amount of 10.75% senior notes due 2020 (the 2020 Outstanding Notes ) in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the Securities Act ). On October 29, 2013, substantially all of the 2020 Outstanding Notes were exchanged for an equal principal amount of registered 10.75% senior subordinated notes due 2020 pursuant to an effective registration statement on Form S-4 filed on August 30, 2013 under the Securities Act (the 2020 Exchange Notes ). The 2020 Exchange Notes are identical to the 2020 Outstanding Notes except that the 2020 Exchange Notes are registered under the Securities Act and do not have restrictions on transfer, registration rights or provisions for additional interest. As used in this Form 10-Q, the term 2020 Senior Notes refers to both the 2020 Outstanding Notes and the 2020 Exchange Notes. The 2020 Senior Notes were co-issued on a joint and several basis by the Company and its wholly owned subsidiary, Midstates Sub. The Company does not have any operations or independent assets other than its 100% ownership interest in Midstates Sub and there are no other subsidiaries of the Company. The 2020 Senior Notes Indenture does not create any restricted assets within Midstates Sub, nor does it impose any significant restrictions on the ability of Midstates Sub to pay dividends or make loans to the Company or limit the ability of the Company to advance loans to Midstates Sub.

At any time prior to October 1, 2015, the Company may, under certain circumstances, redeem up to 35% of the aggregate principal amount of the 2020 Senior Notes with the net proceeds of a public or private equity offering at a redemption price of 110.75% of the principal amount of the 2020 Senior Notes, plus any accrued and unpaid interest up to the redemption date. In addition, at any time before October 1, 2016, the Company may redeem all or a part of the 2020 Senior Notes at a redemption price equal to 100% of the principal amount of 2020 Senior Notes redeemed plus the Applicable Premium (as defined in the Indenture) at the redemption date, plus any accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, up to, the redemption date. On or after October 1, 2016, the Company may redeem all or a part of the 2020 Senior Notes at varying redemption prices (expressed as percentages of principal amount) set forth in the Indenture plus accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, on the 2020 Senior Notes redeemed, up to, the redemption date.

The Indenture contains covenants that, among other things, restrict the Company's ability to: (i) incur additional indebtedness, guarantee indebtedness or issue certain preferred shares; (ii) make loans, investments and other restricted payments; (iii) pay dividends on or make other distributions in respect of, or repurchase or redeem, capital stock; (iv) create or incur certain liens; (v) sell, transfer or otherwise dispose of certain assets; (vi) enter into certain types of transactions with the Company's affiliates; (vii) consolidate, merge or sell substantially all of the Company's assets; (viii) prepay, redeem or repurchase certain debt; (ix) alter the business the Company conducts and (x) enter into agreements restricting the ability of the Company's current and any future subsidiaries to pay dividends.

Upon the occurrence of certain change of control events, as defined in the Indenture, each holder of the 2020 Senior Notes will have the right to require that the Company repurchase all or a portion of such holder's 2020 Senior Notes in cash at a purchase price equal to 101% of the aggregate principal amount thereof plus any accrued and unpaid interest to the date of repurchase.

The estimated fair value of the 2020 Senior Notes was \$664.5 million as of March 31, 2014 (Level 2 in the fair value measurement hierarchy based on the limited trading volume on the secondary market), based on quoted market prices for these same debt securities. The effective annual interest rate for the 2020 Senior Notes was approximately 11.1% for the three months ended March 31, 2014 and 2013.

*2021 Senior Notes*

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On May 31, 2013, the Company issued \$700 million in aggregate principal amount of 9.25% senior notes due 2021 (the 2021 Outstanding Notes ) in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act. On October 29, 2013, all of the 2021 Outstanding Notes were exchanged for an equal principal amount of registered 9.25% senior subordinated notes due 2021 pursuant to an effective registration statement on Form S-4 filed on August 30, 2013 under the Securities Act (the 2021 Exchange Notes ). The 2021 Exchange Notes are identical to the 2021 Outstanding Notes except that the 2021 Exchange Notes are registered under the Securities Act and do not have restrictions on transfer, registration rights or provisions for additional interest. As used in this Form 10-Q, the term 2021 Senior Notes refers to both the 2021 Outstanding Notes and the 2021 Exchange Notes. The proceeds from the offering of \$700 million (net of the initial purchasers discount and related offering expenses) were used to fund the Anadarko Basin Acquisition and the related expenses, to pay the expenses related to an amendment to the Company's revolving credit facility, to repay \$34.3 million in outstanding borrowings under the Company's Credit Facility, and for general corporate purposes.

The 2021 Senior Notes rank pari passu in right of payment with the 2020 Senior Notes.

The 2021 Senior Notes were co-issued on a joint and several basis by the Company and its wholly owned subsidiary, Midstates Sub. The Company does not have any operations or independent assets other than its 100% ownership interest in Midstates Sub and there are no other subsidiaries of the Company. The 2021 Senior Notes indenture does not create any restricted assets within Midstates Sub, nor does it impose any significant restrictions on the ability of Midstates Sub to pay dividends or make loans to the Company or limit the ability of the Company to advance loans to Midstates Sub.

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On or prior to May 31, 2014, the Company may redeem up to \$100.0 million of aggregate principal amount of the 2021 Senior Notes with the net cash proceeds from any Equity Offerings (as such term is defined in the 2021 Senior Notes Indenture) at a redemption price equal to 103% of the principal amount plus accrued and unpaid interest.

Prior to June 1, 2016, the Company may, under certain circumstances, redeem up to 35% of the aggregate principal amount of the 2021 Senior Notes (less the amount of 2021 Senior Notes redeemed pursuant to the preceding paragraph) with the net proceeds of any Equity Offerings at a redemption price of 109.25% of the principal amount of the 2021 Senior Notes redeemed, plus any accrued and unpaid interest, if any, up to the redemption date. In addition, at any time before June 1, 2016, the Company may redeem all or a part of the 2021 Senior Notes at a redemption price equal to 100% of the principal amount of the 2021 Senior Notes redeemed plus the Applicable Premium (as defined in the Indenture) at the redemption date, plus any accrued and unpaid interest and Additional Interest (as defined in the 2021 Senior Notes Indenture), if any, up to, the redemption date. On or after October 1, 2016, the Company may redeem all or a part of the 2021 Senior Notes at varying redemption prices (expressed as percentages of principal amount) set forth in the 2021 Senior Notes Indenture plus accrued and unpaid interest and Additional Interest (as defined in the 2021 Senior Notes Indenture), if any, on the 2021 Senior Notes redeemed, up to, the redemption date.

The terms of the covenants and change in control provisions in the 2021 Senior Notes Indenture are substantially identical to those of the 2020 Senior Notes discussed above.

The estimated fair value of the 2021 Senior Notes was \$733.3 million as of March 31, 2014 (Level 2 in the fair value measurement hierarchy based on the limited trading volume on the secondary market), based on quoted market prices for these same debt securities. The effective annual interest rate for the 2021 Senior Notes was approximately 9.6% for the three months ended March 31, 2014.

## **9. Equity and Share-Based Compensation**

### *Common and Preferred Shares*

The Company is authorized to issue up to a total of 300,000,000 shares of its common stock with a par value of \$0.01 per share, and 50,000,000 shares of its preferred stock with a par value of \$0.01 per share. Holders of the Company's common shares are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders and to receive ratably in proportion to the shares of common stock held by them any dividends declared from time to time by the board of directors. The common shares have no preferences or rights of conversion, exchange, pre-exemption or other subscription rights.

With respect to preferred shares, the Company is authorized, without further stockholder approval, to establish and issue from time to time one or more classes or series of preferred stock with such powers, preferences, rights, qualifications, limitations and restrictions as determined by its board of directors.

### *Series A Preferred Stock*

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In connection with the Eagle Property Acquisition, on September 28, 2012, the Company designated 325,000 shares of Series A Mandatorily Convertible Preferred Stock (the Series A Preferred Stock ) with an initial liquidation preference of \$1,000 per share and an 8% per annum dividend, payable semiannually at the Company's option in cash or through an increase in the liquidation preference. The Series A Preferred Shares are convertible after October 1, 2013, in whole but not in part and at the option of the holders of a majority of the outstanding shares of Series A Preferred Stock, into a number shares of the Company's common stock calculated by dividing the then-current liquidation preference by the conversion price of \$13.50 per share and, if not previously converted, are mandatorily convertible at September 30, 2015 into shares of the Company's common stock at a conversion price no greater than \$13.50 per share and no less than \$11.00 per share, with the ultimate conversion price dependent upon the volume weighted average price of the Company's common stock during the 15 trading days immediately prior to September 30, 2015. The Series A Preferred Stock was issued on October 1, 2012.

On March 30, 2014, the Company elected to pay the \$13 million semi-annual dividend due on that date through an increase in the Series A Preferred Stock liquidation preference to \$1,125. As a result, the Company will be obligated to issue between 3,005,985 and 3,689,164 additional shares of common stock upon conversion of the Series A Preferred Stock, with the ultimate number of shares dependent upon the conversion price then in effect as described above.

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*Share Activity*

The following table summarizes changes in the number of outstanding shares since December 31, 2013:

	Number of Shares		
	Series A Preferred Stock	Common Stock	Treasury Stock
<b>Share count as of December 31, 2013</b>	<b>325,000</b>	<b>68,925,745</b>	<b>(118,702)</b>
Grants of restricted stock		2,461,205	
Forfeitures of restricted stock		(791,226)	
Acquisition of treasury stock			(135,157)
<b>Share count as of March 31, 2014</b>	<b>325,000</b>	<b>70,595,724</b>	<b>(253,859)</b>

The Company's 2012 LTIP (discussed below) allows for the recipients of restricted stock to surrender a portion of their shares upon vesting to satisfy Federal Income Tax ( FIT ) withholding requirements. The Company then remits to the IRS the cash equivalent of the FIT withholding liability. Shares surrendered to the Company in this fashion have been treated as treasury shares acquired at a cost equivalent to the related tax liability. These shares are available for future issuance by the Company.

*Incentive Units*

At March 31, 2014, 1,179 incentive units were issued and outstanding. These incentive units were issued prior to the Company's initial public offering. In connection with the corporate reorganization that occurred immediately prior to the Company's initial public offering, these incentive units held in the Company were contributed to FR Midstates Interholding, LP ( FRMI ) in exchange for incentive units in FRMI. Holders of FRMI incentive units will receive, out of proceeds otherwise distributable to FRMI, a percentage interest in the amounts distributed to FRMI in excess of certain multiples of FRMI's aggregate capital contributions and investment expenses ( FRMI Profits ). Although any future payments to the incentive unit holders will be made out of the proceeds otherwise distributable to FRMI and not by the Company, the Company will be required to record a non-cash compensation charge in the period any payment is made related to the FRMI incentive units. To date, no compensation expense related to the incentive units has been recognized by the Company, as any payout under the incentive units is not considered probable, and thus, the amount of FRMI Profits, if any, cannot be determined.

*Share-based Compensation, Post-Initial Public Offering*

*2012 Long Term Incentive Plan*

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On April 20, 2012, the Company established the 2012 Long Term Incentive Plan (the 2012 LTIP ) and filed a Form S-8 with the SEC, registering 6,563,435 shares of common stock for future issuance under the terms of the 2012 LTIP. The 2012 LTIP provides a means for the Company to attract and retain employees, directors and consultants, and a method whereby employees, directors and consultants of the Company who contribute to its success can acquire and maintain stock ownership or awards, the value of which is tied to the performance of the Company, thereby strengthening their concern for the welfare of the Company and their desire to remain employed.

The 2012 LTIP provides for the granting of Options (Incentive and other), Restricted Stock Awards, Restricted Stock Units, Stock Appreciation Rights, Dividend Equivalents, Bonus Stock, Other Stock-Based Awards, Annual Incentive Awards, Performance Awards, or any combination of the foregoing (the Awards ). Subject to certain limitations as defined in the 2012 LTIP, the terms of each Award are as determined by the Compensation Committee of the Board of Directors. A total of 6,563,435 common share Awards are authorized for issuance under the 2012 LTIP and shares of stock subject to an Award that expire, or are canceled, forfeited, exchanged, settled in cash or otherwise terminated, will again be available for future Awards under the 2012 LTIP.

### *Non-vested Stock Awards*

Subsequent to the completion of the Company's initial public offering and pursuant to the 2012 LTIP, through March 31, 2014, the Company had 4,019,225 non-vested shares of restricted common stock to directors, management and employees outstanding. Shares granted under the LTIP generally vest ratably over a period of three years (one-third on each anniversary of the grant); however, beginning in 2013, shares granted under the 2012 LTIP to directors are subject to one-year cliff vesting.

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The fair value of restricted stock grants is based on the value of the Company's common stock on the date of grant. Compensation expense is recognized ratably over the requisite service period.

The following table summarizes the Company's non-vested share award activity for the three months ended March 31, 2014:

	Shares	Weighted Average Grant Date Fair Value
<b>Non-vested shares outstanding at December 31, 2013</b>	<b>2,963,672</b>	<b>\$ 7.78</b>
Granted	2,461,205	\$ 4.66
Vested	(614,426)	\$ 7.42
Forfeited	(791,226)	\$ 7.92
<b>Non-vested shares outstanding at March 31, 2014</b>	<b>4,019,225</b>	<b>\$ 5.89</b>

Unrecognized expense, adjusted for estimated forfeitures, as of March 31, 2014 for all outstanding restricted stock awards was \$18.9 million and will be recognized over a weighted average period of 2.4 years.

At March 31, 2014, 1,602,064 shares remain available for issuance under the terms of the 2012 LTIP.

### **10. Income Taxes**

Prior to its corporate reorganization (See Note 1), the Company was a limited liability company and not subject to federal income tax or state income tax (in most states). Accordingly, no provision for federal or state income taxes was recorded prior to the corporate reorganization as the Company's equity holders were responsible for income tax on the Company's profits. In connection with the closing of the Company's initial public offering, the Company merged into a corporation and became subject to federal and state income taxes.

For the three months ended March 31, 2014, the Company's effective tax rate was a benefit of approximately 2.6%. The Company's effective tax rate for the first quarter of 2014 differs from the federal statutory rate of 35% due to state income taxes and the recording of \$29.7 million in additional valuation allowance in light of the impairment of oil and gas properties, for a total valuation allowance of \$75.4 million at March 31, 2014.

The Company expects to incur a tax loss in the current year (due principally to the estimated loss on sale of the Pine Prairie properties and the flexibility in deducting or expensing current year intangible drilling costs) and thus no current income taxes are anticipated to be paid. This tax loss is expected to result in additional net operating loss (NOL) carryforwards at year-end; however, a valuation allowance has been recorded as management does not believe that it is more-likely-than-not that the NOLs are realizable except to the extent of future taxable income primarily related to the excess of book carrying value of properties over their respective tax bases. No other sources of future taxable income are considered in this judgment.





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**11. Earnings (Loss) Per Share**

The Company's Series A Preferred Stock has the nonforfeitable right to participate on an as converted basis at the conversion rate then in effect in any common stock dividends declared and as such, is considered a participating security. The Company's nonvested stock awards, which are granted as part of the 2012 LTIP, contain nonforfeitable rights to dividends and as such, are considered to be participating securities and, together with the Series A Preferred Stock, are included in the computation of basic and diluted earnings (loss) per share, pursuant to the two-class method. In the calculation of basic earnings (loss) per share attributable to common shareholders, participating securities are allocated earnings based on actual dividend distributions received plus a proportionate share of undistributed net income attributable to common shareholders, if any, after recognizing distributed earnings. The Company's participating securities do not participate in undistributed net losses because they are not contractually obligated to do so.

The computation of diluted earnings per share attributable to common shareholders reflects the potential dilution that could occur if securities or other contracts to issue common shares that are dilutive were exercised or converted into common shares (or resulted in the issuance of common shares) and would then share in the earnings of the Company. During the periods in which the Company records a loss from continuing operations attributable to common shareholders, securities would not be dilutive to net loss per share and conversion into common shares is assumed to not occur. Diluted net income per share attributable to common shareholders is calculated under both the two-class method and the treasury stock method; the more dilutive of the two calculations is presented below.

The following table (in thousands, except per share amounts) provides a reconciliation of net losses to preferred shareholders, common shareholders, and non-vested restricted shareholders for purposes of computing net loss per share for the three months ended March 31, 2014:

	Total	Series A Preferred Stock	Common Stock	Non-vested Restricted Stock (2)
Net loss	\$ (83,645)	\$	\$ (83,645)	\$
Preferred Dividend (1)	(2,620)		(2,620)	
Calculated allocation of net income attributable to shareholders	\$ (86,265)	\$	\$ (86,265)	\$
<b>Weighted average shares outstanding</b>			<b>65,987</b>	
<b>Net loss per share</b>			<b>\$ (1.31)</b>	

(1) Calculation of the preferred stock dividend is discussed in Note 9.

(2) As these shares are participating securities that participate in earnings, but are not required to participate in losses, this calculation demonstrates that there is not an allocation of the loss to the non-vested restricted stockholders.

The following table (in thousands, except per share amounts) provides a reconciliation of net losses to preferred shareholders, common shareholders, and non-vested restricted shareholders for purposes of computing net loss per share for the three months ended March 31, 2013:

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	Total	Series A Preferred Stock	Common Stock	Non-vested Restricted Stock (2)
Net loss	\$ (7,949)	\$	\$ (7,949)	\$
Preferred Dividend (1)	(4,117)		(4,117)	
Calculated allocation of net loss attributable to shareholders	\$ (12,066)	\$	\$ (12,066)	\$
<b>Weighted average shares outstanding</b>			<b>65,634</b>	
<b>Net loss per share</b>			<b>\$ (0.18)</b>	

(1) Calculation of the preferred stock dividend is discussed in Note 9.

(2) As these shares are participating securities that participate in earnings, but are not required to participate in losses, this calculation demonstrates that there is not an allocation of the loss to the non-vested restricted stockholders.

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The aggregate number of common shares outstanding at March 31, 2014 was 70,341,865 of which 4,019,225 were non-vested restricted shares. The aggregate number of shares of Series A Preferred Stock outstanding at March 31, 2014 was 325,000, each with a liquidation preference of \$1,125 representing on an as-converted basis approximately 33,234,618 million common shares based upon a conversion price of \$11.00 per share, which have been excluded from the weighted average shares outstanding for EPS purposes for the three months ended March 31, 2014 due to their anti-dilutive effect.

**12. Commitments and Contingencies***Contractual Obligations*

At March 31, 2014, contractual obligations for drilling contracts, long-term operating leases and seismic contracts are as follows (in thousands):

	Total	2014	2015	2016	2017 and beyond
Drilling contracts	\$ 15,061	\$ 14,692	\$ 369	\$	\$
Non-cancellable office lease commitments	\$ 10,654	1,332	1,857	1,877	5,588
Seismic contracts	\$ 4,410	4,410			
<b>Net minimum commitments</b>	<b>\$ 30,125</b>	<b>\$ 20,434</b>	<b>\$ 2,226</b>	<b>\$ 1,877</b>	<b>\$ 5,588</b>

For the three months ended March 31, 2014 and 2013, the Company expensed \$0.5 million and \$0.4 million, respectively, for office rent.

In addition to the commitments noted in the above table, the Company is party to a gas transportation, gathering and processing contract (as amended and effective June 1, 2013) in the Mississippian Lime region, which includes certain minimum natural gas and NGL volume commitments. To the extent the Company does not deliver natural gas volumes in sufficient quantities to generate, when processed, the minimum levels of recovered NGLs, the Company would be required to reimburse the counterparty an amount equal to the sum of the monthly shortfall, if any, multiplied by a fee of roughly \$0.06 to \$0.125 per gallon (subject to annual escalation). The NGL volume commitments range from 2,800 Bbls to 5,460 Bbls per day over the remaining term of the contract. Additionally, the Company is obligated to deliver a total of 38,100,000 MMBtus and 76,200,000 MMBtus during the first 30 months and 60 months of the contract, respectively. During the first 30 months, any shortfall in delivered volumes would result in a payment to the counterparty equal to the shortfall amount multiplied by a fee of approximately \$0.36 per MMBtu. During the first 60 months, any shortfall in delivered volumes would result in a payment to the counterparty equal to the shortfall amount multiplied by a fee of approximately \$0.36 per MMBtu, provided that the Company would receive volumetric credit for any deficiency payment made after the initial 30 months. The Company is currently delivering at least the minimum volumes required under these contractual provisions and does not expect to incur any future volumetric shortfall payments during the term of this contract.

Commitments related to AROs are not included in the table above.

*Litigation*

We are involved in disputes or legal actions arising in the ordinary course of our business. We may not be able to predict the timing or outcome of these or future claims and proceedings with certainty, and an unfavorable resolution of one or more of such matters could have a material adverse effect on our financial condition, results of operations or cash flows. Currently, we are not party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our financial position, results of operations, or cash flows.

### **13. Subsequent Events**

On May 1, 2014, the Company closed on the sale of all of its ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana to a private buyer for a purchase price of \$170 million in cash, (\$147.5 million after standard post-closing adjustments and the assumption by the buyer of certain liabilities associated with the assets). The Company used \$131.0 million of the proceeds to reduce amounts outstanding under the revolving credit facility, with the remainder retained for transaction expenses and working capital purposes.

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Concurrent with the closing of the Pine Prairie Disposition, the Company also terminated the commitment to provide the Bridge Facility that was entered into on March 9, 2014 with SunTrust Bank, SunTrust Robinson Humphrey, Inc., Morgan Stanley Senior Funding, Inc., Bank of America N.A., Goldman Sachs Bank USA, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Natixis New York Branch and Royal Bank of Canada and paid commitment fees and expenses of \$2.3 million pursuant to the terms of the commitment letter.

With the completion of the Pine Prairie Disposition and pursuant to the Fifth Amendment, the borrowing base under the Company's Credit Facility was reduced to \$475 million and the leverage ratio covenant thereunder was amended to be (i) 5:00:1.00 for the quarter ending June 30, 2014, and (ii) 4.75:1.00 for the quarters ending September 30, 2014 and December 31, 2014. The leverage ratio decreases to 4.00:1.00 for each quarter thereafter.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2013, and the related management's discussion and analysis contained in our annual report on Form 10-K dated and filed with the Securities and Exchange Commission (SEC) on March 24, 2014, as well as the unaudited condensed consolidated financial statements and notes thereto included in this quarterly report on Form 10-Q.*

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Various statements contained in or incorporated by reference into this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, and the plans, beliefs, expectations, intentions and objectives of management are forward-looking statements. When used in this quarterly report, the words could, believe, anticipate, intend, estimate, expect, may, continue, predict, potential, project, and are intended to identify forward looking statements, although not all forward looking statements contain such identifying words. In particular, the factors discussed in this report on Form 10-Q and detailed in our annual report filed on Form 10-K dated and filed with the SEC on March 24, 2014, could affect our actual results and cause our actual results to differ materially from expectations, estimates, or assumptions expressed in, forecasted in, or implied in such forward-looking statements.

Forward-looking statements may include statements about our:

- business strategy;
- estimated future net reserves and present value thereof;
- technology;

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- cash flows and liquidity;
- financial strategy, budget, projections and operating results;
- oil and natural gas realized prices;
- timing and amount of future production of oil and natural gas;
- availability of drilling and production equipment;
- availability of oilfield labor;
- availability of third party natural gas gathering and processing capacity;
- the amount, nature and timing of capital expenditures, including future development costs;
- availability and terms of capital;
- drilling of wells, including our identified drilling locations;
- successful results from our identified drilling locations;
- marketing of oil and natural gas;
- the integration and benefits of asset and property acquisitions or the effects of asset and property acquisitions or dispositions on our cash position and levels of indebtedness;
- infrastructure for salt water disposal and electricity;
- sources of electricity utilized in operations and the related infrastructures;

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- costs of developing our properties and conducting other operations;
- general economic conditions;
- effectiveness of our risk management activities;
- environmental liabilities;
- counterparty credit risk;
- the outcome of pending and future litigation;
- governmental regulation and taxation of the oil and natural gas industry;
- developments in oil producing and natural gas producing countries;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this quarterly report that are not historical.

All forward-looking statements speak only as of the date of this quarterly report. You should not place undue reliance on these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this quarterly report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

**Overview**

We are an independent exploration and production company focused on the application of modern drilling and completion techniques to oil-prone resources. Our operations originally focused on the Upper Gulf Coast Tertiary trend onshore in Louisiana, which we refer to as our Gulf Coast operating area. We began operations in the Mississippian Lime trend in Oklahoma and Kansas with the October 1, 2012 closing of our acquisition ( Eagle Property Acquisition ) of interests in producing oil and natural gas assets, unevaluated leasehold acreage in Oklahoma and Kansas and related hedging instruments from Eagle Energy Production, LLC ( Eagle Energy ). On May 31, 2013, the Company closed on the acquisition of producing properties and undeveloped acreage in the Anadarko Basin in Texas and Oklahoma from Panther Energy Company, LLC and its partners for approximately \$618 million in cash (the Anadarko Basin Acquisition ), before customary post-closing adjustments. The Company funded the purchase price with a portion of the net proceeds from the private placement of \$700 million in aggregate principal amount of 9.25% senior unsecured notes due 2021 (the 2021 Senior Notes and, together with the 2020 Senior Notes, the Senior Notes ), which also closed on May 31, 2013. Subsequent to the closing of the Eagle Property Acquisition and the Anadarko Basin Acquisition, the Company has oil and gas operations and properties in Louisiana, Oklahoma and Texas.

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We were incorporated pursuant to the laws of the State of Delaware on October 25, 2011 to become a holding company for Midstates Petroleum Company LLC ( Midstates Sub ), a wholly-owned subsidiary of Midstates Petroleum Holdings LLC. Pursuant to the terms of a corporate reorganization that was completed immediately prior to the closing of our initial public offering on April 25, 2012, all of the interests in Midstates Petroleum Holdings LLC were exchanged for our newly issued common shares, and as a result, Midstates Petroleum Company LLC became our wholly-owned subsidiary and Midstates Petroleum Holdings LLC ceased to exist as a separate entity.

With the completion of our initial public offering, we became a publicly traded company. Our common stock is listed on the NYSE under the ticker symbol MPO. The terms Company, we, us, our, and similar terms, when used in the present tense, prospectively or for historical periods since April 25, 2012 refer to us and our subsidiary, and for historical periods prior to April 25, 2012, refer to Midstates Petroleum Holdings LLC and its subsidiary, unless the context indicates otherwise.

Our financial results depend upon many factors, but are largely driven by the volume of our oil and natural gas production and the price that we receive for that production. Our production volumes will decline as reserves are depleted unless we expend capital resources in successful development and exploration activities or acquire properties with existing production. The amount we realize for our production depends predominantly upon commodity prices and our related commodity price hedging activities, which are affected by changes in market demand and supply, as impacted by overall economic activity, weather, pipeline capacity, constraints, inventory storage levels, basis differentials, and other factors. Accordingly, finding and developing oil and natural gas reserves at economical costs is critical to our long-term success.

### *Pine Prairie Disposition*

On March 5, 2014, we executed a Purchase and Sale Agreement ( PSA ) to sell all of our ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana to a private buyer for a purchase price of \$170 million in cash, subject to standard post-closing adjustments. The PSA has an effective date of November 1, 2013. Acreage subject to the transaction totaled 3,907 gross (3,757 net) acres, and does not include acreage and production in the western part of Louisiana in Beauregard Parish or other undeveloped acreage held outside the Pine Prairie field. On May 1, 2014, we closed on the sale for estimated net proceeds of \$147.5 million, of which \$131.0 million was used to reduce amounts outstanding under our revolving credit facility, with the remainder retained for transaction expenses and working capital purposes.



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**Operations Update**

***Mississippian Lime***

At March 31, 2014 our Mississippian Lime assets consisted of approximately 81,500 net prospective acres in the Mississippian Lime trend, with 77,000 net acres in Woods and Alfalfa Counties of Oklahoma, which we currently believe is the core of the trend. We currently intend to develop these liquids rich properties using horizontal wells. We also own approximately 12,900 net acres in Lincoln County, Oklahoma, which produces from, and is prospective in, the Hunton formation.

At March 31, 2014, our properties in the Mississippian Lime (also including Hunton) area consisted of approximately 240 gross active producing wells, 92% of which we operate and in which we held an average working interest of 69%.

For the three months ended March 31, 2014 and December 31, 2013, our average daily production from the Mississippian Lime area was as follows:

	<b>Three Months Ended March 31, 2014</b>	<b>Three Months Ended December 31, 2013</b>	<b>Increase (Decrease) in Production</b>
<b>Average daily production:</b>			
Oil (Bbls)	6,081	6,325	-4%
Natural gas liquids (Bbls)	3,497	3,622	-3%
Natural gas (Mcf)	40,816	45,794	-11%
Net boe/day	16,381	17,579	-7%

Overall production decreased by 7% versus the fourth quarter of 2013. We experienced significant weather related production downtime and, as a result, brought fewer wells online than expected, all of which are planned to come online in the second quarter.

The following table shows our total number of horizontal wells spud and brought into production in the Mississippian Lime area during the first quarter of 2014:

	<b>Total Number of Gross Horizontal Wells Spud (1)</b>	<b>Total Number of Gross Horizontal Wells Brought into Production</b>
Mississippian Lime	18	11

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(1) We had five rigs drilling in the Mississippian Lime horizontal well program during the quarter. Of the 18 wells spud, three were producing, ten were awaiting completion and five were being drilled at quarter-end. In addition to the 11 horizontal wells brought online during the quarter, we also fracture stimulated and brought 17 open-hole wells online during the three months ended March 31, 2014.

In the first quarter of 2014, we invested approximately \$85.8 million on completions and drilling new wells. During the second quarter of 2014, we plan to increase to six rigs targeting the Mississippian Lime interval in this area and invest between approximately \$80 to \$85 million, drilling 21 to 24 new wells and completing wells drilled earlier in the year.

### *Anadarko Basin*

Our Anadarko Basin assets were acquired on May 31, 2013 and at March 31, 2014, consisted of approximately 119,700 net acres in the Anadarko Basin, of which 91,600 acres were located in Texas and 28,100 acres were located in western Oklahoma.

At March 31, 2014, our properties in the Anadarko Basin area consisted of approximately 340 gross active producing wells, 79% of which we operate and in which we held an average working interest of 80%.

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For the three months ended March 31, 2014 and December 31, 2013, our average daily production from our Anadarko Basin area was as follows:

	Three Months Ended March 31, 2014	Three Months Ended December 31, 2013	Increase (Decrease) in Production
<b>Average daily production:</b>			
Oil (Bbls)	4,343	3,940	10%
Natural gas liquids (Bbls)	1,693	1,816	-7%
Natural gas (Mcf)	14,040	16,190	-13%
Net boe/day	8,376	8,454	-1%

Overall production was relatively flat versus the fourth quarter of 2013, with only a slight decrease quarter over quarter. During the first quarter of 2014, we experienced significant production downtime due to severe winter weather in the area, which negatively impacted production volumes for the period.

The following table shows our total number of horizontal wells spud and brought into production in the Anadarko Basin area of operation during the first quarter of 2014:

	Total Number of Gross Horizontal Wells Spud (1)	Total Number of Gross Horizontal Wells Brought into Production
Anadarko Basin	15	13

(1) We had five rigs drilling in the Anadarko Basin area during the quarter. Of the 15 wells spud, three were producing, seven were awaiting completion and five were being drilled at quarter-end. We brought 13 wells online during the quarter, comprised of seven Cleveland wells, two Cottage Grove wells, three Marmaton wells and one Tonkawa well.

In the first quarter of 2014, we invested approximately \$46.4 million on completions and new drilling. During the second quarter of 2014 we plan to redirect one rig to our Mississippian Lime area in order to exploit the higher rates of return and higher average production currently being achieved in that region. Following the drilling plan of four rigs, we plan to spend approximately \$40 to \$45 million in the second quarter, drilling 12 to 14 new wells and completing wells drilled earlier in the year.

### ***Gulf Coast***

In our Gulf Coast region, our current acreage positions and evaluation efforts are concentrated in Louisiana in the Wilcox interval of the Upper Gulf Coast Tertiary trend. We have applied modern formation evaluation, drilling and completion techniques to the trend and our historical development operations in the Gulf Coast area focused on drilling vertical and horizontal wells and commingling production from multi-stage

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hydraulically-fractured completions across stacked oil-producing intervals. At March 31, 2014, we had accumulated approximately 78,785 net acres in the trend, including options to acquire an aggregate of approximately 24,194 targeted net acres.

At March 31, 2014, our properties in the Gulf Coast area consisted of approximately 171 gross active producing wells, 96% of which we operate and in which we held an average working interest of 96%.

For the three months ended March 31, 2014 and December 31, 2013, our average daily production from the Gulf Coast area was as follows:

	Three Months Ended March 31, 2014	Three Months Ended December 31, 2013	Increase (Decrease) in Production
<b>Average daily production:</b>			
Oil (Bbls)	2,993	3,375	-11%
Natural gas liquids (Bbls)	722	995	-27%
Natural gas (Mcf)	3,192	4,706	-32%
Net boe/day	4,247	5,154	-18%

Overall production decreased by 18% versus the fourth quarter of 2013, as we have devoted our capital to developing our Mississippian and Anadarko Basin assets; however, we plan to continue to evaluate our acreage as well as other potential exploration opportunities in the Gulf Coast area. For the quarter ended March 31, 2014, we invested approximately \$3.1 million in the Gulf Coast area.

No wells were spud or brought into production in our Gulf Coast area of operation during the first quarter of 2014.

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As discussed above, we closed on the sale of producing properties and undeveloped acreage in the Pine Prairie Field area of Evangeline Parish, Louisiana on May 1, 2014 for estimated net proceeds of \$147.5 million in cash, after post-closing adjustments. The sale has an effective date of November 1, 2013. Acreage subject to the transaction totaled 3,907 gross (3,757 net) acres, and does not include our acreage and production in the western part of Louisiana in Beauregard Parish or other undeveloped acreage held outside the Pine Prairie field. These assets contributed approximately 1,925 Boe per day to our 2014 first quarter production.

**Capital Expenditures**

During the three months ended March 31, 2014, we incurred capital expenditures of \$142.7 million, including capitalized interest, which consisted primarily of (in thousands):

	<b>For the Three Months Ended March 31, 2014 (in thousands)</b>	
Drilling and completion activities	\$	132,092
Acquisition of acreage and seismic data		3,152
Facilities and other		2,844
Capitalized interest		4,618
<b>Total capital expenditures incurred</b>	<b>\$</b>	<b>142,706</b>

Excluding capitalized interest and amounts spent on facilities and other, the following was incurred in the various areas (in thousands):

	<b>For the Three Months Ended March 31, 2014 (in thousands)</b>	
Mississippian Lime	\$	85,784
Anadarko Basin		46,360
Gulf Coast		3,100
<b>Total capital expenditures incurred</b>	<b>\$</b>	<b>135,244</b>

We expect to invest between \$500 million to \$550 million of capital for exploration, development and lease and seismic acquisition during the year ended December 31, 2014.

**Factors that Significantly Affect our Results**

Our revenue, profitability and future growth rate depend substantially on factors beyond our control, such as economic, political and regulatory developments, as well as competition from other sources of energy. Oil and natural gas prices historically have been volatile and may fluctuate widely in the future. Sustained periods of low prices for oil or natural gas could materially and adversely affect our financial position, our results of operations, our cash flows, the quantities of oil and natural gas reserves that we can economically produce and our access to capital.

We generally hedge a portion of our expected future oil and gas production to reduce our exposure to fluctuations in commodity price. By removing a portion of commodity price volatility, we expect to reduce some of the variability in our cash flow from operations. See Item 3. Quantitative and Qualitative Disclosures About Market Risk Commodity Price Exposure beginning on page 37 for discussion of our hedging and hedge positions.

Like all businesses engaged in the exploration and production of oil and natural gas, we face the challenge of natural production declines. As initial reservoir pressures are depleted, oil and natural gas production from any given well is expected to decline. As a result, oil and natural gas exploration and production companies deplete their asset base with each unit of oil or natural gas they produce. We attempt to overcome this natural production decline by developing additional reserves through our drilling operations, acquiring additional reserves and production and implementing secondary recovery techniques. Our future growth will depend on our ability to enhance production levels from our existing reserves and to continue to add reserves in excess of production. We will maintain our focus on the capital investments necessary to produce our reserves as well as to add to our reserves through drilling and acquisition. Our ability to make the necessary capital expenditures is dependent on cash flow from operations as well as our ability to obtain additional debt and equity financing. That ability can be limited by many factors, including the cost and terms of such capital and operational considerations.

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The volumes of oil and natural gas that we produce are driven by several factors, including:

- success in the drilling of new wells, including exploratory wells, and the recompletion of existing wells;
- the amount of capital we invest in the leasing and development of our oil and natural gas properties;
- facility or equipment availability and unexpected downtime;
- delays imposed by or resulting from compliance with regulatory requirements; and
- the rate at which production volumes on our wells naturally decline.

We follow the full cost method of accounting for our oil and gas properties. In the fourth quarter of 2013 and again in the first quarter of 2014, the results of our full cost ceiling test required us to recognize an impairment of our oil and gas properties. While these impairments did not impact cash flow from operating activities, they did reduce our earnings and shareholders' equity. We may be required to recognize additional impairments of oil and gas properties in future periods if we experience an extended period of low commodity prices, a downward adjustment to our estimated proved reserves or the present value of estimated future net revenues, or incur actual development costs in excess of those estimates utilized in preparing our reserve reports. Additionally, the expiration of unevaluated acreage leaseholds may increase the probability of future impairments, as the costs associated with the expiring leases would be immediately included in the full cost pool and become subject to the ceiling test limitation without any corresponding increase in reserves or future net revenues.

**Results of Operations**

The following tables summarize our revenue, production and price data for the periods indicated.

**Revenues**

	For the Three Months Ended March 31,			
	2014		2013	
	(in thousands)			
<b>REVENUES:</b>				
Oil sales	\$ 116,222	70%	\$ 72,218	80%
Natural gas liquid sales	25,519	15%	9,719	11%
Natural gas sales	25,385	15%	8,795	9%
<b>Total oil, natural gas, and natural gas liquids sales</b>	<b>167,126</b>	<b>100%</b>	<b>90,732</b>	<b>100%</b>
Realized losses on commodity derivative contracts, net	(14,810)	65%	(5,004)	25%
Unrealized losses on commodity derivative contracts, net	(7,863)	35%	(15,120)	75%
<b>Losses on commodity derivative contracts net</b>	<b>(22,673)</b>	<b>100%</b>	<b>(20,124)</b>	<b>100%</b>

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Other	209	414
<b>Total revenues</b>	<b>\$ 144,662</b>	<b>\$ 71,022</b>

*Production*

	<b>For the Three Months Ended March 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>PRODUCTION DATA:</b>			
Oil (MBbls)	1,208	714	69%
Natural gas liquids (MBbls)	532	277	92%
Natural gas (MMcf)	5,224	2,801	87%
Oil equivalents (MBoe)	2,610	1,459	79%
Oil (Boe/day)	13,417	7,939	69%
Natural gas liquids (Boe/day)	5,912	3,082	92%
Natural gas (Mcf/day)	58,048	31,126	86%
Average daily production (Boe/d)	29,004	16,208	79%

*Prices*

	<b>For the Three Months Ended March 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>% Change</b>
<b>AVERAGE SALES PRICES:</b>			
Oil, without realized derivatives (per Bbl)	\$ 96.25	\$ 101.08	-5%
Oil, with realized derivatives (per Bbl)	87.06	93.31	-7%
Natural gas liquids, without realized derivatives (per Bbl)	47.96	35.04	37%
Natural gas liquids, with realized derivatives (per Bbl)	47.79	36.31	32%
Natural gas, without realized derivatives (per Mcf)	4.86	3.14	55%
Natural gas, with realized derivatives (per Mcf)	4.16	3.21	30%



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Three Months Ended March 31, 2014 as Compared to the Three Months Ended March 31, 2013

*Oil, natural gas liquids and natural gas sales revenues*

Our oil, natural gas and NGLs sales revenues increased by \$76.4 million, or 84%, to \$167.1 million during the three months ended March 31, 2014, as compared to \$90.7 million during the three months ended March 31, 2013.

Our oil sales revenues increased by \$44.0 million, or 61%, to \$116.2 million during the three months ended March 31, 2014, as compared to \$72.2 million for the three months ended March 31, 2013. Oil volumes sold increased 5,478 Boe/day, or 69%, to 13,417 Boe/day for the three months ended March 31, 2014 from 7,939 Boe/day for the three months ended March 31, 2013. This increase in oil volumes sold was attributable to increased production quarter over quarter in the Mississippian Lime area of 2,659 Boe/day and the addition of 4,343 Boe/day of production volumes from our Anadarko Basin area (which consisted of properties acquired on May 31, 2013 in the Anadarko Basin Acquisition), partially offset by a decrease in volumes from our Gulf Coast region of 1,524 Boe/day primarily due to base production decline and reduced development drilling activity during the 2014 period. Average oil sales prices, without realized derivatives, decreased by \$4.83 per barrel to \$96.25 per barrel during the three months ended March 31, 2014 as compared to \$101.08 per barrel for the three months ended March 31, 2013, primarily due to lower oil prices received for our Mid-Continent production, which is priced off WTI as opposed to LLS for our Gulf Coast production.

Our NGL sales revenues increased by \$15.8 million, or 163%, to \$25.5 million during the three months ended March 31, 2014, as compared to \$9.7 million for the three months ended March 31, 2013. NGL volumes sold increased 2,830 Boe/day, or 92%, to 5,912 Boe/day for the three months ended March 31, 2014 from 3,082 Boe/day for the three months ended March 31, 2013. This increase in NGL volumes sold was attributable to the increased production quarter over quarter in the Mississippian Lime area of 1,392 Boe/day and the addition of 1,693 Boe/day of production volumes from our Anadarko Basin area, which consisted of properties acquired on May 31, 2013 (as described above), partially offset by a 255 Boe/day decrease in production from our Gulf Coast area. Average NGL sales prices, without realized derivatives, increased by \$12.92 per barrel, or 37%, to \$47.96 per barrel during the three months ended March 31, 2014 as compared to \$35.04 per barrel for the corresponding period in 2013.

Our natural gas sales revenues increased by \$16.6 million, or 189%, to \$25.4 million during the three months ended March 31, 2014, as compared to \$8.8 million for the three months ended March 31, 2013. Natural gas volumes sold increased 26,922 Mcf/day or 86%, to 58,048 Mcf/day for the three months ended March 31, 2014, from 31,126 Mcf/day for the three months ended March 31, 2013. This increase in natural gas volumes sold was attributable to increased production of 17,170 Mcf/day in the Mississippian Lime area and the addition of 14,040 Mcf/day of production volumes from our Anadarko area, which consisted of properties acquired on May 31, 2013 (as described above), partially offset by a decrease in production of 4,288 Mcf/day from our Gulf Coast area. Average natural gas sales prices, without realized derivatives, increased by \$1.72 per Mcf, or 55%, to \$4.86 per Mcf during the three months ended March 31, 2014 as compared to \$3.14 per Mcf for the three months ended March 31, 2013.

*Gains/losses on commodity derivative contracts - net*

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Our mark-to-market ( MTM ) derivative positions moved from an unrealized loss of \$15.1 million for the three months ended March 31, 2013 to an unrealized loss of \$7.9 million for the three months ended March 31, 2014. We entered into additional derivative contracts during the fourth quarter of 2013. The NYMEX WTI closing price on March 31, 2014 was \$101.58 per barrel compared to a closing price of \$97.23 per barrel on March 28, 2013 (the last day of trading for the period).

The realized loss on derivatives for the three months ended March 31, 2014 was \$14.8 million, compared to a realized loss of \$5.0 million for the three months ended March 31, 2013. The following table presents realized loss by type of commodity contract for the three months ended March 31, 2014:

	<b>For the Three Months Ended March 31, 2014</b>	
	<b>Realized Loss (in thousands)</b>	<b>Average Sales Price</b>
Oil commodity contracts	\$ (11,093)	\$ 87.06
NGL commodity contracts	(89)	47.79
Natural gas commodity contracts	(3,628)	4.16
<b>Realized losses on commodity derivative contracts, net</b>	<b>\$ (14,810)</b>	

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The table below presents a comparison of our expenses on an absolute dollar basis and a per Boe basis. Depending on the relevance, our discussion may reference expenses on an absolute dollar basis, a per Boe basis, or both.

	2014		Three Months Ended March 31,		2013	
	(in thousands)		2013	2014	(per Boe)	
<b>EXPENSES:</b>						
Lease operating and workover	\$	20,127	\$	13,871	\$	7.71
Gathering and transportation		2,855				1.09
Severance and other taxes		7,647		5,955		2.93
Asset retirement accretion		497		254		0.19
Depreciation, depletion, and amortization		66,901		41,976		25.63
Impairment of oil and gas properties		86,471				33.13
General and administrative		11,684		11,026		4.48
Acquisition and transaction costs		128				0.05
Other		330				0.13
<b>Total expenses</b>	<b>\$</b>	<b>196,640</b>	<b>\$</b>	<b>73,082</b>	<b>\$</b>	<b>75.34</b>
					<b>\$</b>	<b>50.09</b>

Three Months Ended March 31, 2014 as Compared to the Three Months Ended March 31, 2013*Lease operating and workover expenses*

Lease operating and workover expenses increased \$6.2 million, or 45%, to \$20.1 million for the three months ended March 31, 2014 compared to \$13.9 million for the three months ended March 31, 2013. Lease operating expenses increased \$8.1 million, or 72%, to \$19.3 million, for the three months ended March 31, 2014 as compared to \$11.2 million for the related period in 2013. Of this increase, approximately \$7.5 million relates to the Anadarko Basin area, which was acquired on May 31, 2013 (as described above), with the remaining difference primarily attributable to the increase in well count period over period. Workover expenses decreased \$1.9 million, or 70%, to \$0.8 million for the three months ended March 31, 2014 compared to \$2.7 million for the three months ended March 31, 2013. Lease operating and workover expenses decreased to \$7.71 per Boe for the three months ended March 31, 2014, a decrease of \$1.80, or 19%, over the corresponding period in 2013. This decrease was primarily attributable to increased production during the 2014 period, the realization of some of the expense benefits of investments to reduce salt water disposal costs in the Gulf Coast and Mississippian Lime area, and the migration from diesel fired electric generators to sourcing electricity from the local power grid in the Mississippian Lime area, most of which were implemented after the first quarter of 2013.

*Gathering and transportation*

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Gathering and transportation expenses were \$2.9 million for the three months ended March 31, 2014. These expenses are attributable to an amended gas transportation, gathering and processing contract, which commenced during the third quarter of 2013 in the Mississippian Lime that included a \$0.36 per Mmbtu gathering fee based upon wellhead volumes. As such, there is no comparable amount for the three months ended March 31, 2013.

### *Severance and other taxes*

	Three Months Ended March 31,	
	2014	2013
<b>Total oil, natural gas, and natural gas liquids sales</b>	<b>\$ 167,126</b>	<b>\$ 90,732</b>
Severance taxes	5,809	4,852
Ad valorem	1,838	1,103
<b>Severance and other taxes</b>	<b>\$ 7,647</b>	<b>\$ 5,955</b>
<b>Severance taxes as a percentage of sales</b>	<b>3.5%</b>	<b>5.3%</b>
<b>Severance and other taxes as a percentage of sales</b>	<b>4.6%</b>	<b>6.6%</b>

Severance and other taxes increased \$1.6 million, or 27%, to \$7.6 million for the three months ended March 31, 2014 compared to \$6.0 million for the three months ended March 31, 2013. Severance taxes increased \$0.9 million, or 18%, to \$5.8 million for the three months ended March 31, 2014, as compared to \$4.9 million for the three months ended March 31, 2013. Ad valorem taxes increased

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\$0.7 million, or 64%, to \$1.8 million for the three months ended March 31, 2014, as compared to \$1.1 million for the three months ended March 31, 2013, corresponding to a related increase in producing wells due to the Anadarko Basin acquisition discussed above and increased development drilling. Severance taxes as a percentage of sales changed from 5.3% for the three months ended March 31, 2013 to 3.5% for the corresponding 2014 period due to lower effective severance tax rates in our Mississippian Lime and Anadarko areas and lower production period-over-period in the relatively higher tax Gulf Coast region.

*Depreciation, depletion and amortization (DD&A)*

DD&A expense increased \$24.9 million, or 59%, to \$66.9 million for the three months ended March 31, 2014 compared to \$42.0 million for the three months ended March 31, 2013. The DD&A rate for the 2014 period was \$25.63 per Boe, compared to \$28.77 per Boe for the 2013 period. The decrease in DD&A rate was primarily due to the addition of reserves in the Anadarko Basin region on May 31, 2013 with the Anadarko Basin Acquisition, as well as overall growth in proved reserves. Overall DD&A expense increased due to higher production, partially offset by the lower DD&A rate discussed above.

*Impairment of oil and gas properties*

Our impairment of oil and gas properties pursuant to the full cost ceiling test was \$83.5 million, net of taxes, for the three months ended March 31, 2014. There was no impairment for the three months ended March 31, 2013.

The most significant factors affecting the impairment related to the transfer of unevaluated property costs to the full cost pool during the first quarter of 2014. During the three months ended March 31, 2014, we transferred \$21.4 million and \$38.1 million related to Mississippian Lime and Anadarko Basin areas, respectively, as we released acreage that did not present the best near term development potential, with the intent to cost effectively add back acreage if and when circumstances warrant.

*General and administrative (G&A)*

Our G&A expenses increased by \$0.7 million, or 6%, to \$11.7 million for the three months ended March 31, 2014, compared to \$11.0 million for the three months ended March 31, 2013. The increase is primarily attributable to additional employee related expenses (including salary, share-based compensation expense and bonus) resulting from an increase in headcount from 124 full time employees at March 31, 2013 to 209 full time employees at March 31, 2014.

*Acquisition and transaction costs*

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Our acquisition and transaction costs were \$0.1 million for the three months ended March 31, 2014, compared to no costs for the three months ended March 31, 2013. For the 2014 period, these costs represent our expenses related to the Pine Prairie Disposition discussed above.

### *Other*

Other operating expenses for the three months ended March 31, 2014 were \$0.3 million and represent the loss on disposal of field equipment inventory deemed no longer essential to operations.

### *Other Income (Expenses)*

	For the Three Months Ended March 31,	
	2014	2013
	(in thousands)	
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	\$ 10	\$ 5
Interest expense	(38,565)	(17,921)
Capitalized Interest	4,618	7,054
Interest expense net of amounts capitalized	(33,947)	(10,867)
<b>Total other income (expense)</b>	<b>\$ (33,937)</b>	<b>\$ (10,862)</b>

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Three Months Ended March 31, 2014 as Compared to the Three Months Ended March 31, 2013

*Interest expense*

Interest expense for the three months ended March 31, 2014 and 2013 was \$38.6 million and \$17.9 million, respectively. The increase in interest expense was primarily due to the issuance of the 2021 Senior Notes in May 2013 in connection with the Anadarko Basin Acquisition. Our average outstanding balance under the revolver was \$401.2 million during the three months ended March 31, 2014, compared to \$137.8 million for the three months ended March 31, 2013, and related to \$3.9 million of the total interest expense of \$38.6 million for 2014. Of the remainder, \$16.2 million was interest incurred under the 2021 Senior Notes, \$16.1 million was interest incurred under the 2020 Senior Notes and \$2.4 million represented amortization of deferred financing costs. Of the total interest expense for both periods, \$4.6 million and \$7.1 million was capitalized to oil and gas properties, resulting in \$33.9 million and \$10.9 million in interest expense, net of capitalized interest, for the three months ended March 31, 2014 and 2013, respectively.

*Provision for Income Taxes*

Three Months Ended March 31, 2014 as Compared to the Three Months Ended March 31, 2013

Our income tax benefit was \$2.3 million and \$5.0 million for the three months ended March 31, 2014 and 2013, respectively. For the three months ended March 31, 2014, the Company's effective tax rate was a benefit of approximately 2.6%. The Company's effective tax rate for the first quarter of 2014 differs from the federal statutory rate of 35% due to state income taxes and the recording of \$29.7 million of additional valuation allowance in light of the impairment of oil and gas properties during the period.

We expect to incur a tax loss in the current year (due principally to the estimated loss on sale of the Pine Prairie properties and the flexibility in deducting or expensing current year intangible drilling costs) and thus no current income taxes are anticipated to be paid. This tax loss is expected to result in additional net operating loss (NOL) carryforwards at year-end; however, a valuation allowance has been recorded as management does not believe that it is more-likely-than-not that the NOLs are realizable except to the extent of future taxable income primarily related to the excess of book carrying value of properties over their respective tax bases. No other sources of future taxable income are considered in this judgment.

**Liquidity and Capital Resources**

At March 31, 2014, our liquidity was \$113 million, consisting of \$99 million of available borrowing capacity under our revolving credit facility and \$15 million of cash and cash equivalents.

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Expenditures for exploration and development of oil and natural gas properties are the primary use of our capital resources. We expect to invest between \$500 million and \$550 million of capital for exploration, development and lease and seismic acquisition during the year ended December 31, 2014. Additionally, we expect to capitalize between \$16 million and \$22 million of interest expense during that same period. Our future success in growing proved reserves and production will be highly dependent on our ability to access additional outside sources of capital, via either the debt or equity markets, through growth in our reserve based credit facility or by securing other external sources of funding. As part of that process, on March 5, 2014, we executed a PSA to sell all of our ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana to a private buyer for a purchase price of \$170 million in cash, subject to standard post-closing adjustments. On May 1, 2014, we closed on the sale for estimated net proceeds of \$147.5 million, of which \$131 million was used to reduce amounts outstanding under our revolving credit facility, with the remainder retained for transaction expenses and working capital purposes.

We believe that the proceeds from the sale of Pine Prairie discussed above, together with expected cash flow from operations and borrowings available under our amended Credit Facility, will be sufficient to fund our capital spending plans through 2015. We plan to continue pursuing additional strategic options that would improve our financial flexibility and provide additional long-term liquidity, including the sale of our remaining Gulf Coast producing assets, other non-core asset sales and possible joint-ventures or farm-outs on our properties. Discussions are in various states of progress with a variety of interested third parties regarding assets sales or potential joint-ventures, but we are currently unable to predict the timing of any transaction and no assurance can be given that we will reach any agreement with a potential counterparty.

Though we have no current plans to do so, we may from time to time seek to retire, purchase or exchange our outstanding debt in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### *Significant Sources of Capital*

#### *Reserve-based Credit Facility*

As of March 31, 2014, our credit facility consisted of a \$750 million senior revolving credit facility (the Credit Facility ) with a borrowing base of \$500 million, as recently reaffirmed on March 28, 2014, subject to the provisions discussed below. Borrowings thereunder are secured by substantially all of our oil and natural gas properties. At March 31, 2014 and 2013, the weighted average interest rate was 2.7% and 2.4%, respectively.



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In addition to interest expense, the Credit Facility requires the payment of a commitment fee each quarter. The commitment fee is computed at the rate of either 0.375% or 0.50% per annum based on the average daily amount by which the borrowing base exceeds the outstanding borrowings during each quarter.

The borrowing base under the Credit Facility is subject to semiannual redeterminations in April and October and up to one additional time per six month period following each scheduled borrowing base redetermination, as may be requested by us or the administrative agent, acting on behalf of lenders holding at least two thirds of the outstanding loans and other obligations.

Under the terms of the Credit Facility, we are required to repay the amount by which the principal balance of its outstanding loans and its letter of credit obligations exceed its redetermined borrowing base. We are permitted to make such repayment in six equal successive monthly payments commencing 30 days following the administrative agent's notice regarding such borrowing base reduction.

On March 28, 2014, we entered into a Fifth Amendment to the existing Credit Facility between us, as parent, Midstates Sub, as the borrower, SunTrust Bank, as administrative agent, and the other lenders and parties thereto (the Fifth Amendment).

The Fifth Amendment amended the Credit Facility to (i) permit Midstates Sub to enter into the \$125 million Senior Secured Bridge Facility ( Bridge Facility ) secured by our Gulf Coast Assets and intended to provide us with additional sources of liquidity in the event the sale of our Pine Prairie assets was delayed for any reason, (ii) affirm the current borrowing base thereunder of \$500 million, and (iii) provide for a decrease of the borrowing base to \$475 million upon, among other things, the closing of the sale of Midstates Sub's ownership interest in developed and undeveloped acreage in the Pine Prairie field area of Evangeline Parish, Louisiana for consideration equal to or greater than \$100 million ( Pine Prairie Disposition ) or the entry into the Bridge Facility. Additionally, the Fifth Amendment amended certain provisions of the Credit Facility to, among other things, (i) subject to certain events, including the closing of the Pine Prairie Disposition, release Midstates Sub's Louisiana assets from liens securing the Credit Facility, (ii) increase the applicable margin for LIBOR Loans from a range of 1.75% to 2.75% depending on borrowing base utilization to a range of 2.00% to 3.00%, with corresponding changes to the applicable margin for base rate loans, (iii) amend the leverage ratio to be (A) 4.75:1.00 for the quarter ending March 31, 2014, (B) 4.50:1.00 for the quarter ending June 30, 2014, (C) 4.25:1.00 for the quarters ending September 30, 2014 and December 31, 2014 and (D) 4.00:1.00 for each quarter thereafter; provided that the leverage ratio shall be increased by 0.50 for the quarter of, and the two quarters following, the consummation of the Pine Prairie Disposition and (iv) allow for the Bridge Facility to be secured by a second lien on the Midstates Sub's Mississippian Lime and Anadarko Basin assets. As consideration for the participating lenders' consent to the Fifth Amendment, Midstates Sub paid a 0.10% amendment fee on the \$475 million borrowing base.

On May 1, 2014, we completed the Pine Prairie Disposition and terminated the Bridge Facility commitment.

With the completion of the Pine Prairie Disposition and pursuant to the Fifth Amendment, the borrowing base under the Company's Credit Facility was reduced to \$475 million and the leverage ratio thereunder was amended to be (i) 5:00:1.00 for the quarter ending June 30, 2014, and (ii) 4.75:1.00 for the quarters ending September 30, 2014 and December 31, 2014. The leverage ratio decreases to 4.00:1.00 for each quarter thereafter.

As of March 31, 2014, we were in compliance with the minimum current ratio and the ratio of debt to EBITDA covenants as set forth in the Credit Facility. Our current ratio at March 31, 2014 was 1.0 to 1.0. At March 31, 2014, our ratio of debt to EBITDA was 4.1 to 1.0. At

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March 31, 2014, outstanding letters of credit obligations total \$0.2 million.

### *2020 Senior Notes*

On October 1, 2012, we issued \$600 million in aggregate principal amount of 10.75% senior notes due 2020 (the "2020 Outstanding Notes") in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act"). On October 29, 2013, substantially all of the 2020 Outstanding Notes were exchanged for an equal principal amount of registered 10.75% senior subordinated notes due 2020 pursuant to an effective registration statement on Form S-4 filed on August 30, 2013 under the Securities Act (the "2020 Exchange Notes"). The 2020 Exchange Notes are identical to the 2020 Outstanding Notes except that the 2020 Exchange Notes are registered under the Securities Act and do not have restrictions on transfer, registration rights or provisions for additional interest. As used in this Form 10-Q, the term "2020 Senior Notes" refers to both the 2020 Outstanding Notes and the 2020 Exchange Notes. The 2020 Senior Notes were co-issued on a joint and several basis by us and our wholly owned subsidiary, Midstates Sub. We do not have any operations or independent assets other than its 100% ownership interest in Midstates Sub and we have no other subsidiaries. The 2020 Senior Notes Indenture does not create any restricted assets within Midstates Sub, nor does it impose any significant restrictions on the ability of Midstates Sub to pay dividends or make loans to us or limit our ability to advance loans to Midstates Sub.

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At any time prior to October 1, 2015, we may, under certain circumstances, redeem up to 35% of the aggregate principal amount of the 2020 Senior Notes with the net proceeds of a public or private equity offering at a redemption price of 110.75% of the principal amount of the 2020 Senior Notes, plus any accrued and unpaid interest up to the redemption date. In addition, at any time before October 1, 2016, we may redeem all or a part of the 2020 Senior Notes at a redemption price equal to 100% of the principal amount of 2020 Senior Notes redeemed plus the Applicable Premium (as defined in the Indenture) at the redemption date, plus any accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, up to, the redemption date. On or after October 1, 2016, we may redeem all or a part of the 2020 Senior Notes at varying redemption prices (expressed as percentages of principal amount) set forth in the Indenture plus accrued and unpaid interest and Additional Interest (as defined in the Indenture), if any, on the 2020 Senior Notes redeemed, up to, the redemption date.

The Indenture contains covenants that, among other things, restrict our ability to: (i) incur additional indebtedness, guarantee indebtedness or issue certain preferred shares; (ii) make loans, investments and other restricted payments; (iii) pay dividends on or make other distributions in respect of, or repurchase or redeem, capital stock; (iv) create or incur certain liens; (v) sell, transfer or otherwise dispose of certain assets; (vi) enter into certain types of transactions with our affiliates; (vii) consolidate, merge or sell substantially all of our assets; (viii) prepay, redeem or repurchase certain debt; (ix) alter the business we conduct and (x) enter into agreements restricting the ability of our current and any future subsidiaries to pay dividends.

Upon the occurrence of certain change of control events, as defined in the Indenture, each holder of the 2020 Senior Notes will have the right to require that we repurchase all or a portion of such holder's 2020 Senior Notes in cash at a purchase price equal to 101% of the aggregate principal amount thereof plus any accrued and unpaid interest to the date of repurchase.

*2021 Senior Notes*

On May 31, 2013, we issued \$700 million in aggregate principal amount of 9.25% senior notes due 2021 (the 2021 Outstanding Notes) in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act. On October 29, 2013, all of the 2021 Outstanding Notes were exchanged for an equal principal amount of registered 9.25% senior subordinated notes due 2021 pursuant to an effective registration statement on Form S-4 filed on August 30, 2013 under the Securities Act (the 2021 Exchange Notes). The 2021 Exchange Notes are identical to the 2021 Outstanding Notes except that the 2021 Exchange Notes are registered under the Securities Act and do not have restrictions on transfer, registration rights or provisions for additional interest. As used in this Form 10-Q, the term 2021 Senior Notes refers to both the 2021 Outstanding Notes and the 2021 Exchange Notes. The proceeds from the offering of \$700 million (net of the initial purchasers discount and related offering expenses) were used to fund the Anadarko Basin Acquisition and the related expenses, to pay the expenses related to an amendment to the Company's revolving credit facility, to repay \$34.3 million in outstanding borrowings under our Credit Facility, and for general corporate purposes.

The 2021 Senior Notes rank pari passu in right of payment with the 2020 Senior Notes.

The 2021 Senior Notes were co issued on a joint and several basis by us and our wholly owned subsidiary, Midstates Sub. The 2021 Senior Notes indenture does not create any restricted assets within Midstates Sub, nor does it impose any significant restrictions on the ability of Midstates Sub to pay dividends or make loans to us or limit our ability to advance loans to Midstates Sub.

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On or prior to May 31, 2014, we may redeem up to \$100.0 million of aggregate principal amount of the 2021 Senior Notes with the net cash proceeds from any Equity Offerings (as such term is defined in the 2021 Senior Notes Indenture) at a redemption price equal to 103% of the principal amount plus accrued and unpaid interest.

Prior to June 1, 2016, we may, under certain circumstances, redeem up to 35% of the aggregate principal amount of the 2021 Senior Notes (less the amount of 2021 Senior Notes redeemed pursuant to the preceding paragraph) with the net proceeds of any Equity Offerings at a redemption price of 109.25% of the principal amount of the 2021 Senior Notes redeemed, plus any accrued and unpaid interest, if any, up to the redemption date. In addition, at any time before June 1, 2016, we may redeem all or a part of the 2021 Senior Notes at a redemption price equal to 100% of the principal amount of the 2021 Senior Notes redeemed plus the Applicable Premium (as defined in the Indenture) at the redemption date, plus any accrued and unpaid interest and Additional Interest (as defined in the 2021 Senior Notes Indenture), if any, up to, the redemption date. On or after October 1, 2016, we may redeem all or a part of the 2021 Senior Notes at varying redemption prices (expressed as percentages of principal amount) set forth in the 2021 Senior Notes Indenture plus accrued and unpaid interest and Additional Interest (as defined in the 2021 Senior Notes Indenture), if any, on the 2021 Senior Notes redeemed, up to, the redemption date.

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The terms of the covenants and change in control provisions in the 2021 Senior Notes Indenture are substantially identical to those of the 2020 Senior Notes discussed above.

***Cash Flows from Operating, Investing and Financing Activities***

The following table summarizes our consolidated cash flows from operating, investing and financing activities for the periods presented. For information regarding the individual components of our cash flow amounts, please refer to the Unaudited Condensed Consolidated Statements of Cash Flows included under Item 1 of this quarterly report.

Our operating cash flows are sensitive to a number of variables, the most significant of which is the volatility of oil and gas prices. Regional and worldwide economic activity, weather, infrastructure capacity to reach markets and other variable factors significantly impact the prices of these commodities. These factors are beyond our control and are difficult to predict. For additional information on the impact of changing prices on our financial position, see Item 3. Quantitative and Qualitative Disclosures About Market Risk beginning on page 37.

The following information highlights the significant period-to-period variances in our cash flow amounts (table in thousands):

	<b>For the Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Net cash provided by operating activities	\$ 97,432	\$ 62,203
Net cash used in investing activities	(114,803)	(132,538)
Net cash (used in) provided by financing activities	(1,144)	102,082
<b>Net change in cash</b>	<b>\$ (18,515)</b>	<b>\$ 31,747</b>

*Cash flows provided by operating activities*

Net cash provided by operating activities was \$97.4 million and \$62.2 million for the three months ended March 31, 2014 and 2013, respectively. The increase in net cash provided by operating activities was primarily the result of an increase in oil and natural gas revenues and favorable working capital changes, partially offset by lower realized oil prices.

*Cash flows used in investing activities*

Net cash used in investing activities was \$114.8 million and \$132.5 million during the three months ended March 31, 2014 and 2013, respectively.

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### Cash flows (used in) provided by financing activities

Net cash used in financing activities was \$1.1 million for the three months ended March 31, 2014, compared to \$102.1 million provided by financing activities for the three months ended March 31, 2013. During the first quarter of 2013, cash was sourced through our revolving credit facility, with draws of \$102.5 million, during the period. During the first quarter of 2014, there were no draws on the revolving credit facility.

### **Critical Accounting Policies and Estimates**

A discussion of our critical accounting policies and estimates is included in our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no material changes to those policies.

When used in the preparation of our unaudited condensed consolidated financial statements, estimates are based on our current knowledge and understanding of the underlying facts and circumstances and may be revised as a result of actions we take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our condensed consolidated financial position, results of operations and cash flows.

### **Other Items**

### ***Contractual Obligations***

The following table summarizes our contractual obligations as of March 31, 2014 (in thousands):

	Total	Payments Due by Period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
Revolving credit facility (1)	\$ 401,150	\$	\$	\$ 401,150	\$
2020 Senior Notes (2)	\$ 1,019,250	64,500	193,500	129,000	632,250
2021 Senior Notes (2)	\$ 1,169,438	64,750	194,250	129,500	780,938
Drilling contracts (3)	\$ 15,061	15,061			
Non-cancellable office lease commitments (3)	\$ 10,654	1,796	5,705	2,186	967
Seismic contracts (3)	\$ 4,410	4,410			
Asset retirement obligations (4)	\$ 27,184				27,184
<b>Net minimum commitments</b>	<b>\$ 2,647,147</b>	<b>\$ 150,517</b>	<b>\$ 393,455</b>	<b>\$ 661,836</b>	<b>\$ 1,441,339</b>

(1) Amount excludes interest on our revolving credit facility as both the amount borrowed and applicable interest rates are variable. As of March 31, 2014, we had \$401.2 million of indebtedness outstanding under our revolving credit facility. See Note 8 to our unaudited condensed consolidated financial statements.

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- (2) Amount includes approximately \$64.5 million and \$64.8 million of interest per year for our 2020 Senior Notes and 2021 Senior Notes, respectively; see Note 8 to our unaudited condensed consolidated financial statements.
- (3) See Note 12 to our unaudited condensed consolidated financial statements for a description of drilling contract, operating lease and seismic contract obligations.
- (4) Amounts represent our estimate of future asset retirement obligations on a discounted basis. Because these costs typically extend many years into the future, estimating these future costs requires management to make estimates and judgments that are subject to future revisions based upon numerous factors, including the rate of inflation, changing technology and the political and regulatory environments.

### *Off-Balance Sheet Arrangements*

We do not currently have any off-balance sheet arrangements.

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***Recent Accounting Pronouncements***

We reviewed recently issued accounting pronouncements that became effective during the three months ended March 31, 2014, and determined that none would have a material impact on our condensed consolidated financial statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to a variety of market risks including commodity price risk, interest rate risk and counterparty and customer risk. We address these risks through a program of risk management including the use of derivative instruments.

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The disclosures are not meant to be precise indicators of expected future losses or gains, but rather indicators of reasonably possible losses or gains. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures. All of our market risk sensitive instruments were entered into for purposes other than speculative trading. These derivative instruments are discussed in Item 1. Financial Statements Notes to Unaudited Condensed Consolidated Financial Statements Note 4. Risk Management and Derivative Instruments.

**Commodity Price Exposure.** We are exposed to market risk as the prices of oil and natural gas fluctuate due to changes in supply and demand. To partially reduce price risk caused by these market fluctuations, we have hedged in the past and expect to hedge a significant portion of our future production.

We utilize derivative financial instruments to manage risks related to changes in oil prices. As of March 31, 2014, we utilized fixed price swaps, collars and basis differential swaps to reduce the volatility of oil prices on a portion of our future expected oil production.

For derivative instruments recorded at fair value, the credit standing of our counterparties is analyzed and factored into the fair value amounts recognized on the balance sheet.

The following is a summary of our commodity derivative contracts as of March 31, 2014:

	<b>Hedged Volume</b>	<b>Weighted-Average Fixed Price</b>
<b>Oil (Bbls):</b>		
WTI Swaps 2014	3,274,950	\$ 88.85



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WTI Swaps	2015	1,820,000			\$ 86.55
WTI Collars	2014	123,000	\$	88.27 -	\$ 97.91
WTI to LLS Basis Differential Swaps	2014 (1)	366,000			\$ 5.35
<b>NGL (Bbls):</b>					
NGL Swaps	2014	81,000			\$ 61.86
<b>Natural Gas (MMBtu):</b>					
Swaps	2014 (2)	13,475,000			\$ 4.17
Swaps	2015	18,250,000			\$ 4.13
Collars	2014 (3)	1,188,003	\$	3.96 -	\$ 5.06

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(1) The Company enters into swap arrangements intended to fix the differential between the Louisiana Light Sweet ( LLS ) pricing and the West Texas Intermediate ( NYMEX WTI ) pricing.

(2) Includes 1,470,000 MMBtus in natural gas swaps that priced during the period, but had not cash settled as of March 31, 2014.

(3) Includes 64,667 MMBtus that priced during the period, but had not cash settled as of March 31, 2014.

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	<b>For the Three Months Ended March 31, 2014</b>	
	<b>(in thousands)</b>	
Derivative fair value at period end - liability (included in balance sheet)	\$	(38,675)
Realized net loss (included in the statement of operations)	\$	(14,810)
Unrealized net loss (included in the statement of operations)	\$	(7,863)

At March 31, 2014 and December 31, 2013, all of our commodity derivative contracts were with seven bank counterparties. Our policy is to net derivative liabilities and assets where there is a legally enforceable master netting agreement with the counterparty.

**Interest Rate Risk.** At March 31, 2014, we had indebtedness outstanding under our credit facility of \$401.2 million, which bore interest at floating rates, we had \$600 million outstanding in 2020 Senior Notes (placed October 1, 2012), which bore interest at 10.75%, and we had \$700 million outstanding in 2021 Senior Notes (placed May 31, 2013), which bore interest at 9.25%. The average annual interest rate incurred on the credit facility for the three months ended March 31, 2014 and 2013 was 2.7% and 2.4%, respectively.

A 1.0% increase in each of the average LIBOR and federal funds rate for the three months ended March 31, 2014 and 2013 would have resulted in an estimated \$1.0 million and \$0.3 million, respectively, increase in interest expense, of which a portion may be capitalized.

We may utilize interest rate derivatives to alter interest rate exposure in an attempt to reduce interest rate expense related to existing debt issues. Interest rate derivatives are used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio. At March 31, 2014, we do not have any interest rate derivatives in place. In the future, we may utilize interest rate derivatives to mitigate our exposure to change in interest rates. Interest rate derivatives are used solely to modify interest rate exposure and not to modify the overall leverage of the debt portfolio.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

During the period covered by this report, our management carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Interim President and Chief Executive Officer and our Senior Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2014, these disclosure controls and procedures were not effective and did not ensure that the information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported on a timely basis, due to the existence of a material weakness identified as of December 31, 2013 as discussed below.

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During the fourth quarter of 2013, management performed a comprehensive assessment of the design and operating effectiveness of internal control over financial reporting. In performing the assessment, management concluded that a material weakness existed in the Company's internal controls over the preparation of oil and gas reserve estimates. Specifically, controls were not operating effectively over the validation of the accuracy and completeness of certain source data provided to the independent third party reserve engineers, or the performance of adequate management review of the independent third party reserves report to determine if reserves estimates were complete and consistent with management's capital spending plans. These control deficiencies resulted in errors that, if not corrected, would have resulted in the misstatement of disclosures related to the value of oil and gas properties and associated reserves estimates, which impacts our calculation of depletion of the cost of our oil and gas properties and the amount of our impairment of oil and gas properties, and the standardized measures of oil and gas.

### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting except that we are in the process of implementing management's plan for remediation of our material weakness over the preparation of oil and gas reserve estimates, as outlined in Item 9A of our Annual Report on Form 10-K. However, our remediation efforts are not yet complete and therefore, management has concluded that a material weakness continues to exist in our internal controls over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

See Part I, Item 1, Note 12 to our unaudited condensed consolidated financial statements entitled "Commitments and Contingencies," which is incorporated in this item by reference.

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**Item 1A. Risk Factors**

Our business faces many risks. Any of the risks discussed in this Form 10-Q and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

Risk factors relating to us are contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2013. No material change to such risk factors has occurred during the three months ended March 31, 2014.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

None.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

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Exhibits included in this Report are listed in the Exhibit Index and incorporated herein by reference.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MIDSTATES PETROLEUM COMPANY, INC.**

Dated: May 9, 2014

/s/ Dr. Peter J. Hill  
Dr. Peter J. Hill  
Interim President and Chief Executive Officer  
(Principal Executive Officer)

Dated: May 9, 2014

/s/ Nelson M. Haight  
Nelson M. Haight  
Senior Vice President and Chief Financial Officer  
(Principal Financial and Accounting Officer)

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**EXHIBIT INDEX**

2.1	Master Reorganization Agreement, dated April 24, 2012, by and among the Company and certain of its affiliates, certain members of the Company's management and certain affiliates of First Reserve Corporation (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 25, 2012, and incorporated herein by reference).
2.2	Purchase and Sale Agreement, dated as of April 3, 2013, by and among Midstates Petroleum Company LLC, Panther Energy Company, LLC, Red Willow Mid-Continent, LLC and Linn Energy Holdings, LLC (filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed on April 4, 2013, and incorporated herein by reference).
2.3	Purchase and Sale Agreement, dated as of March 5, 2014, by and among Midstates Petroleum Company LLC and Tana Exploration Company LLC (filed as Exhibit 2.1 to the Company's Form 8-K filed on March 11, 2014 and incorporated herein by reference).
3.1	Amended and Restated Certificate of Incorporation of Midstates Petroleum Company, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 25, 2012, and incorporated herein by reference).
3.2	Amended and Restated Bylaws of Midstates Petroleum Company, Inc. (filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed on April 25, 2012, and incorporated herein by reference).
3.3	Certificate of Designations of Series A Mandatorily Convertible Preferred Stock of Midstates Petroleum Company, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 2, 2012, and incorporated herein by reference).
4.1	Specimen Common Stock Certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1/A on February 29, 2012, and incorporated herein by reference).
4.2	Indenture, dated October 1, 2012, by and among the Company, Midstates Petroleum Company LLC and Wells Fargo Bank, National Association, as trustee, governing the 10.75% senior notes due 2020 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 2, 2012, and incorporated herein by reference).
4.3	Registration Rights Agreement, dated October 1, 2012, by and among the Company, Midstates Petroleum Company LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative of the several initial purchasers named therein, relating to the 10.75% senior notes due 2020 (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 2, 2012, and incorporated herein by reference).
4.4	Registration Rights Agreement, dated October 1, 2012, by and among the Company, Eagle Energy Production, LLC, FR Midstates Interholding, LP and certain other of the Company's stockholders (filed as Exhibit 4.3 to the Company's Current Report on Form 8-K filed on October 2, 2012, and incorporated herein by reference).
4.5	Indenture, dated May 31, 2013, by and among the Midstates Petroleum Company, Inc., Midstates Petroleum Company LLC and the Well Fargo Bank, National Association, as trustee, governing the 9.25% senior notes due 2021 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 3, 2013, and incorporated herein by reference).
4.6	Registration Rights Agreement, dated May 31, 2013, by and among the Midstates Petroleum Company, Inc., Midstates Petroleum Company LLC and Morgan Stanley & Co. LLC and SunTrust Robinson Humphrey, Inc., as representatives of the several initial purchasers named therein, relating to the 9.25% senior notes due 2021 (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on June 3, 2013, and incorporated herein by reference).
10.1	Separation Agreement and General Release of Claims, dated March 19, 2014, between Midstates Petroleum Company, Inc. and John A. Crum (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 20, 2014 and incorporated herein by reference).
31.1*	Sarbanes-Oxley Section 302 certification of Principal Executive Officer.
31.2*	Sarbanes-Oxley Section 302 certification of Principal Financial Officer.
32.1**	Sarbanes-Oxley Section 906 certification of Principal Executive Officer and Principal Financial Officer
101.INS	XBRL Instance Document.
101.SCH	XBRL Schema Document.
101.CAL	XBRL Calculation Linkbase Document.
101.DEF	XBRL Definition Linkbase Document.
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document.

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\* Filed herewith  
 \*\* Furnished herewith  
 \*\*\* Management contract or compensatory plan or arrangement

