

LRR Energy, L.P.
Form 10-Q
December 20, 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 September 30, 2011

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

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

There were 15,700,074 Common Units, 6,720,000 Subordinated Units and 22,400 General Partner Units outstanding as of December 19, 2011. The Common Units trade on the New York Stock Exchange under the ticker symbol "LRE".

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Explanatory Note

The information contained in this report relates to periods that ended prior to the completion of the initial public offering of LRR Energy, L.P., and prior to the effective dates of the agreements discussed herein. Consequently, the unaudited combined condensed financial statements and related discussion of financial condition and results of operations contained in this report pertain to Lime Rock Resources A, L.P. ("LRR A"), Lime Rock Resources B, L.P. ("LRR B") and Lime Rock Resources C, L.P. ("LRR C"), collectively with LRR A and LRR B, Fund I or predecessor). Because the results of our predecessor include results for both the properties conveyed to us in connection with our IPO and properties retained by our predecessor, we do not consider these results of our predecessor to be indicative of our future results. In connection with the closing of the initial public offering, LRR Energy, L.P. entered into a purchase, sale, contribution, conveyance and assumption agreement with Fund I pursuant to which LRR Energy, L.P. acquired specified oil and natural gas properties and related net profits interests and operations in exchange for newly issued limited partner interests in LRR Energy, L.P and cash consideration. See Note 1 to the unaudited combined condensed financial statements for information regarding the initial public offering.

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****Lime Rock Resources Fund I (Predecessor of LRR Energy, L.P.)****Combined Condensed Balance Sheets****(Unaudited)**

| | September 30, 2011 | December 31, 2010 |
|---|--------------------|-------------------|
| | (in thousands) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,716 | \$ 12,455 |
| Accounts receivable | 16,524 | 16,543 |
| Commodity derivative instruments | 22,448 | 23,819 |
| Amounts due from affiliates | | 59 |
| Prepaid expenses | 1,238 | 1,722 |
| Total current assets | 45,926 | 54,598 |
| Property and equipment (successful efforts method) | 822,492 | 784,346 |
| Accumulated depletion, depreciation and impairment | (391,142) | (342,400) |
| Total property and equipment, net | 431,350 | 441,946 |
| Commodity derivative instruments | 30,327 | 7,767 |
| Deferred financing costs, net of accumulated amortization | 252 | 311 |
| TOTAL ASSETS | \$ 507,855 | \$ 504,622 |
| LIABILITIES AND PARTNERS CAPITAL | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 7,257 | \$ 3,354 |
| Accrued liabilities | 6,984 | 8,141 |
| Accrued capital cost | 5,089 | 6,620 |
| Commodity derivative instruments | 1,109 | 1,888 |
| Due to affiliates | 196 | |
| Interest rate derivative instruments | 480 | 594 |
| Asset retirement obligations | 333 | 792 |
| Total current liabilities | 21,448 | 21,389 |
| Long-term liabilities: | | |
| Commodity derivative instruments | 1,157 | 5,333 |
| Interest rate derivative instruments | 84 | 267 |
| Revolving credit facility | 27,251 | 27,251 |
| Asset retirement obligations | 25,159 | 23,504 |
| Deferred tax liabilities | 64 | 145 |
| Total long-term liabilities | 53,715 | 56,500 |
| Total liabilities | 75,163 | 77,889 |
| Partners capital: | 432,692 | 426,733 |

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| | | | | |
|---|----|---------|----|---------|
| TOTAL LIABILITIES AND PARTNERS' CAPITAL | \$ | 507,855 | \$ | 504,622 |
|---|----|---------|----|---------|

See accompanying notes to the unaudited combined condensed financial statements

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Lime Rock Resources Fund I (Predecessor of LRR Energy, L.P.)

Combined Condensed Statements of Operations

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------|-------------------------------------|-----------|------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| | (in thousands) | | | |
| Revenues: | | | | |
| Oil sales | \$ 16,677 | \$ 13,573 | \$ 51,338 | \$ 39,542 |
| Natural gas sales | 9,699 | 12,330 | 31,453 | 37,516 |
| Natural gas liquids sales | 4,508 | 3,057 | | |