

ENERGY PARTNERS LTD
Form 10-Q
May 04, 2011
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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 March 31, 2011

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 April 29, 2011, there were 40,192,255 shares of the Registrant's Common Stock, par value \$0.001 per share, outstanding.

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(UNAUDITED)

(In thousands, except share data)	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 44,422	\$ 33,553
Trade accounts receivable - net	33,850	21,443
Receivables from insurance	805	2,088
Fair value of commodity derivative instruments	29	186
Deferred tax assets	7,249	2,693
Prepaid expenses	2,910	3,303
Total current assets	89,265	63,266
Property and equipment, under the successful efforts method of accounting for oil and natural gas properties	945,795	719,147
Less accumulated depreciation, depletion and amortization	(199,906)	(168,055)
Net property and equipment	745,889	551,092
Restricted cash	7,216	8,489
Other assets	1,735	1,814
Deferred financing costs net of accumulated amortization of \$162 at March 31, 2011 and \$1,656 at December 31, 2010	5,870	2,245
	\$849,975	\$ 626,906
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 14,122	\$ 18,358
Accrued expenses	29,471	28,394
Asset retirement obligations	9,878	16,902
Fair value of commodity derivative instruments	24,248	12,320
Total current liabilities	77,719	75,974
Long-term debt	203,878	
Asset retirement obligations	82,111	54,681
Deferred tax liabilities	18,228	22,469
Fair value of commodity derivative instruments	8,149	
Other	666	666
Commitments and contingencies (Note 8)		
	390,751	153,790
Stockholders' equity:		
Preferred stock, \$0.001 par value per share. Authorized 1,000,000 shares; no shares issued and outstanding at March 31, 2011 and December 31, 2010		

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Common stock, \$0.001 par value per share. Authorized 75,000,000 shares; shares issued and outstanding 40,192,255 and 40,091,664 at March 31, 2011 and December 31, 2010, respectively	40	40
Additional paid-in capital	503,181	502,556
Accumulated deficit	(43,989)	(29,480)
Treasury stock, at cost, 511 shares at March 31, 2011	(8)	
Total stockholders' equity	459,224	473,116
	\$849,975	\$ 626,906

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 March 31,	
	2011	2010
Revenue:		
Oil and natural gas	\$ 67,215	\$ 70,683
Other	34	36
	67,249	70,719
Costs and expenses:		
Lease operating	15,331	14,442
Transportation	135	490
Exploration expenditures and dry hole costs	548	1,854
Impairments	10,788	769
Depreciation, depletion and amortization	21,063	29,855
Accretion of liability for asset retirement obligations	3,575	3,222
General and administrative	5,287	4,188
Taxes, other than on earnings	3,318	2,037
Loss (gain) on abandonment activities	172	(197)
Other	(42)	(52)
Total costs and expenses	60,175	56,608
Income from operations	7,074	14,111
Other income (expense):		
Interest income	10	9
Interest expense	(2,470)	(4,202)
Loss on derivative instruments	(25,525)	(1,924)
Loss on early extinguishment of debt	(2,377)	
	(30,362)	(6,117)
Income (loss) before income taxes	(23,288)	7,994
Benefit from (provision for) income taxes	8,779	(2,878)
Net income (loss)	\$ (14,509)	\$ 5,116
Basic earnings (loss) per share	\$ (0.36)	\$ 0.13
Diluted earnings (loss) per share	\$ (0.36)	\$ 0.13
Weighted average common shares used in computing earnings (loss) per share:		
Basic	40,080	40,040
Effect of dilutive stock options and restricted shares		19
Diluted	40,080	40,059

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See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Three Months Ended March 31,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ (14,509)	\$ 5,116
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	21,063	29,855
Accretion of liability for asset retirement obligations	3,575	3,222
Loss on early extinguishment of debt	2,377	
Unrealized loss (gain) on derivative contracts	20,234	(1,736)
Non-cash compensation	502	165
Deferred income taxes	(8,797)	2,878
In-kind interest on PIK Notes		3,225
Exploration expenditures	115	1,756
Impairments	10,788	769
Amortization of deferred financing costs and discount on debt	246	504
Loss (gain) on abandonment activities	172	(197)
Changes in operating assets and liabilities:		
Trade accounts receivable	(12,407)	(637)
Other receivables	1,283	1,413
Prepaid expenses	898	(1,872)
Other assets	79	(461)
Accounts payable and accrued expenses	(3,760)	(3,656)
Asset retirement obligations	(7,033)	(1,263)
Net cash provided by operating activities	14,826	39,081
Cash flows used in investing activities:		
Decrease in restricted cash	1,273	390
Property acquisitions	(195,734)	(50)
Exploration and development expenditures	(7,078)	(9,663)
Other property and equipment additions	(167)	(39)
Net cash used in investing activities	(201,706)	(9,362)
Cash flows provided by (used in) financing activities:		
Proceeds from indebtedness	203,794	
Deferred financing costs	(6,164)	
Repayments of indebtedness		(6,250)
Exercise of stock options	119	
Net cash provided by (used in) financing activities	197,749	(6,250)
Net increase in cash and cash equivalents	10,869	23,469
Cash and cash equivalents at beginning of period	33,553	26,745

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Cash and cash equivalents at end of period	\$ 44,422	\$ 50,214
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