

Sanchez Energy Corp
Form 10-Q
May 14, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

Commission file number: 1-35372

Sanchez Energy Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-3090102
(I.R.S. Employer
Identification No.)

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1111 Bagby Street, Suite 1600
Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 783-8000
(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 Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

Number of shares of registrant's common stock, par value \$0.01 per share, outstanding as of May 10, 2012: 34,567,200.

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We are an emerging growth company as defined under the Jumpstart Our Business Startups Act of 2012, commonly referred to as the JOBS Act. We will remain an emerging growth company for up to five years from the date of the completion of our initial public offering (the IPO), or until the earlier of (1) the last day of the fiscal year in which our total annual gross revenues exceed \$1 billion, (2) the date that we become a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the Exchange Act), which would occur if the market value of our common equity that is held by non-affiliates exceeds \$700 million as of the last business day our most recently completed second fiscal quarter or (3) the date on which we have issued more than \$1 billion in non-convertible debt during the preceding three year period.

As an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to:

- Not being required to comply with the auditor attestation requirements related to our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- Reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- Exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended (the Securities Act), for complying with new or revised accounting standards. Under this provision, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, we will not be subject to new or revised accounting standards at the same time as other public companies that are not emerging growth companies.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of 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 included in this Quarterly Report on Form 10-Q, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words could, believe, anticipate, intend, estimate, expect, may, continue, predict, potential, project and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about our:

- business strategies;
- ability to replace the reserves we produce through drilling and property acquisitions;
- expected benefits of the acquisition of SN Marquis LLC (Marquis LLC);
- drilling plans and locations;
- oil and natural gas reserves;
- technology;
- financial strategy, budget, projections and operating results;
- realized oil and natural gas prices;

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- production volumes;
- oil and natural gas production expenses;
- general and administrative expenses;
- future operating results;
- cash flows and liquidity;
- availability of drilling and production equipment;
- availability of qualified personnel;
- capital expenditures;
- availability and terms of capital;
- drilling of wells;
- transportation and marketing of oil and natural gas;
- general economic conditions;

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- competition in the oil and natural gas industry;
- effectiveness of our risk management activities;
- environmental liabilities;
- counterparty credit risk;
- governmental regulation and taxation;
- developments in oil-producing and natural-gas producing countries;
- estimated future net reserves and present value thereof; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements except as required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Part II, Item 1A. Risk Factors and elsewhere in this Quarterly Report on Form 10-Q and in our other public filings with the Securities and Exchange Commission (the "SEC"). These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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**SANCHEZ ENERGY CORPORATION
FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012**

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Table of Contents**PART 1 FINANCIAL INFORMATION****Item 1. Unaudited Financial Statements****Sanchez Energy Corporation****Condensed Consolidated Balance Sheets (Unaudited)****(in thousands, except share amounts)**

	March 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 62,498	\$ 63,041
Oil and natural gas receivables	2,721	1,193
Fair value of derivative instruments	2,004	1,461
Other current assets	423	327
Total current assets	67,646	66,022
Oil and natural gas properties, at cost, using the full cost method:		
Unproved oil and natural gas properties	132,531	126,201
Proved oil and natural gas properties	37,608	31,836
Total oil and natural gas properties	170,139	158,037
Less: Accumulated depreciation, depletion, amortization and impairment	(8,945)	(6,703)
Total oil and natural gas properties, net	161,194	151,334
Fair value of derivative instruments	1,560	
Total assets	\$ 230,400	\$ 217,356
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable - related entities	\$ 5,295	\$ 1,606
Accrued liabilities	5,980	526
Derivative premium liabilities	2,952	
Total current liabilities	14,227	2,132
Asset retirement obligation	106	83
Total liabilities	14,333	2,215
Commitments and contingencies (Note 12)		
Stockholders equity		
Preferred stock (\$0.01 par value, 15,000,000 shares authorized; none issued and outstanding)		
Common stock (\$0.01 par value, 150,000,000 shares authorized; 34,567,200 and 33,000,000 issued and		