

EVOLUTION PETROLEUM CORP

Form 10-Q

November 06, 2015

Table of Contents

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, 2015

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 001-32942

EVOLUTION PETROLEUM CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

41-1781991
(IRS Employer Identification No.)

2500 CityWest Blvd., Suite 1300, Houston, Texas 77042
(Address of principal executive offices and zip code)

(713) 935-0122
(Registrant's telephone number, including area code)

Not Applicable
(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 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 definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: EVOLUTION PETROLEUM CORP - Form 10-Q

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 the registrant's common stock, par value \$0.001, as of November 2, 2015, was 32,670,342.

EVOLUTION PETROLEUM CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	<u>2</u>
<u>ITEM 1. UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS</u>	<u>2</u>
<u>Unaudited Consolidated Condensed Balance Sheets as of September 30, 2015 and June 30, 2015</u>	<u>2</u>
<u>Unaudited Consolidated Condensed Statements of Operations for the three months ended September 30, 2015 and 2014</u>	<u>3</u>
<u>Unaudited Consolidated Condensed Statements of Cash Flows for the three months ended September 30, 2015 and 2014</u>	<u>4</u>
<u>Unaudited Consolidated Condensed Statement of Stockholders' Equity for the three months ended September 30, 2015</u>	<u>5</u>
<u>Notes to Unaudited Consolidated Condensed Financial Statements</u>	<u>6</u>
<u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>17</u>
<u>ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>25</u>
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	<u>25</u>
<u>PART II. OTHER INFORMATION</u>	<u>25</u>
<u>ITEM 1. LEGAL PROCEEDINGS</u>	<u>25</u>
<u>ITEM 1A. RISK FACTORS</u>	<u>26</u>
<u>ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	<u>26</u>
<u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u>	<u>26</u>
<u>ITEM 4. MINE SAFETY DISCLOSURES</u>	<u>26</u>
<u>ITEM 5. OTHER INFORMATION</u>	<u>26</u>
<u>ITEM 6. EXHIBITS</u>	<u>27</u>
<u>SIGNATURES</u>	<u>28</u>

Table of Contents

PART I — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Evolution Petroleum Corporation and Subsidiaries
Consolidated Condensed Balance Sheets
(Unaudited)

	September 30, 2015	June 30, 2015
Assets		
Current assets		
Cash and cash equivalents	\$16,317,191	\$20,118,757
Receivables	2,679,511	3,122,473
Deferred tax asset	—	82,414
Derivative assets, net	961,988	—
Prepaid expenses and other current assets	321,589	369,404
Total current assets	20,280,279	23,693,048
Oil and natural gas property and equipment, net (full-cost method of accounting)	46,605,308	45,186,886
Other property and equipment, net	252,707	276,756
Total property and equipment	46,858,015	45,463,642
Other assets	574,718	726,037
Total assets	\$67,713,012	\$69,882,727
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$2,659,490	\$8,173,878
Accrued liabilities and other	581,271	855,373
Derivative liabilities, net	—	109,974
Deferred income taxes	244,662	—
State and federal income taxes payable	533,736	190,032
Total current liabilities	4,019,159	9,329,257
Long term liabilities		
Deferred income taxes	10,902,907	11,242,551
Asset retirement obligations	727,110	715,767
Deferred rent	—	18,575
Total liabilities	15,649,176	21,306,150
Commitments and contingencies (Note 16)		
Stockholders' equity		
Preferred stock, par value \$0.001; 5,000,000 shares authorized:8.5% Series A Cumulative Preferred Stock, 1,000,000 shares designated, 317,319 shares issued and outstanding at September 30, 2015 and June 30, 2015 with a liquidation preference of \$7,932,975 (\$25.00 per share)	317	317
Common stock; par value \$0.001; 100,000,000 shares authorized: issued and outstanding 32,670,342 shares and 32,615,646 as of September 30, 2015 and June 30, 2015, respectively		32,845
Additional paid-in capital	39,040,774	36,847,289
Retained earnings	12,990,075	11,696,126
Total stockholders' equity	52,063,836	48,576,577
Total liabilities and stockholders' equity	\$67,713,012	\$69,882,727

See accompanying notes to consolidated condensed financial statements.

2

Table of ContentsEvolution Petroleum Corporation and Subsidiaries
Consolidated Condensed Statements of Operations
(Unaudited)

	Three Months Ended September 30,	
	2015	2014
Revenues		
Delhi field	\$7,296,386	\$3,868,602
Artificial lift technology	83,020	115,856
Other properties	—	20,369
Total revenues	7,379,406	4,004,827
Operating costs		
Production costs - Delhi field	2,557,887	—
Production costs - artificial lift technology	59,514	197,360
Production costs - other properties	1,046	88,022
Depreciation, depletion and amortization	1,218,273	369,350
Accretion of discount on asset retirement obligations	11,343	4,636
General and administrative expenses *	1,684,845	1,504,593
Total operating costs	5,532,908	2,163,961
Income from operations	1,846,498	1,840,866
Other		
Gain on settled derivative instruments, net	866,427	—
Gain on unsettled derivative instruments, net	1,071,962	—
Delhi field insurance recovery related to pre-reversion event	1,074,957	—
Interest income	5,812	12,763
Interest (expense)	(18,460) (18,460
Income before income taxes	4,847,196	1,835,169
Income tax provision	1,754,969	706,159
Net income attributable to the Company	3,092,227	1,129,010
Dividends on preferred stock	168,575	168,575
Net income available to common stockholders		