

LRR Energy, L.P.
Form 10-Q
August 06, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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: 001-35344

LRR Energy, L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

90-0708431

(I.R.S. Employer
Identification No.)

Heritage Plaza

1111 Bagby, Suite 4600

Houston, Texas

(Address of principal executive offices)

77002

(Zip code)

Telephone Number: **(713) 292-9510**

(Registrant's telephone number, including area code)

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

There were 22,969,599 Common Units, 4,480,000 Subordinated Units and 22,400 General Partner Units outstanding as of July 31, 2014. The Common Units trade on the New York Stock Exchange under the ticker symbol LRE .

Table of Contents

LRR Energy, L.P.

TABLE OF CONTENTS

Caption	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	
<u>Financial Statements.</u>	
<u>Unaudited Consolidated Condensed Balance Sheets as of June 30, 2014 and December 31, 2013</u>	1
<u>Unaudited Consolidated Condensed Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013</u>	2
<u>Unaudited Consolidated Condensed Statement of Changes in Unitholders' Equity as of June 30, 2014</u>	3
<u>Unaudited Consolidated Condensed Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	4
<u>Notes to Unaudited Consolidated Condensed Financial Statements</u>	5
<u>Item 2.</u>	
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	16
<u>Item 3.</u>	
<u>Quantitative and Qualitative Disclosures About Market Risk.</u>	27
<u>Item 4.</u>	
<u>Controls and Procedures.</u>	27
<u>PART II OTHER INFORMATION</u>	
<u>Item 1.</u>	
<u>Legal Proceedings.</u>	28
<u>Item 1A.</u>	
<u>Risk Factors.</u>	28
<u>Item 2.</u>	
<u>Unregistered Sales of Equity Securities and Use of Proceeds.</u>	28
<u>Item 3.</u>	
<u>Defaults Upon Senior Securities.</u>	28
<u>Item 4.</u>	
<u>Mine Safety Disclosures.</u>	28
<u>Item 5.</u>	
<u>Other Information.</u>	28
<u>Item 6.</u>	
<u>Exhibits.</u>	28
<u>Signatures.</u>	30

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****LRR Energy, L.P.****Consolidated Condensed Balance Sheets****(Unaudited)****(in thousands, except unit amounts)**

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,871	\$ 4,417
Accounts receivable	9,792	9,867
Commodity derivative instruments	8,022	9,726
Due from affiliates	5,737	
Prepaid expenses	1,717	1,603
Total current assets	28,139	25,613
Property and equipment (successful efforts method)	895,352	876,674
Accumulated depletion, depreciation and impairment	(449,054)	(431,837)
Total property and equipment, net	446,298	444,837
Commodity derivative instruments	5,569	16,746
Deferred financing costs, net of accumulated amortization and other	1,039	1,154
TOTAL ASSETS	\$ 481,045	\$ 488,350
LIABILITIES AND UNITHOLDERS EQUITY		
Current liabilities:		
Accrued liabilities	\$ 4,797	\$ 2,300
Accrued capital cost	4,115	2,574
Due to affiliates		255
Commodity derivative instruments	5,783	2,217
Interest rate derivative instruments	1,304	648
Asset retirement obligations	503	488
Total current liabilities	16,502	8,482
Long-term liabilities:		
Commodity derivative instruments	3,643	174
Interest rate derivative instruments	1,915	1,554
Term loan	50,000	50,000
Revolving credit facility	195,000	200,000
Asset retirement obligations	36,933	35,838
Deferred tax liabilities	83	44
Total long-term liabilities	287,574	287,610
Total liabilities	304,076	296,092
Unitholders equity:		
General partner (22,400 units issued and outstanding as of June 30, 2014 and December 31, 2013)	277	303

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Public common unitholders (18,584,790 units issued and outstanding as of June 30, 2014 and 17,710,334 units issued and outstanding as of December 31, 2013)	175,920	181,290
Affiliated common unitholders (4,089,600 units issued and outstanding as of June 30, 2014 and 1,849,600 issued and outstanding as of December 31, 2013)	216	2,093
Subordinated unitholders (4,480,000 units issued and outstanding as of June 30, 2014 and 6,720,000 units issued and outstanding as of December 31, 2013)	556	8,572
Total unitholders' equity	176,969	192,258
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY	\$ 481,045	\$ 488,350

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents**LRR Energy, L.P.****Consolidated Condensed Statements of Operations****(Unaudited)****(in thousands, except per unit amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Oil sales	\$ 20,354	\$ 19,012	\$ 40,510	\$ 34,475
Natural gas sales	7,565	7,720	15,664	13,800
Natural gas liquids sales	2,760	2,275	6,124	4,510
Gain (loss) on commodity derivative instruments, net	(13,328)	12,354	(18,950)	6,287
Other income	40	18	71	87
Total revenues	17,391	41,379	43,419	59,159
Operating expenses:				
Lease operating expense	6,829	5,270	12,664	12,067
Production and ad valorem taxes	2,248	2,198	4,648	4,044
Depletion and depreciation	8,680	10,129	17,145	20,239
Accretion expense	510	477	1,013	947
Loss (gain) on settlement of asset retirement obligations	21	360	61	335
General and administrative expense	2,699	2,768	5,881	6,197
Total operating expenses	20,987	21,202	41,412	43,829
Operating income (loss)	(3,596)	20,177	2,007	15,330
Other income (expense), net				
Interest expense	(2,575)	(2,249)	(5,116)	(4,514)
Gain (loss) on interest rate derivative instruments, net	(1,128)	2,657	(1,422)	2,772
Other income (expense), net	(3,703)	408	(6,538)	(1,742)
Income (loss) before taxes	(7,299)	20,585	(4,531)	13,588
Income tax expense	(38)	(62)	(112)	(67)
Net income (loss)	\$ (7,337)	\$ 20,523	\$ (4,643)	\$ 13,521
Net loss (income) attributable to common control operations				(448)
Net income (loss) available to unitholders	\$ (7,337)	\$ 20,523	\$ (4,643)	\$ 13,073
Computation of net income (loss) per limited partner unit:				
General partner's interest in net income (loss)	\$ (7)	\$ 21	\$ (4)	\$ 13
Limited partners' interest in net income (loss)	\$ (7,330)	\$ 20,502	\$ (4,639)	\$ 13,060
Net income (loss) per limited partner unit (basic and diluted)	\$ (0.27)	\$ 0.78	\$ (0.17)	\$ 0.53

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Weighted average number of limited partner units outstanding (basic and diluted)	26,733	26,169	26,539	24,555
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See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents

LRR Energy, L.P.

Consolidated Condensed Statement of Changes in Unitholders' Equity

(Unaudited)

(in thousands)

	General Partner	Public Common	Limited Partners		Total
			Common	Affiliated Subordinated	
Balance, December 31, 2013	\$ 303	\$ 181,290	\$ 2,093	\$ 8,572	\$ 192,258
Equity offering, net of expenses		14,810			14,810
Amortization of equity awards		534			534
Conversion of subordinated units			623	(623)	
Distribution	(22)	(17,548)	(1,832)	(6,588)	(25,990)
Net income (loss)	(4)	(3,166)	(668)	(805)	(4,643)
Balance, June 30, 2014	\$ 277	\$ 175,920	\$ 216	\$ 556	\$ 176,969

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents

LRR Energy, L.P.

Consolidated Condensed Statements of Cash Flows

(Unaudited)

(in thousands)

Six Months Ended June 30,
2014 **2013**