

Atlas Resource Partners, L.P.
Form 10-Q
August 08, 2016

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 June 30, 2016

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: 001-35317

ATLAS RESOURCE PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware 45-3591625
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

Park Place Corporate Center One

1000 Commerce Drive, Suite 400

Pittsburgh, Pennsylvania 15275

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(Address of principal executive office)

(Zip code)

Registrant's telephone number, including area code: (800) 251-0171

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 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 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

The number of outstanding common limited partner units of the registrant on August 4, 2016 was 106,180,706.

ATLAS RESOURCE PARTNERS, L.P.

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ON FORM 10-Q

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Forward-Looking Statements

The matters discussed within this report include forward-looking statements. These statements may be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “might,” “plan,” “potential,” “predict,” “should,” or “will,” or the negative thereof or other variations thereon or comparable terminology. In particular, statements about our expectations, beliefs, plans, objectives, assumptions or future events or performance contained in this report are forward-looking statements. We have based these forward-looking statements on our current expectations, assumptions, estimates and projections. While we believe these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond our control. These and other important factors may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- the potential adverse effects of the filings under Chapter 11 of the United States Bankruptcy Code (“Chapter 11”) and restructuring transactions on our operations, management and employees and the risks associated with operating our business during the restructuring process;
- the ability to consummate our pre-packaged plan of reorganization on the time frame or terms contemplated, or at all;
- the length of time that we will operate under Chapter 11 protection and the continued availability of operating capital during the pendency of the proceedings;
- risks and uncertainties associated with the Chapter 11 proceedings including our ability to achieve the anticipated benefits therefrom;
- risks associated with third party motions in the Chapter 11 proceedings, which may interfere with our ability to develop and consummate the Plan;
- the demand for natural gas, oil, NGLs and condensate;
- the price volatility of natural gas, oil, NGLs and condensate;
- changes in the differential between benchmark prices for oil and natural gas and wellhead prices that we receive;
- changes in the market price of our units;
- future financial and operating results;
 - our ability to meet our liquidity needs;
- restrictive covenants in the debt documents governing our indebtedness that may adversely affect operational flexibility;
- actions that we may take in connection with our liquidity needs, including the ability to service our debt, and ability to satisfy covenants in our debt documents;
- economic conditions and instability in the financial markets;
- effects of debt payment obligations on our distributable cash;
- resource potential;
- the impact of our securities being quoted on the OTC Pink Sheets rather than listed on the New York Stock Exchange;
 - effects of partial depletion or drainage by earlier offset drilling on our acreage;
- success in efficiently developing and exploiting our reserves and economically finding or acquiring additional recoverable reserves;
- the accuracy of estimated natural gas and oil reserves;
- the financial and accounting impact of hedging transactions;
- the ability to fulfill our substantial capital investment needs;
- expectations with regard to acquisition activity, or difficulties encountered in connection with acquisitions, dispositions or similar transactions;
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the limited payment of distributions, or failure to declare a distribution, on outstanding common units or other equity securities;

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- any issuance of additional common units or other equity securities, and any resulting dilution or decline in the market price of any such securities;
- potential changes in tax laws which may impair the ability to obtain capital funds through investment partnerships;
- the ability to obtain adequate water to conduct drilling and production operations, and to dispose of the water used in and generated by these operations at a reasonable cost and within applicable environmental rules;
- the effects of unexpected operational events and drilling conditions, and other risks associated with drilling operations;
- impact fees and severance taxes;
- changes and potential changes in the regulatory and enforcement environment in the areas in which we conduct business;
- the effects of intense competition in the natural gas and oil industry;
- general market, labor and economic conditions and uncertainties;
- the ability to retain certain key customers;
- dependence on the gathering and transportation facilities of third parties;
- the availability of drilling rigs, equipment and crews;
- potential incurrence of significant costs and liabilities in the future resulting from a failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment;
- access to sufficient amounts of carbon dioxide for tertiary recovery operations;
- uncertainties with respect to the success of drilling wells at identified drilling locations;
- acquisitions may potentially prove to be worth less than we paid, or provide less than anticipated proved reserves;
- ability to identify all risks associated with the acquisition of oil and natural gas properties, or existing wells, and the sufficiency of indemnifications we receive from sellers to protect us from such risks;
- expirations of undeveloped leasehold acreage;
- uncertainty regarding leasing operating expenses, general and administrative expenses and funding and development costs;
- exposure to financial and other liabilities of the managing general partners of the investment partnerships;
 - the ability to comply with, and the potential costs of compliance with, new and existing federal, state, local and other laws and regulations applicable to our business and operations;
- restrictions on hydraulic fracturing;
- exposure to new and existing litigation;
- development of alternative energy resources; and
- the effects of a cyber event or terrorist attack.

Other factors that could cause actual results to differ from those implied by the forward-looking statements in this report are more fully described under “Item 1A: Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this report are made only as of the date hereof. We do not undertake and specifically decline any obligation to update any such statements or to publicly announce the results of any revisions to any of these statements to reflect future events or developments.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ATLAS RESOURCE PARTNERS, L.P.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$24,258	\$1,353
Accounts receivable	62,555	63,367
Advances to affiliates	5,765	—
Current portion of derivative asset	99,654	159,460
Subscriptions receivable	—	19,877
Prepaid expenses and other	17,074	22,935
Current deferred financing costs	12,162	—
Total current assets	221,468	266,992
Property, plant and equipment, net	1,156,055	1,191,611
Goodwill and intangible assets, net	14,028	14,095
Long-term derivative asset	135,231	198,262
Other assets, net	13,604	28,989
Total assets	\$1,540,386	\$1,699,949
LIABILITIES AND PARTNERS' CAPITAL (DEFICIT)		
Current liabilities:		
Accounts payable	\$37,914	\$49,249
Advances from affiliates	—	9,924
Liabilities associated with drilling contracts	—	21,483
Current portion of derivative payable to Drilling Partnerships	956	2,574
Accrued well drilling and completion costs	2,182	26,914
Accrued interest	24,085	25,436
Distribution payable	—	4,334
Accrued liabilities	17,144	22,086
Current portion of long-term debt	1,553,277	—
Total current liabilities	1,635,558	162,000
Long-term debt, less current portion, net	—	1,503,427
Asset retirement obligations	129,678	113,740

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Other long-term liabilities	6,007	5,410
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Commitments and contingencies (Note 9)

Partners' Capital (Deficit):		
General partner's interest	(33,929)	(31,156)
Preferred limited partners' interests	188,462	188,739
Class C common limited partner warrants	1,176	1,176
Common limited partners' interests	(396,871)	(262,762)
Accumulated other comprehensive income	10,305	19,375
Total partners' deficit	(230,857)	(84,628)
Total liabilities and partners' deficit	\$1,540,386	\$1,699,949

See accompanying notes to condensed consolidated financial statements.

ATLAS RESOURCE PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Revenues:				
Gas and oil production	\$51,397	\$97,260	\$99,889	\$201,509
Well construction and completion	(1,326)	16,956	774	40,611
Gathering and processing	1,600	2,177	3,095	4,361
Administration and oversight	495	547	950	1,806
Well services	4,190	6,102	8,622	12,726
Gain (loss) on mark-to-market derivatives	(73,264)	(26,944)	(27,144)	78,641
Other, net	84	27	198	60
Total revenues	(16,824)	96,125	86,384	339,714
Costs and expenses:				
Gas and oil production	30,852	43,135	66,694	88,633
Well construction and completion	(1,153)	14,745	673	35,315
Gathering and processing	2,191	2,516	4,470	4,933
Well services	1,474	2,139	3,652	4,337
General and administrative	23,761	13,287	40,838	30,422
Depreciation, depletion and amortization	29,008	42,494	59,053	85,485
Total costs and expenses	86,133	118,316	175,380	249,125
Operating income (loss)	(102,957)	(22,191)	(88,996)	90,589
Interest expense	(31,954)	(24,716)	(59,659)	(49,913)
Gain (loss) on asset sales and disposal	(502)	97	(493)	86
Gain on early extinguishment of debt	—	—	26,498	—
Other income (loss)	(6,156)	—	(6,156)	—
Net income (loss)	(141,569)	(46,810)	(128,806)	40,762
Preferred limited partner dividends	(365)	(4,234)	(4,013)	(7,887)
Net income (loss) attributable to common limited partners and the general partner	\$ (141,934)	\$ (51,044)	\$ (132,819)	\$ 32,875

Allocation of net income (loss) attributable to common limited partners and the general partner:

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Common limited partners' interest	\$(139,096)	\$(50,613)	\$(130,163)	\$29,731
General partner's interest	(2,838)	(431)	(2,656)	3,144
Net income (loss) attributable to common limited partners and the general partner				
	\$(141,934)	\$(51,044)	\$(132,819)	\$32,875
Net income (loss) attributable to common limited partners per unit (Note 2):				
Basic	\$(1.36)	\$(0.56)	\$(1.27)	\$0.34
Diluted	\$(1.36)	\$(0.56)	\$(1.27)	\$0.33
Weighted average common limited partner units outstanding (Note 2):				
Basic	102,430	90,516	102,416	88,036
Diluted	102,430	90,516	102,416	88,616

See accompanying notes to condensed consolidated financial statements.

ATLAS RESOURCE PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss)	\$(141,569)	\$(46,810)	\$(128,806)	\$40,762
Other comprehensive loss:				
Derivative instruments designated as cash flow hedges:				
Reclassification to net income (loss) of mark-to-market gains	(5,555)	(25,778)	(9,070)	(53,121)
Total other comprehensive loss	(5,555)	(25,778)	(9,070)	(53,121)
Comprehensive loss attributable to common and preferred limited partners and the general partner	\$(147,124)	\$(72,588)	\$(137,876)	\$(12,359)

See accompanying notes to condensed consolidated financial statements.

ATLAS RESOURCE PARTNERS, L.P.

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL (DEFICIT)

(in thousands, except unit data)

(Unaudited)

General Partner's Interest	Preferred Limited Partners' Interest Class C		Class D		Class E		Common Limited Partners' Interests		Class C Common Limited Partner Warrants		
	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Warrants	Amount	
51,445	\$(31,156)	3,749,986	\$85,402	4,090,328	\$97,518	256,083	\$5,819	102,160,866	\$(262,762)	562,497	\$1,176
08	—	—	—	—	—	—	—	245,175	204	—	—
	—	—	—	—	—	—	—	24,679	(298)	—	—
39	—	—	637	—	2,205	—	172	—	1,277	—	—
	(156)	—	(2,550)	—	(4,410)	—	(344)	—	(5,118)	—	—
	—	—	—	—	—	—	—	—	(11)	—	—
	(2,656)	—	1,275	—	2,540	—	198	—	(130,163)	—	—
	—	—	—	—	—	—	—	—	—	—	—
66,953	\$(33,929)	3,749,986	\$84,764	4,090,328							