

ENERGY PARTNERS LTD  
Form 10-Q  
August 02, 2012  
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**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, 2012

OR

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

Commission file number: 001-16179

**ENERGY PARTNERS, LTD.**

(Exact Name of Registrant as Specified in Its Charter)

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**Delaware**  
(State or Other Jurisdiction of

**72-1409562**  
(I.R.S. Employer

**Incorporation or Organization)**

**Identification Number)**

**201 St. Charles Ave., Suite 3400 New Orleans, Louisiana**  
(Address of principal executive offices)

**70170**  
(Zip code)

**(504) 569-1875**

**(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 smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

As of July 27, 2012, there were 39,103,674 shares of the Registrant's Common Stock, par value \$0.001 per share, outstanding.

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(UNAUDITED)

(In thousands, except share data)	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 60,847	\$ 80,128
Trade accounts receivable net	32,620	31,817
Fair value of commodity derivative instruments	10,736	587
Prepaid expenses	9,226	11,046
<b>Total current assets</b>	<b>113,429</b>	<b>123,578</b>
Property and equipment, under the successful efforts method of accounting	1,220,695	1,082,248
Less accumulated depreciation, depletion, amortization and impairments	(362,644)	(305,110)
<b>Net property and equipment</b>	<b>858,051</b>	<b>777,138</b>
Restricted cash	6,023	6,023
Other assets	3,155	3,029
Fair value of commodity derivative instruments	3,790	
Deferred financing costs net of accumulated amortization of \$1,707 at June 30, 2012 and \$1,061 at December 31, 2011	4,812	5,452
	<b>\$ 989,260</b>	<b>\$ 915,220</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 24,911	\$ 25,393
Accrued expenses	78,990	58,538
Asset retirement obligations	32,698	25,578
Fair value of commodity derivative instruments	620	1,056
Deferred tax liabilities	6,771	2,823
<b>Total current liabilities</b>	<b>143,990</b>	<b>113,388</b>
Long-term debt	204,750	204,390
Asset retirement obligations	67,219	73,769
Deferred tax liabilities	49,481	31,775
Fair value of commodity derivative instruments	607	190
Other	1,179	663
	<b>467,226</b>	<b>424,175</b>
Commitments and contingencies (Note 8)		
Stockholders equity:		
Preferred stock, \$0.001 par value per share; authorized 1,000,000 shares; no shares issued and outstanding at June 30, 2012 and December 31, 2011		

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Common stock, \$0.001 par value per share; authorized 75,000,000 shares; shares issued 40,558,925 and 40,326,451 at June 30, 2012 and December 31, 2011, respectively; shares outstanding 39,103,674 and 39,404,106 at June 30, 2012 and December 31, 2011, respectively	40	40	
Additional paid-in capital	507,657	505,235	
Treasury stock, at cost, 1,455,251 and 922,345 shares at June 30, 2012 and December 31, 2011, respectively	(19,698)	(11,361)	
Retained earnings (accumulated deficit)	34,035	(2,869)	
<b>Total stockholders' equity</b>	<b>522,034</b>	<b>491,045</b>	
	<b>\$ 989,260</b>	<b>\$ 915,220</b>	

See accompanying notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue:				
Oil and natural gas	\$ 99,249	\$ 92,798	\$ 198,021	\$ 160,013
Other	21	32	45	66
	99,270	92,830	198,066	160,079
Costs and expenses:				
Lease operating	18,661	17,908	37,072	33,239
Transportation	99	236	250	371
Exploration expenditures and dry hole costs	2,587	822	16,896	1,370
Impairments	3,394	2,886	5,708	13,674
Depreciation, depletion and amortization	27,918	25,522	51,826	46,585
Accretion of liability for asset retirement obligations	3,411	3,804	6,559	7,379
General and administrative	5,654	4,796	10,998	10,083
Taxes, other than on earnings	2,904	3,695	6,645	7,013
Other	3,443	1,902	3,618	2,032
Total costs and expenses	68,071	61,571	139,572	121,746
Income from operations	31,199	31,259	58,494	38,333
Other income (expense):				
Interest income	50	17	88	27
Interest expense	(5,093)	(4,974)	(9,967)	(7,444)
Gain (loss) on derivative instruments	30,305	13,831	10,243	(11,694)
Loss on early extinguishment of debt				(2,377)
	25,262	8,874	364	(21,488)
Income before income taxes	56,461	40,133	58,858	16,845
Income tax expense	(21,060)	(15,130)	(21,954)	(6,351)
Net income	35,401	25,003	36,904	10,494
Basic earnings per share	\$ 0.90	\$ 0.62	\$ 0.94	\$ 0.26
Diluted earnings per share	\$ 0.90	\$ 0.62	\$ 0.94	\$ 0.26
Weighted average common shares used in computing earnings per share:				
Basic	38,914	40,109	39,018	40,095
Diluted	39,027	40,237	39,132	40,217

See accompanying notes to condensed consolidated financial statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Six Months Ended June 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 36,904	\$ 10,494
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	51,826	46,585
Accretion of liability for asset retirement obligations	6,559	7,379
Loss on early extinguishment of debt		2,377
Unrealized gain on derivative contracts	(13,958)	(3,063)
Non-cash compensation	2,318	1,276
Deferred income taxes	21,654	6,334
Exploration expenditures	4,173	131
Impairments	5,708	13,674
Amortization of deferred financing costs and discount on debt	1,004	689
Other	3,401	1,731
Changes in operating assets and liabilities:		
Trade accounts receivable	901	(9,523)
Other receivables		1,283
Prepaid expenses	1,820	(4,814)
Other assets	(78)	