

PRIMEENERGY CORP
Form 10-Q
November 17, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2017

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)

Delaware
xx(State or other jurisdiction of
incorporation or organization)
9821 Katy Freeway, Houston, Texas 77024

84-0637348
(I.R.S. employer
Identification No.)

(Address of principal executive offices)

(713) 735-0000

(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, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 7, 2017 was: Common Stock, \$0.10 par value 2,181,681 shares.

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PrimeEnergy Corporation

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(Thousands of dollars, except per share amounts)

	September 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 9,920	\$ 6,568
Restricted cash and cash equivalents	4,193	3,543
Accounts receivable, net	10,322	7,400
Other current assets	1,086	572
Total Current Assets	25,521	18,083
Property and Equipment, at cost		
Oil and gas properties (successful efforts method), net	200,405	187,490
Field and office equipment, net	7,507	8,878
Total Property and Equipment, Net	207,912	196,368
Other Assets	183	203
Total Assets	\$ 233,616	\$ 214,654
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	\$ 13,302	\$ 11,965
Accrued liabilities	16,955	8,184
Current portion of long-term debt	2,905	2,949
Current portion of asset retirement obligations	2,006	1,563
Derivative liability short-term	292	2,547
Due to related parties	31	
Total Current Liabilities	35,491	27,208
Long-Term Bank Debt	50,840	66,316
Asset Retirement Obligations	15,711	15,943
Derivative Liability Long-Term	329	1,092
Deferred Income Taxes	47,925	37,500
Other Long-Term Obligations	616	715
Total Liabilities	150,912	148,774

Commitments and Contingencies

Equity

Common stock, \$.10 par value; Authorized: 4,000,000 shares, issued: 3,836,397 shares	383	383
Paid-in capital	8,440	8,313
Retained earnings	116,970	96,322
Treasury stock, at cost; 1,654,101 shares and 1,552,894 shares	(51,473)	(46,473)
Total Stockholders Equity PrimeEnergy	74,320	58,545
Non-controlling interest	8,384	7,335
Total Equity	82,704	65,880
Total Liabilities and Equity	\$ 233,616	\$ 214,654

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

Table of Contents**PRIMEENERGY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS** Unaudited

(Thousands of dollars, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenues				
Oil and gas sales	\$ 12,604	\$ 11,557	\$ 39,045	\$ 27,395
Realized gain (loss) on derivative instruments, net	156		(49)	
Field service income	4,109	3,694	12,176	11,628
Administrative overhead fees	1,530	1,600	4,758	4,990
Unrealized (loss) gain on derivative instruments, net	(1,262)	(354)	3,092	(354)
Other income	47	2	169	59
Total Revenues	17,184	16,499	59,191	43,718
Costs and Expenses				
Lease operating expense	6,762	6,285	21,058	21,758
Field service expense	3,126	2,662	9,152	9,582
Depreciation, depletion, amortization and accretion on discounted liabilities	7,812	7,308	23,821	18,889
General and administrative expense	2,523	2,405	6,878	6,685
Total Costs and Expenses	20,223	18,660	60,909	56,914
Gain on Sale and Exchange of Assets	359	10,546	42,078	26,869
(Loss) Income from Operations	(2,680)	8,385	40,360	13,673
Less: Interest expense	594	1,002	1,659	2,809
(Loss) Income Before Provision (Benefit) for Income Taxes	(3,274)	7,383	38,701	10,864
(Benefit) Provision for Income Taxes	(1,384)	2,667	12,407	3,036
Net (Loss) Income	(1,890)	4,716	26,294	7,828
Less: Net Income (Loss) Attributable to Non-Controlling Interests	122	(208)	5,646	2,239
(Loss) Income Attributable to PrimeEnergy	\$ (2,012)	\$ 4,924	\$ 20,648	\$ 5,589
Basic (Loss) Income Per Common Share	\$ (1.22)	\$ 2.15	\$ 9.29	\$ 2.44
Diluted (Loss) Income Per Common Share	\$ (1.22)	\$ 1.62	\$ 6.94	\$ 1.83

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

Table of Contents**PRIMEENERGY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME** Unaudited

Nine Months Ended September 30, 2017 and 2016

(Thousands of dollars)

	2017	2016
Net Income	\$ 26,294	\$ 7,828
Other Comprehensive Income, net of taxes:		
Changes in fair value of hedge positions, net of taxes of \$0 and \$(2), respectively		5
Total other comprehensive income		5
Comprehensive Income	26,294	7,833
Less: Comprehensive Income Attributable to Non-Controlling Interest	(5,646)	(2,239)
Comprehensive Income Attributable to PrimeEnergy	\$ 20,648	\$ 5,594

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

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Nine Months Ended September 30, 2017

(Thousands of dollars)

	Additional		Total					
	Common Stock Shares	Paid in Capital	Retained Earnings	Treasury Stock	Equity PrimeEnergy	Non- Controlling Interest	Total Equity	
Balance at December 31, 2016	3,836,397	\$ 383	\$ 8,313	\$ 96,322	\$ (46,473)	\$ 58,545	\$ 7,335	\$ 65,880
Repurchase 101,207 shares of common stock				(5,000)	(5,000)			(5,000)
Net income			20,648		20,648	5,646		26,294
Repurchase of non-controlling interests		127			127	(187)		(60)
Distribution of non-controlling interests						(4,410)		(4,410)
Balance at September 30, 2017	3,836,397	\$ 383	\$ 8,440	\$ 116,970	\$ (51,473)	\$ 74,320	\$ 8,384	\$ 82,704

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements

Table of Contents**PRIMEENERGY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS** Unaudited

Nine Months Ended September 30, 2017 and 2016

(Thousands of dollars)

	2017	2016
Cash Flows from Operating Activities:		
Net income	\$ 26,294	\$ 7,828
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion on discounted liabilities	23,821	18,889
Gain on sale and exchange of assets	(42,078)	(26,869)
Unrealized (gain) loss on derivative instruments, net	(3,092)	354
Provision for deferred income taxes	10,425	1,648
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,922)	2,009
(Increase) in other current assets and restricted cash	(1,164)	(612)
Increase (decrease) in accounts payable	1,337	