

PRIMEENERGY CORP
Form 10-Q
November 15, 2010
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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 September 30, 2010

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 0-7406

PrimeEnergy Corporation

(Exact name of registrant as specified in its charter)

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Delaware **84-0637348**
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) **Identification No.)**
One Landmark Square, Stamford, Connecticut 06901
(Address of principal executive offices)
(203) 358-5700
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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 filings required 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 (Do not check if 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

The number of shares outstanding of each class of the Registrant's Common Stock as of November 12, 2010 was: Common Stock, \$0.10 par value, 2,855,053 shares.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

PrimeEnergy Corporation

Consolidated Balance Sheet

September 30, 2010 and December 31, 2009

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,495,000	\$ 11,779,000
Restricted cash and cash equivalents	5,980,000	5,497,000
Accounts receivable, net	12,185,000	13,876,000
Due from related parties	66,000	30,000
Prepaid expenses	1,910,000	1,100,000
Derivative contracts	3,950,000	657,000
Inventory at cost	1,165,000	1,871,000
Deferred income taxes	717,000	838,000
Total current assets	38,468,000	35,648,000
Property and equipment, at cost		
Oil and gas properties (successful efforts method), net	159,610,000	173,843,000
Field service equipment and other, net	6,868,000	7,263,000
Net property and equipment	166,478,000	181,106,000
Other assets	1,561,000	764,000
Total assets	\$ 206,507,000	\$ 217,518,000

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Balance Sheet

September 30, 2010 and December 31, 2009

	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
LIABILITIES and STOCKHOLDERS EQUITY		
Current liabilities:		
Current bank debt	\$	\$ 7,000,000
Accounts payable	25,539,000	21,291,000
Current portion of asset retirement and other long-term obligations	3,905,000	3,374,000
Derivative liability short term	1,180,000	2,288,000
Accrued liabilities	5,791,000	5,985,000
Due to related parties	272,000	450,000
Total current liabilities	36,687,000	40,388,000
Long-term bank debt	69,325,000	86,955,000
Indebtedness to related parties	20,000,000	20,000,000
Asset retirement obligations	16,930,000	16,862,000
Derivative liability long term	691,000	2,892,000
Deferred income taxes	20,558,000	16,635,000
Total liabilities	164,191,000	183,732,000
Stockholders equity PrimeEnergy:		
Common stock, \$.10 par value; 2010 and 2009: Authorized: 4,000,000 shares, issued: 3,836,397 shares; outstanding 2010: 2,861,929 shares; outstanding 2009: 3,032,097 shares	383,000	383,000
Paid in capital	5,490,000	5,465,000
Retained earnings	54,198,000	43,725,000
Accumulated other comprehensive income (loss), net		(214,000)
	60,071,000	49,359,000
Treasury stock, at cost; 2010: 974,468 shares; 2009: 804,300 shares	(27,787,000)	(25,417,000)
Total stockholders equity PrimeEnergy	32,284,000	23,942,000
Non-controlling interest	10,032,000	9,844,000
Total stockholders equity	42,316,000	33,786,000
Total liabilities and stockholders equity	\$ 206,507,000	\$ 217,518,000

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Statement of Operations

Nine Months Ended September 30, 2010 and 2009

(Unaudited)

	2010	2009
Revenue:		
Oil and gas sales	\$ 63,591,000	\$ 49,975,000
Field service income	12,192,000	12,923,000
Administrative overhead fees	6,336,000	6,271,000
Gain on derivative instruments	7,062,000	179,000
Other income	199,000	15,000
Total revenue	89,380,000	69,363,000
Costs and expenses:		
Lease operating expense	25,261,000	25,054,000
Field service expense	10,138,000	11,667,000
Depreciation, depletion and amortization	24,238,000	31,584,000
Loss on settlement of asset retirement obligation	2,000	1,722,000
General and administrative expense	9,817,000	8,498,000
Exploration costs	90,000	13,000
Total costs and expenses	69,546,000	78,538,000
Gain on sale and exchange of assets	1,686,000	212,000
Income (loss) from operations	21,520,000	(8,963,000)
Other income and expenses:		
Less: Interest expense	5,266,000	5,297,000
Add: Interest income	32,000	45,000
Income (loss) before provision (benefit) for income taxes	16,286,000	(14,215,000)
Provision (benefit) for income taxes	4,776,000	(4,775,000)
Net income (loss)	11,510,000	(9,440,000)
Less: Net income attributable to non-controlling interest	1,037,000	527,000
Net income (loss) attributable to PrimeEnergy	\$ 10,473,000	\$ (9,967,000)
Basic income (loss) per common share	\$ 3.54	\$ (3.28)
Diluted income (loss) per common share	\$ 2.84	\$ (3.28)

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Statement of Operations

Three Months Ended September 30, 2010 and 2009

(Unaudited)

	2010	2009
Revenue:		
Oil and gas sales	\$ 19,757,000	\$ 17,426,000
Field service income	4,349,000	3,741,000
Administrative overhead fees	2,188,000	1,954,000
Gain/(loss) on derivative instruments	(2,181,000)	179,000
Other income	6,000	
Total revenue	24,119,000	23,300,000
Costs and expenses:		
Lease operating expense	7,724,000	8,376,000
Field service expense	3,605,000	3,463,000
Depreciation, depletion and amortization	7,309,000	9,452,000
Loss on settlement of asset retirement obligation	2,000	111,000
General and administrative expense	3,840,000	2,878,000
Exploration costs	85,000	13,000
Total costs and expenses	22,565,000	24,293,000
Gain on sale and exchange of assets	1,336,000	12,000
Income (loss) from operations	2,890,000	(981,000)
Other income and expenses:		
Less: Interest expense	1,633,000	2,162,000
Add: Interest income	10,000	7,000
Income (loss) before provision (benefit) for income taxes	1,267,000	(3,136,000)
Provision (benefit) for income taxes	142,000	(1,165,000)
Net income (loss)	1,125,000	(1,971,000)
Less: Net income attributable to non-controlling interest	327,000	