

LRR Energy, L.P.  
Form 10-Q  
May 08, 2013  
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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, 2013

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.**

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(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)

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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  Smaller reporting company   
(Do not check if a 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 19,448,539 Common Units, 6,720,000 Subordinated Units and 22,400 General Partner Units outstanding as of May 3, 2013. The Common Units trade on the New York Stock Exchange under the ticker symbol LRE .



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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****LRR Energy, L.P.****Consolidated Condensed Balance Sheets****(Unaudited)****(in thousands, except unit amounts)**

	March 31, 2013	December 31, 2012
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 43,209	\$ 3,467
Accounts receivable	7,687	7,250
Commodity derivative instruments	10,342	16,134
Due from affiliates	2,800	
Prepaid expenses	719	748
Total current assets	64,757	27,599
Property and equipment (successful efforts method)	808,442	800,624
Accumulated depletion, depreciation and impairment	(330,794)	(321,377)
Total property and equipment, net	477,648	479,247
Commodity derivative instruments	17,377	19,821
Deferred financing costs, net of accumulated amortization	1,454	1,559
<b>TOTAL ASSETS</b>	<b>\$ 561,236</b>	<b>\$ 528,226</b>
<b>LIABILITIES AND UNITHOLDERS EQUITY</b>		
<b>Current liabilities:</b>		
Accrued liabilities	\$ 3,892	\$ 1,415
Accrued capital cost	6,246	2,361
Due to affiliates		1,977
Commodity derivative instruments	3,373	1,671
Interest rate derivative instruments	605	659
Asset retirement obligations	423	500
Total current liabilities	14,539	8,583
<b>Long-term liabilities:</b>		
Commodity derivative instruments	1,189	874
Interest rate derivative instruments	3,291	3,526
Term loan	50,000	50,000
Revolving credit facility	185,000	178,000
Asset retirement obligations	33,232	32,615
Deferred tax liabilities	100	120
Total long-term liabilities	272,812	265,135
Total liabilities	287,351	273,718
<b>Unitholders equity:</b>		
Predecessors' capital		24,673
	381	396

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General partner (22,400 units issued and outstanding as of March 31, 2013 and December 31, 2012)		
Public common unitholders (17,598,939 units issued and outstanding as of March 31, 2013 and 10,676,742 units issued and outstanding as of December 31, 2012)	235,995	169,919
Affiliated common unitholders (1,849,600 units issued and outstanding as of March 31, 2013 and 5,049,600 units issued and outstanding as of December 31, 2012)	7,911	25,563
Subordinated unitholders (6,720,000 units issued and outstanding as of March 31, 2013 and December 31, 2012)	29,598	33,957
Total unitholders equity	273,885	254,508
TOTAL LIABILITIES AND UNITHOLDERS EQUITY	\$ 561,236	\$ 528,226

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents**LRR Energy, L.P.****Consolidated Condensed Statements of Operations****(Unaudited)****(in thousands, except per unit amounts)**

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Oil sales	\$ 13,435	\$ 16,558
Natural gas sales	5,959	5,828
Natural gas liquids sales	2,219	3,232
Realized gain on commodity derivative instruments	4,105	5,248
Unrealized loss on commodity derivative instruments	(10,029)	(271)
Other income	69	3
<b>Total revenues</b>	<b>15,758</b>	<b>30,598</b>
<b>Operating Expenses:</b>		
Lease operating expense	6,213	6,544
Production and ad valorem taxes	1,693	1,720
Depletion and depreciation	9,416	9,983
Impairment of oil and natural gas properties		3,093
Accretion expense	457	373
Gain on settlement of asset retirement obligations	(25)	(98)
General and administrative expense	3,299	3,183
<b>Total operating expenses</b>	<b>21,053</b>	<b>24,798</b>
<b>Operating income (loss)</b>	<b>(5,295)</b>	<b>5,800</b>
<b>Other income (expense), net</b>		
Interest expense	(2,265)	(1,128)
Realized loss on interest rate derivative instruments	(174)	(33)
Unrealized gain on interest rate derivative instruments	289	805
Other income (expense), net	(2,150)	(356)
<b>Income (loss) before taxes</b>	<b>(7,445)</b>	<b>5,444</b>
Income tax expense	(5)	(126)
<b>Net income (loss)</b>	<b>(7,450)</b>	<b>5,318</b>
Net income attributable to predecessor operations		(1,469)
<b>Net income (loss) available to unitholders</b>	<b>\$ (7,450)</b>	<b>\$ 3,849</b>
<b>Computation of net income (loss) per limited partner unit:</b>		
General partners' interest in net income (loss)	\$ (7)	\$ 4
Limited partners' interest in net income (loss)	\$ (7,443)	\$ 3,845
<b>Net income (loss) per limited partner unit (basic and diluted)</b>	<b>\$ (0.32)</b>	<b>\$ 0.17</b>
Weighted average number of limited partner units outstanding	22,923	22,421

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See accompanying notes to the unaudited consolidated condensed financial statements.



Table of Contents**LRR Energy, L.P.****Consolidated Condensed Statement of Changes in Unitholders' Equity****(Unaudited)****(in thousands)**

	Predecessors		General Partner	Public Common	Limited Partners		Total
	Capital				Common	Affiliated Subordinated	
<b>Balance, December 31, 2012</b>	\$ 24,673	\$ 396	\$ 169,919	\$ 25,563	\$ 33,957	\$ 254,508	
Contribution from predecessor		3	1,229	582	773	2,587	
Book value of transferred properties contributed by predecessor	(24,673)					(24,673)	
Equity offering, net of expenses			59,583			59,583	
Equity offering by limited partners			15,281	(15,281)			
Amortization of equity awards			115			115	
Distribution		(11)	(5,125)	(2,424)	(3,225)	(10,785)	
Net income		(7)	(5,007)	(529)	(1,907)	(7,450)	
<b>Balance, March 31, 2013</b>	\$	\$ 381	\$ 235,995	\$ 7,911	\$ 29,598	\$ 273,885	

See accompanying notes to the unaudited consolidated condensed financial statements.

Table of Contents**LRR Energy, L.P.****Condensed Statements of Cash Flows****(Unaudited)****(in thousands)**

	<b>Three Months Ended March 31</b>	
	<b>2013</b>	<b>2012</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss)	\$ (7,450)	\$ 5,318
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion and depreciation	9,416	9,983
Impairment of oil and natural gas properties		3,093
Unrealized (gain) loss on derivative instruments, net	9,740	(534)
Accretion expense	457	373
Amortization of equity awards	115	69
Amortization of derivative contracts	247	
Amortization of deferred financing costs and other	82	74
Gain on settlement of asset retirement obligations	(25)	(98)
Changes in operating assets and liabilities:		
Change in receivables	(437)	3,977
Change in prepaid expenses	29	(334)
Change in accrued liabilities and deferred tax liabilities	2,457	(427)
Change in amounts due to/from affiliates	(4,777)	(1,201)
Net cash provided by operating activities	9,854	20,293
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		