

TENGASCO INC
Form 10-Q
May 14, 2013

U.S. Securities and Exchange Commission
Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission File No. 1-15555

Tengasco, Inc.
(Exact name of registrant as specified in its charter)

Delaware
State or other jurisdiction
of Incorporation or
organization

87-0267438
(IRS Employer Identification
No.)

11121 Kingston Pike, Suite E, Knoxville, TN 37934
(Address of principal executive offices)

(865-675-1554)

(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 Exchange Act 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 checkmark whether the registrant has submitted electronically and posted on its corporate website, 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, 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 60,842,413 common shares at May 6, 2013.

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Tengasco, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except share data)

| | March 31, 2013 | December 31, 2012 |
|--|----------------|-------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 77 | \$ 31 |
| Accounts receivable | 1,624 | 1,608 |
| Accounts receivable – related party, less allowance for doubtful accounts of \$257 and \$257 | 302 | 68 |
| Inventory | 1,244 | 1,402 |
| Other current assets | 271 | 194 |
| Total current assets | 3,518 | 3,303 |
| Restricted cash | 507 | 507 |
| Loan fees, net | 59 | 57 |
| Oil and gas properties, net (full cost accounting method) | 24,196 | 24,700 |
| Methane project, net | 4,424 | 4,445 |
| Other property and equipment, net | 261 | 321 |
| Assets held for sale | 1,400 | 1,400 |
| Deferred tax asset-noncurrent | 8,929 | 9,434 |
| Total assets | \$ 43,294 | \$ 44,167 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Tengasco, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(unaudited)

(in thousands, except share data)

| | March 31, 2013 | December 31, 2012 |
|---|----------------|-------------------|
| Liabilities and Stockholders' Equity | | |
| Current liabilities | | |
| Accounts payable – trade | \$ 565 | \$ 648 |
| Accounts payable – other | 559 | 325 |
| Accrued and other current liabilities | 641 | 615 |
| Current maturities of long-term debt | 92 | 100 |
| Total current liabilities | 1,857 | 1,688 |
| Asset retirement obligation | 2,134 | 2,099 |
| Long term debt, less current maturities | 8,283 | 10,246 |
| Total liabilities | 12,274 | 14,033 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' equity | | |
| Common stock, \$.001 par value, authorized 100,000,000 shares, 60,842,413 and 60,842,413 shares issued and Outstanding | 61 | 61 |
| Additional paid-in capital | 55,648 | 55,699 |
| Accumulated deficit | (24,689) | (25,626) |
| Total stockholders' equity | 31,020 | 30,134 |
| Total liabilities and stockholders' equity | \$ 43,294 | \$ 44,167 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Tengasco, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands, except share and per share data)

| | For the Three Months Ended March 31, | |
|--|--------------------------------------|------------|
| | 2013 | 2012 |
| Revenues | \$ 4,314 | \$ 4,962 |
| Cost and expenses | | |
| Production costs and taxes | 1,371 | 1,668 |
| Depreciation, depletion, and amortization | 794 | 709 |
| General and administrative | 513 | 759 |
| Total cost and expenses | 2,678 | 3,136 |
| Net income from operations | 1,636 | 1,826 |
| Other income (expense) | | |
| Interest expense | (131) | (187) |
| Loss on derivatives | - | (121) |
| Gain on sale of assets | - | 34 |
| Total other income (expenses) | (131) | (274) |
| Income from continuing operations before income tax | 1,505 | 1,552 |
| Income tax expense | (527) | (598) |
| Income from continuing operations | 978 | 954 |
| (Loss) from discontinued operations, net of income tax benefit | (41) | (81) |
| Net income | \$ 937 | \$ 873 |
| Net income (loss) per share – Basic and Diluted | | |
| Net income from continuing operations | \$ 0.02 | \$ 0.02 |
| Net (loss) from discontinued operations | \$ (0.00) | \$ (0.00) |
| Shares used in computing earnings per share | | |
| Basic | 60,842,413 | 60,737,413 |
| Diluted | 61,053,713 | 61,257,875 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Tengasco, Inc. and Subsidiaries
 Condensed Consolidated Statements of Stockholders' Equity
 (unaudited)
 (in thousands, except share data)

| | Common Stock | | | | |
|------------------------------------|--------------|--------|--------------------|------------------------|-----------|
| | Shares | Amount | Paid in Capital | Accumulated Deficit | Total |
| Balance, December 31, 2012 | 60,842,413 | \$ 61 | \$ 55,699 | \$ (25,626) | \$ 30,134 |
| Net income | - | - | - | 937 | 937 |
| Option and compensation expense | - | - | (51) | - | (51) |
| Balance, March 31, 2013 | 60,842,413 | \$ 61 | \$ 55,648 | \$ (24,689) | \$ 31,020 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Tengasco, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flow
(unaudited)
(in thousands)

For the three months ended March 31,

| | 2013 | 2012 |
|---|---------|---------|
| Operating activities | | |
| Net income from continuing operations | \$ 978 | \$ 954 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion, and amortization | 794 | 709 |
| Amortization of loan fees-interest expense | 8 | 14 |
| Accretion on asset retirement obligation | 35 | 33 |
| Gain on sale of assets | - | (34) |
| Compensation and services paid in stock options and stock | 9 | 21 |
| Deferred tax expense | 527 | 531 |
| Loss on derivatives | - | 121 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (250) | (486) |
| Inventory and other assets | 81 | (1,326) |
| Accounts payable | 151 | 500 |
| Accrued and other current liabilities | 26 | (112) |
| Settlement on asset retirement obligation | - | (23) |
| Net cash provided by operating activities – continuing operations | 2,359 | 902 |
| Net cash (used in) operating activities – discontinued operations | (63) | (90) |
| Net cash provided by operating activities | 2,296 | 812 |
| Investing activities | | |
| Net additions to oil and gas properties | (209) | (2,478) |
| Net additions to methane project | - | (345) |
| Net additions to other property and equipment | - | (4) |
| Net cash used in investing activities – continuing operations | (209) | (2,827) |
| Financing activities | | |
| Payment in lieu of exercise of options/warrants | (60) | - |
| Repayments of borrowings | (4,222) | (3,699) |
| Proceeds from borrowings | 2,188 | 5,647 |
| Loan fees | (10) | (30) |
| Net cash provided by (used in) financing activities – continuing operations | (2,104) | 1,918 |
| Net cash provided by financing activities – discontinued operations | 63 | 90 |
| Net cash provided by (used in) financing activities | (2,041) | 2,008 |
| Net change in cash and cash equivalents – continuing operations | 46 | (7) |
| Cash and cash equivalents, beginning of period | 31 | 68 |

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| | | |
|---|--------|--------|
| Cash and cash equivalents, end of period | \$ 77 | \$ 61 |
| Supplemental cash flow information: | | |
| Cash interest payments | \$ 124 | \$ 173 |
| Supplemental non-cash investing and financing activities: | | |
| Financed company vehicles | \$ - | \$ 28 |
| Asset retirement obligations incurred | \$ - | \$ 33 |
| Accrued capital expenditures included in accounts payable | \$ - | \$ 918 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

(1) Description of Business and Significant Accounting Policies

Tengasco, Inc. is a Delaware corporation (the “Company”). The Company is in the business of exploration and production of oil and natural gas. The Company’s primary area of oil exploration and production is in Kansas. The Company’s primary area of natural gas exploration and production is the Swan Creek Field in Tennessee.

The Company’s wholly-owned subsidiary, Tengasco Pipeline Corporation (“TPC”), owns and operates a 65 mile intrastate pipeline which it constructed to transport natural gas from the Company’s Swan Creek Field to customers in Kingsport, Tennessee.

The Company’s wholly-owned subsidiary, Manufactured Methane Corporation (“MMC”) operates treatment and delivery facilities for the extraction of methane gas from nonconventional sources for eventual sale to natural gas customers.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Item 210 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements, although the Company believes that the disclosures made are adequate to make the information not misleading. In the opinion of management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation for the periods presented have been included as required by Regulation S-X, Rule 10-01. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ended December 31, 2013. It is suggested that these condensed consolidated financial statements be read in conjunction with the Company’s consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries after elimination of all significant intercompany transactions and balances.

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Use of Estimates

The accompanying consolidated financial statements are prepared in conformity with U.S. GAAP which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include reserve quantities and estimated future cash flows associated with proved reserves, which significantly impact depletion expense and potential impairments of oil and natural gas properties, income taxes and the valuation of deferred tax assets, stock-based compensation and commitments and contingencies. We analyze our estimates based on historical experience and other assumptions that we believe to be reasonable. While we believe that our estimates and assumptions used in preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates.

Revenue Recognition

Revenues are recognized based on actual volumes of oil, natural gas, methane, and electricity sold to purchasers at a fixed or determinable price, when delivery has occurred and title has transferred, and collectability is reasonably assured. Crude oil is stored and at the time of delivery to the purchasers, revenues are recognized. Natural gas meters are placed at the customer's location and usage is billed each month. There were no material natural gas imbalances at March 31, 2013. Methane and electricity sales meters are located at the tailgate of the Company's Methane Facility and sales are billed each month.

Cash and Cash Equivalents

Cash and cash equivalents include temporary cash investments with a maturity of ninety days or less at date of purchase. The Company had entered into a sweep account arrangement allowing excess cash balance to be used to pay down the Company's credit facility with F&M Bank and Trust Company ("F&M Bank"), thereby reducing overall interest cost. In April 2013, F&M Bank discontinued offering the sweep account arrangement.

Restricted Cash

As security required by Tennessee oil and gas regulations, the Company placed \$120,500 in a Certificate of Deposit to cover future asset retirement obligations for the Company's Tennessee wells. At March 31, 2013 and December 31, 2012, this amount was recorded in the Consolidated Balance Sheets under "Restricted cash".

In addition, during the 4th quarter of 2012, the Company placed \$386,000 as collateral for a bond to appeal a civil penalty related to issuance of an "Incidence of Non-Compliance" by the Bureau of Ocean Energy Management ("BOEM") concerning one of the Hoactzin wells operated by the Company pursuant to the Management Agreement. At March 31, 2013 and

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

December 31, 2012, this amount was recorded in the Consolidated Balance Sheets under “Restricted cash”. (See Note 13. Commitments and Contingencies)

Inventory

Inventory consists of crude oil in tanks and is carried at lower of cost or market value. The cost component of the oil inventory is calculated using the average per barrel cost which includes production costs and taxes, allocated general and administrative costs, and allocated interest cost. The market component is calculated using the average March 2013 oil sales price received from the Company’s Kansas properties. In addition, the Company also carried equipment and materials in inventory to be used in its Kansas operation and is carried at the lower of cost or market value. The cost component of the equipment and materials inventory represents the original cost paid for the equipment and materials. The market component is based on estimated sales value for similar equipment and materials as of March 31, 2013 and December 31, 2012. The following table sets forth information concerning the Company’s inventory (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---|----------------|-------------------|
| Oil – carried at cost | \$ 492 | \$ 650 |
| Equipment and materials – carried at cost | 752 | 752 |
| Total inventory | \$ 1,244 | \$ 1,402 |

Full Cost Method of Accounting

The Company follows the full cost method of accounting for oil and gas property acquisition, exploration, and development activities. Under this method, all costs incurred in connection with acquisition, exploration and development of oil and gas reserves are capitalized. Capitalized costs include lease acquisitions, seismic related costs, certain internal exploration costs, drilling, completion, and estimated asset retirement costs. The capitalized costs of oil and gas properties, plus estimated future development costs relating to proved reserves and estimated asset retirement costs, which are not already included net of estimated salvage value, are amortized on the unit-of-production method based on total proved reserves. The Company has determined its reserves at December 31, 2012, based upon reserve reports provided by LaRoche Petroleum Consultants Ltd. The costs of unproved properties are excluded from amortization until the properties are evaluated, subject to an annual assessment of whether impairment has occurred. The Company had \$457,000 in unevaluated properties as of March 31, 2013 and December 31, 2012. Proceeds from the sale of oil and gas properties are accounted for as reductions to capitalized costs unless such sales cause a significant change in the relationship between costs and the estimated value of proved reserves, in which case a gain or loss is recognized.

At the end of each reporting period, the Company performs a “ceiling test” on the value of the net capitalized cost of oil and gas properties. This test compares the net capitalized

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

cost (capitalized cost of oil and gas properties, net of accumulated depreciation, depletion and amortization and related deferred income taxes) to the present value of estimated future net revenues from oil and gas properties using an average price (arithmetic average of the beginning of month prices for the prior 12 months) and current cost discounted at 10% plus cost of properties not being amortized and the lower of cost or estimated fair value of unproven properties included in the cost being amortized (ceiling).

Accounts Receivable

Accounts receivable consist of uncollateralized joint interest owner obligations due within 30 days of the invoice date, uncollateralized accrued revenues due under normal trade terms, generally requiring payment within 30 days of production, and other miscellaneous receivables. No interest is charged on past-due balances. Payments made on accounts receivable are applied to the earliest unpaid items. We review accounts receivable periodically and reduce the carrying amount by a valuation allowance that reflects our best estimate of the amount that may not be collectible. No such allowance was considered necessary at March 31, 2013 or December 31, 2012. At March 31, 2013 and December 31, 2012, accounts receivable consisted of the following (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---------------------------|----------------|-------------------|
| Revenue | \$ 1,545 | \$ 1,517 |
| Joint interest | 49 | 65 |
| Other | 30 | 26 |
| Total accounts receivable | \$ 1,624 | \$ 1,608 |

Discontinued Operations

During 2012, the Company committed to a plan to sell the Swan Creek and Pipeline assets. On March 1, 2013, the Company entered into an agreement to sell the Company's Swan Creek and Pipeline assets for \$1.5 million. Final closing of this transaction is contingent upon customary due diligence as well as certain regulatory and easement holder approvals. The Company has elected to classify the Pipeline assets as "Assets held for sale" in the Consolidated Balance Sheets as of March 31, 2013 and December 31, 2012. The related results of operations have been classified as "(Loss) from discontinued operations, net of income tax benefit" in the Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012. The related cash flows have been classified as "Net cash (used in) operating activities – discontinued operations", "Net cash (used in) investing activities – discontinued operations", and Net cash (used in) financing activities – discontinued operations". As the Swan Creek assets represent only a small portion of the Company's full cost pool, these assets will remain in oil and gas properties and related operations and will continue to be classified in continuing operations. Unless otherwise indicated, the information in these notes relate to the Company's continuing operations. (See Note 10. Assets Held for Sale and Discontinued Operations)

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net income.

(2) Income Taxes

The total deferred tax asset was \$8.9 million and \$9.4 million at March 31, 2013 and December 31, 2012, respectively. Although management considers our valuation allowance and loss contingency as of March 31, 2013 and December 31, 2012 adequate, material changes in these amounts may occur in the future based on tax audits and changes in legislation.

(3) Earnings per Share

We report basic earnings per common share, which excludes the effect of potentially dilutive securities, and diluted earnings per common share which include the effect of all potentially dilutive securities unless their impact is anti-dilutive. The following are reconciliations of the numerators and denominators of our basic and diluted earnings per share, (in thousands except for share and per share amounts):

| | For the three months ended | |
|--|----------------------------|----------------|
| | March 31, 2013 | March 31, 2012 |
| Income (numerator): | | |
| Net income from continuing operations | \$ 978 | \$ 954 |
| Net loss from discontinued operations | \$ (41) | \$ (81) |
| Weighted average shares (denominator): | | |
| Weighted average shares – basic | 60,842,413 | 60,737,413 |
| Dilution effect of share-based compensation, treasury method | 211,300 | 520,462 |
| Weighted average shares – dilutive | 61,053,713 | 61,257,875 |
| Earnings (loss) per share – Basic and Dilutive: | | |
| Continuing Operations | \$ 0.02 | \$ 0.02 |
| Discontinued Operations | \$ (0.00) | \$ (0.00) |

(4) Recent Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-04 Liabilities (Topic 405), Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date. This guidance requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments shall be applied retrospectively to all prior periods presented for those obligations within the scope of this Subtopic that exist at the beginning of an entity's fiscal year of

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

adoption. Early adoption is permitted. The Company adopted ASU 2013-04 during the quarter ended March 31, 2013 and does not expect this to impact its operating results, financial position or cash flows.

In December 2011, the FASB issued ASU No. 2011-11 Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities. This guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to master netting arrangements. In January 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities." The amendments in this update clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with ASC 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with ASC 210-20-45 or ASC 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments are effective during interim and annual periods beginning on or after January 1, 2013. The Company adopted ASU 2011-11 and 2013-01 during the quarter ended March 31, 2013 and does not expect this to impact its operating results, financial position or cash flows.

(5) Related Party Transactions

On September 17, 2007, the Company entered into a drilling program with Hoactzin Partners, L.P. ("Hoactzin") for ten wells to be drilled on the Company's Kansas Properties (the "Ten Well Program"). Peter E. Salas, the Chairman of the Board of Directors of the Company, is the controlling person of Hoactzin. He is also the sole shareholder and controlling person of Dolphin Energy MGMT, Inc., the general partner of Dolphin Offshore Partners, L.P., and a member of SSB Ventures LLC which is the Company's largest shareholder. The terms of the Ten Well Program provided that Hoactzin would receive all the working interest in the ten wells in the Program, but will pay an initial fee to the Company of 25% of its working interest revenues net of operating expenses. This is referred to as a management fee but, as defined, is in the nature of a net profits interest. The fee paid to the Company by Hoactzin will increase to 85% when and if net revenues received by Hoactzin reach an agreed payout point of approximately 1.35 times Hoactzin's purchase price (the "Payout Point") for its interest in the Ten Well Program. Hoactzin paid a total of \$3.85 million (the "Purchase Price") for its interest in the Ten Well Program resulting in the Payout Point being determined as \$5.2 million. As of March 31, 2013, net revenues received by Hoactzin from the Ten Well Program totaled \$4.7 million which leaves a balance of approximately \$460,000 until the Payout Point is reached.

On September 17, 2007, Hoactzin, simultaneously with subscribing in the Ten Well Program, was conveyed a 75% net profits interest in the methane extraction project developed by MMC at the Carter Valley landfill owned and operated by Republic Services in Church Hill, Tennessee (the "Methane Project"). Net profits, if any, from the Methane Project received by Hoactzin were be applied towards the determination of the Payout Point (as defined above) for

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

the Ten Well Program. Through March 31, 2013, no payments have been made to Hoactzin for its 75% net profits interest in the Methane Project, because no net profits have been generated. When the Payout Point is reached (even if only from the revenues from the wells drilled in the Ten Well Program), Hoactzin's 75% net profits interest in the Methane Project will decrease to 7.5%.

On December 18, 2007, the Company entered into a Management Agreement with Hoactzin. On the same date, the Company entered into an agreement with C. Patrick McInturff employing him as a Vice-President of the Company. Pursuant to the Management Agreement with Hoactzin, Mr. McInturff's duties would include the management on behalf of Hoactzin of its working interest in oil and gas properties owned by Hoactzin and located in the onshore Texas Gulf Coast, and offshore Texas and offshore Louisiana. The Management Agreement terminated on December 18, 2012.

During the course of the Management Agreement, the Company became the operator of certain managed properties under the agreement. The Company obtained from IndemCo, over time, bonds in the face amount of approximately \$9.6 million for the purpose of covering plugging and abandonment obligations for Hoactzin's operated properties located in federal offshore waters in favor of the Bureau of Ocean Energy Management ("BOEM"), as well as certain private parties. In connection with the issuance of these bonds, a Payment and Indemnity Agreement with IndemCo was executed by Dolphin Direct Equity Partners, LP ("Dolphin Direct") guaranteeing payment of any bonding liabilities incurred by IndemCo. Dolphin Direct is a private equity fund controlled by Peter E. Salas that has a significant economic interest in Hoactzin. The Company co-signed the Payment and Indemnity Agreement, thereby becoming jointly and severally liable with Dolphin Direct for the obligations to IndemCo under the Payment and Indemnity Agreement. Hoactzin has provided \$6.6 million in cash to IndemCo as collateral for these potential obligations. The Company has not provided any cash or other collateral for these potential obligations.

As operator of the managed Hoactzin properties, the Company routinely contracted in its name for goods and services with vendors in connection with its operation of the Hoactzin properties. In practice, Hoactzin directly paid these invoices for goods and services that were contracted in the Company's name. Hoactzin currently has significant past due balances to several vendors, a portion of which are included on the Company's balance sheet. Payables related to these past due vendors as well as ongoing operations remained outstanding at March 31, 2013 and December 31, 2012 in the amounts of \$559,000 and \$325,000, respectively. The Company has recorded the Hoactzin-related payables and the corresponding receivable from Hoactzin as of March 31, 2013 and December 31, 2012 in its Consolidated Balance Sheets under "Accounts payable – other" and "Accounts receivable – related party". The amounts recorded in accounts receivable are net of a \$257,000 allowance.

As of the date of this Report, the Company is assisting Hoactzin with becoming operator of record of these wells and transferring the corresponding bonding liability from the Company to Hoactzin. In order to facilitate this transition, the Company has entered into an agreement with

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

Hoactzin whereby Hoactzin and its controlling member are indemnifying Tengasco for any costs or liabilities incurred by Tengasco resulting from such assistance, or the fact that Tengasco is still the operator of record on certain of these wells.

No Tengasco funds have been advanced by Tengasco to pay any obligations of Hoactzin. No borrowing capability of Tengasco has been used by the Company in connection with its obligations under the Management Agreement, except for those funds used to collateralize the appeal bond with RLI Insurance Company. (see Note 13. Commitments and Contingencies)

(6) Oil and Gas Properties

The following table sets forth information concerning the Company's oil and gas properties (in thousands):

| | March 31, 2013 | December 31, 2012 |
|---------------------------------|----------------|-------------------|
| Oil and gas properties, at cost | \$ 43,559 | \$ 43,351 |
| Unevaluated properties | 457 | 457 |
| Accumulated depletion | (19,820) | (19,108) |
| Oil and gas properties, net | \$ 24,196 | \$ 24,700 |

The Company recorded depletion expense of \$712,000 and \$623,000 for the three months ended March 31, 2013 and 2012, respectively.

(7) Asset Retirement Obligation

Our asset retirement obligations represent the estimated present value of the amount we will incur to plug, abandon and remediate our producing properties at the end of their productive lives in accordance with applicable laws. The following table summarizes the Company's Asset Retirement Obligation transactions for the three months ended March 31, 2013 (in thousands):

| | |
|---------------------------|----------|
| Balance December 31, 2012 | \$ 2,099 |
| Accretion expense | 35 |
| Liabilities incurred | - |
| Liabilities settled | - |
| Balance March 31, 2013 | \$ 2,134 |

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

(8) Long-Term Debt

Long-term debt to unrelated entities consisted of the following (in thousands):

| | March 31, 2013 | December 31, 2012 |
|--|----------------|-------------------|
| Note payable to a financial institution, with interest only payment until maturity. | \$ 8,191 | \$ 10,138 |
| Installment notes bearing interest at the rate of 5.5% to 8.25% per annum collateralized by vehicles with monthly payments including interest, insurance and maintenance of approximately \$20,000 | 184 | 208 |
| Total long-term debt | 8,375 | 10,346 |
| Less current maturities | (92) | (100) |
| Long-term debt, less current maturities | \$ 8,283 | \$ 10,246 |

At March 31, 2013, the Company had a revolving credit facility with F&M Bank & Trust Company (“F&M Bank”). Under the credit facility, loans and letters of credit are available to the Company on a revolving basis in an amount outstanding not to exceed the lesser of \$40 million or the Company’s borrowing base in effect from time to time. As of March 31, 2013, the Company’s borrowing base was \$20.5 million. The credit facility is secured by substantially all of the Company’s producing and non-producing oil and gas properties and pipeline and the Company’s Methane Project assets. The credit facility includes certain covenants with which the Company is required to comply. These covenants include leverage, interest coverage, minimum liquidity, and general and administrative coverage ratios. The Company is in compliance with all covenants.

On March 6, 2013, the Company’s senior credit facility with F&M Bank after F&M Bank’s semiannual review of the Company’s then owned producing properties was amended to reduce the Company’s borrowing base from \$21.5 million to \$20.5 million and extend the term of the facility to January 27, 2015. The interest rate remained the greater of prime plus 0.25% or 5.25% per annum. The Company’s interest rate at March 31, 2013 was 5.25%.

The total borrowing by the Company under the facility at March 31, 2013 and December 31, 2012 was \$8.2 million and \$10.1 million, respectively. The next borrowing base review will take place in June 2013.

(9) Methane Project

The methane facilities were placed into service on April 1, 2009. The methane facilities are being depreciated over the estimated useful life of approximately 33 years based on estimated landfill closure date of December 2041. The Company recorded depreciation expense of \$21,000 and \$29,000 for the three months ended March 31, 2013 and 2012, respectively.

Tengasco, Inc. and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

(10) Assets Held For Sale and Discontinued Operations

Assets held for sale represent the carrying value of the pipeline asset of \$1.4 million as of March 31, 2013 and December 31, 2012. The determination of the pipeline value was based on discussions and negotiations with a third party regarding the sale of the Pipeline asset.

The following table summarizes the amounts included in “(Loss) from discontinued operations, net of income tax benefit” presented in the Company’s Condensed Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012: (in thousands)

| | For The Three Months Ended | |
|--|----------------------------|----------------|
| | March 31, 2013 | March 31, 2012 |
| Revenues | \$ 9 | \$ 4 |
| Production costs and taxes | (72) | (94) |
| Depreciation, depletion, and amortization | - | (44) |
| Deferred income tax benefit | 22 | 53 |
| (Loss) from discontinued operations, net of income tax benefit | \$ (41) | \$ (81) |

(11) Fair Value Measurements

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable, account payables, accrued liabilities and long term debt in our balance sheet approximates fair value as of March 31, 2013 and December 31, 2012.

(12) Derivatives

The Company records changes in the unrealized derivative asset or liability as a “Gain or loss on derivatives” in the Consolidated Statements of Operations. During the three months ended March 31, 2012, the Company recorded a loss on derivatives of \$121,000. As of March 31, 2013 and December 31, 2012, the Company did not have any open forward positions.

(13) Commitments and Contingencies

The Company as designated operator of the Hoactzin properties was administratively issued an “Incidence of Non-Compliance” by BOEM during the quarter ended September 30, 2012 concerning one of Hoactzin’s operated wells. This action calls for payment of a civil penalty of \$386,000 for the late filing of certain reports in 2011 by a contractor on the facility. The Company has filed an appeal of this action in order to attempt to significantly reduce the civil penalty. This appeal required a fully collateralized appeal bond to postpone the payment obligation until the appeal is determined. The Company has posted and collateralized this bond with RLI Insurance Company. If the bond was not posted, the appeal would be administratively denied and the order to the Company as operator to pay the \$386,000 penalty would be final. While the Company believes it will ultimately prevail in the appeal process, it is reasonably possible to expect that the Company may be required to pay a portion of this penalty. The Company

estimates the range of this possible payment to be between zero and \$386,000.

Tengasco, Inc. and Subsidiaries

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations and Financial Condition

During the first three months of 2013, the Company sold 59 MBbl of oil from its Kansas wells. Of the 59 MBbl, 46 MBbl were net to the Company after required payments to all of the royalty interests and drilling program participants. The Company's net sales from its Kansas wells during the first three months of 2013 of 46 MBbl of oil compares to net sales of 49 MBbl during the first three months of 2012. This 3 MBbl decrease was due primarily to decreased sales volumes from the Liebenau lease due to declines from higher volumes realized in the first three months of 2012 as a result of polymers performed in late 2011. The Company's net revenue from the Kansas properties was \$4.0 million in the first three months of 2013 compared to \$4.7 million for the first three months of 2012. This decrease in net revenue was due primarily to a \$270,000 decrease related to the 3 MBbl decrease in sales volumes and a \$390,000 decrease related to the \$8.55 per barrel decrease in the average Kansas oil price from \$96.08 per barrel in 2012 to \$87.53 per barrel in 2013. For the first three months of 2013 and 2012, Swan Creek sales were \$142,000 and 96,000, respectively and MMC revenues were \$153,000 and \$183,000, respectively.

Comparison of the Quarters Ended March 31, 2013 and 2012

The Company recognized \$4.3 million in revenues during the first three months of 2013 and \$5.0 million during the first three months of 2012. The revenue decrease from 2012 levels was primarily due to a \$270,000 decrease related to a 3 MBbl decrease in Kansas oil sales volumes and a \$390,000 decrease related to a \$8.55 per barrel decrease in average Kansas oil prices. Kansas oil prices during the first three months of 2013 averaged \$87.53 per barrel compared to an average price of \$96.08 per barrel during the first three months of 2012. The Company reported net income from continuing operations of \$978,000 or \$0.02 per share of common stock during the first three months of 2013 compared to net income from continuing operations of \$954,000 or \$0.02 per share of common stock during the first three months of 2012. Although revenues decreased \$648,000, this decrease was offset by a \$297,000 decrease in operating cost, a \$246,000 decrease in general and administrative cost, and a \$121,000 decrease in loss on derivatives.

Production costs and taxes decreased \$297,000 from \$1.7 million during the first three months of 2012 to \$1.4 million during the first three months of 2013. This decrease from 2012 levels was primarily due to a \$270,000 decrease in Kansas production costs and taxes, an \$84,000 decrease in landfill expense, a \$49,000 decrease in accrued Kansas property taxes related primarily to a successful appeal of 2012 property taxes, partially offset by a \$112,000 increase in the oil inventory adjustment.

Depreciation, depletion, and amortization expense increased \$85,000 from \$709,000 during the first three months of 2012 to \$794,000 during the first three months of 2013. This increase was primarily due to a higher oil and gas depletion rate in 2013 compared to the oil and gas depletion rate during the first three months of 2012.

General and administrative costs decreased \$246,000 from \$759,000 during the first three months of 2012 to \$513,000 during the first three months of 2013. This decrease was primarily due to a decrease

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in personnel related costs during the first three months of 2013 compared to the first three months of 2012.

During the first three months of 2012, the Company recorded a \$121,000 non-cash unrealized loss on derivatives related to the change in fair value of the oil derivative contract. No unrealized gains or losses were recorded during the first three months of 2013 as the oil derivative contract expired on December 31, 2012.

Interest expense decreased \$56,000 from \$187,000 during the first three months of 2012 to \$131,000 during the first three months of 2013. This decrease in interest expense was primarily due to a \$3.7 million decrease in average bank borrowings from \$13.1 million during the first three months of 2012 to \$9.4 million during the first three months of 2013. This decrease in average bank borrowings related to a significant decrease in capital spending since the second quarter of 2012.

Liquidity and Capital Resources

At March 31, 2013, the Company had a revolving credit facility with F&M Bank & Trust Company (“F&M Bank”). Under the credit facility, loans and letters of credit are available to the Company on a revolving basis in an amount outstanding not to exceed the lesser of \$40 million or the Company’s borrowing base in effect from time to time. As of March 31, 2013, the Company’s borrowing base was \$20.5 million. The credit facility is secured by substantially all of the Company’s producing and non-producing oil and gas properties and pipeline and the Company’s Methane Project assets. The credit facility includes certain covenants with which the Company is required to comply. These covenants include leverage, interest coverage, minimum liquidity, and general and administrative coverage ratios. The Company is in compliance with all covenants.

On March 6, 2013, the Company’s senior credit facility with F&M Bank after F&M Bank’s semiannual review of the Company’s then owned producing properties was amended to reduce the Company’s borrowing base from \$21.5 million to \$20.5 million and extend the term of the facility to January 27, 2015. The interest rate remained the greater of prime plus 0.25% or 5.25% per annum. The Company’s interest rate at March 31, 2013 was 5.25%.

The total borrowing by the Company under the facility at March 31, 2013 and December 31, 2012 was \$8.2 million and \$10.1 million, respectively. The next borrowing base review will take place in June 2013.

Although the Company has not been required as of the date of this Report to make any payment of principal on the credit facility, the Company can make no assurance that in view of the conditions in the national and world economies, including the realistic possibility of low commodity prices being received for the Company’s oil and gas production for extended periods, that F&M Bank may in the future make a redetermination of the Company’s borrowing base to a point below the level of current borrowings. In such event, F&M Bank may require installment or other payments in such amount in order to reduce the principal of the Company’s outstanding borrowing to a level not in excess of the borrowing base as it may be redetermined. The Company can make no assurance that it can continue

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normal operations indefinitely or for any specific period of time in the event of extended periods of low commodity prices, or upon the occurrence of any significant downturn or losses in operations. In such event, the Company may be required to reduce costs of operations by various means, including not undertaking certain maintenance or reworking operations that may be necessary to keep some of the Company's properties in production or to seek additional working capital by additional means such as issuance of equity including preferred stock or such other means as may be considered and authorized by the Company's Board of Directors from time to time.

Net cash provided by operating activities increased \$1.5 million from \$0.8 million in the first three months of 2012 to \$2.3 million during the first three months of 2013. Cash flow used in working capital was \$1.4 million during the first three months of 2012 compared to \$8,000 provided by working capital during the first three months of 2013. The \$1.5 million increase of cash provided by operating activities and the \$1.4 million change in cash flow used in working capital from 2012 to 2013 was primarily due to a \$1.3 million increase in materials and equipment inventory during the first three months of 2012 compared to no change in materials and equipment inventory during the first three months of 2013. Net cash used in investing activities decreased \$2.6 million from \$2.8 million during the first three months of 2012 to \$0.2 million during the first three months of 2013. Drilling and polymer costs decreased \$2.3 million from \$2.5 million during the first three months of 2012 to \$0.2 million during the first three months of 2013. In addition, Methane Plant capital spending decreased \$345,000 from 2012 levels as no spending occurred during the first three months of 2013. Cash flow used in financing activities during the first three months of 2013 was \$2.0 million primarily from using cash flows from operations to pay down bank borrowings compared to \$2.0 million of cash flow provided by financial activities during the first three months of 2012 primarily from additional bank borrowings used to fund the Company's capital spending programs.

Critical Accounting Policies

During the quarter ended March 31, 2013, there were no changes to the critical accounting policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's Borrowing Base under its Credit Facility may be reduced by the lender.

The borrowing base under the Company's revolving credit facility will be determined from time to time by the lender, consistent with its customary natural gas and crude oil lending practices. Reductions in estimates of the Company's natural gas and crude oil reserves could result in a reduction in the Company's borrowing base, which would reduce the amount of financial resources available under the Company's revolving credit facility to meet its capital requirements. Such a reduction could be the result of lower commodity prices or production, inability to drill or unfavorable drilling results, changes

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in natural gas and crude oil reserve engineering, the lender's inability to agree to an adequate borrowing base or adverse changes in the lenders' practices regarding estimation of reserves. If cash flow from operations or the Company's borrowing base decreases for any reason, the Company's ability to undertake exploration and development activities could be adversely affected.

As a result, the Company's ability to replace production may be limited. In addition, if the borrowing base is reduced, the Company may be required to pay down its borrowings under the revolving credit facility so that outstanding borrowings do not exceed the reduced borrowing base. This requirement could further reduce the cash available to the Company for capital spending and, if the Company did not have sufficient capital to reduce its borrowing level, could cause the Company to default under its revolving credit facility.

Such a reduction in the Company's borrowing base occurred as a result of the March 6, 2013 redetermination by F&M Bank. The borrowing base was reduced from \$21.5 million to \$20.5 million of which \$9.1 million of the borrowing base had been drawn down by the Company as of the date of the redetermination.

As of March 31, 2013, the Company's borrowing base was set at \$20.5 million of which \$8.2 million had been drawn down by the Company. The Company's next periodic borrowing base review will occur in June 2013.

Commodity Risk

The Company's major market risk exposure is in the pricing applicable to its oil and gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to natural gas production. Historically, prices received for oil and gas production have been volatile and unpredictable and price volatility is expected to continue. Monthly Kansas oil prices received during 2012 ranged from a low of \$76.04 per barrel to a high of \$99.59 per barrel. Gas prices realized during the same period ranged from a low of \$2.26 per Mcf to a high of \$6.84 per Mcf.

In order to help mitigate commodity price risk, the Company has entered into a long term fixed price contract for MMC gas sales. On August 27, 2009, the Company entered into a five-year fixed price gas sales contract with Atmos Energy Marketing, LLC, ("AEM") in Houston, Texas, a nonregulated unit of Atmos Energy Corporation (NYSE: ATO) for the sale of the methane component of landfill gas produced by MMC at the Carter Valley Landfill. The agreement provides for the sale of up to 600 MMBtu per day. The contract is effective beginning with September 2009 gas production and ends July 31, 2014. The agreed contract price of over \$6 per MMBtu was a premium to the then current five-year strip price for natural gas on the NYMEX futures market.

As of March 31, 2013, the Company has no open positions related to derivative agreements.

Tengasco, Inc. and Subsidiaries

Interest Rate Risk

At March 31, 2013, the Company had debt outstanding of \$8.4 million including, as of that date, \$8.2 million owed on its credit facility with F&M Bank. The interest rate on the credit facility was variable at a rate equal to the greater of prime plus 0.25% or 5.25% per annum. The Company's remaining debt of \$0.2 million has fixed interest rates ranging from 3.9% to 7.25%.

The annual impact on interest expense and the Company's cash flows of a 10% increase in the interest rate on the credit facility would be approximately \$43,000 assuming borrowed amounts under the credit facility remained at the same amount owed as of March 31, 2013. The Company did not have any open derivative contracts relating to interest rates at March 31, 2013 or December 31, 2012.

Forward-Looking Statements and Risk

Certain statements in this report, including statements of the future plans, objectives, and expected performance of the Company, are forward-looking statements that are dependent upon certain events, risks and uncertainties that may be outside the Company's control, and which could cause actual results to differ materially from those anticipated. Some of these include, but are not limited to, the market prices of oil and gas, economic and competitive conditions, inflation rates, legislative and regulatory changes, financial market conditions, political and economic uncertainties of foreign governments, future business decisions, and other uncertainties, all of which are difficult to predict.

There are numerous uncertainties inherent in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary significantly from estimates. The drilling of exploratory wells can involve significant risks, including those related to timing, success rates and cost overruns. Lease and rig availability, complex geology and other factors can also affect these risks. Additionally, fluctuations in oil and gas prices, or a prolonged period of low prices, may substantially adversely affect the Company's financial position, results of operations, and cash flows.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer, and other members of management have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as of the end of the period covered by this Report, were adequate and effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. The effectiveness of a system of disclosure controls and procedures is subject to various inherent limitations, including cost limitations, judgments used in

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decision making, assumptions about the likelihood of future events, the soundness of internal controls, and fraud. Due to such inherent limitations, there can be no assurance that any system of disclosure controls and procedures will be successful in preventing all errors or fraud, or in making all material information known in a timely manner to the appropriate levels of management.

Changes in Internal Controls

During the period covered by this Report, there have been no changes to the Company's system of internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's system of controls over financial reporting. As part of a continuing effort to improve the Company's business processes, management is evaluating its internal controls and may update certain controls to accommodate any modifications to its business processes or accounting procedures.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Refer to Item 1A Risk Factors in the Company's Report on Form 10-K for the year ended December 31, 2012 filed on March 29, 2013 which is incorporated by this reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

Tengasco, Inc. and Subsidiaries

ITEM 6. EXHIBITS

The following exhibits are filed with this report:

31.1 Certification of the Chief Executive Officer, pursuant to Exchange Act Rule, Rule 13a-14a/15d-14a.

31.2 Certification of the Chief Financial Officer, pursuant Exchange Act Rule, Rule 13a-14a/15d-14a.

32.1 Certification of the Chief Executive Officer, pursuant to 18 U.S.C Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer, pursuant to 18 U.S.C Section 1350 as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.

| | |
|---------|--|
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

Tengasco, Inc. and Subsidiaries

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant duly caused this report to be signed on its behalf by the undersigned hereto duly authorized.

Dated: May 14, 2013

TENGASCO, INC.

By: s/Jeffrey R. Bailey
Jeffrey R. Bailey
Chief Executive Officer

By: s/Michael J. Rugen
Michael J. Rugen
Chief Financial Officer

Tengasco, Inc. and Subsidiaries

Exhibit 31.1 CERTIFICATION

I, Jeffrey R. Bailey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tengasco, Inc. for the quarter ended March 31, 2013.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2013

By: s/Jeffrey R. Bailey

Jeffrey R. Bailey

Chief Executive Officer

Tengasco, Inc. and Subsidiaries

Exhibit 31.2 CERTIFICATION

I, Michael Rugen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Tengasco, Inc. for the quarter March 31, 2013.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize

and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 14, 2013

By: s/ Michael J. Rugen

Michael J. Rugen

Chief Financial Officer

Tengasco, Inc. and Subsidiaries

Exhibit 32.1
CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 I hereby certify that:

I have reviewed the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

To the best of my knowledge this Quarterly Report on Form 10-Q (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m (a) or 78o (d)); and, (ii) the information contained in this Report fairly present, in all material respects, the financial condition and results of operations of Tengasco, Inc. and its subsidiaries during the period covered by this report.

Dated: May 14, 2013

By: s/Jeffrey R. Bailey
Jeffrey R. Bailey
Chief Executive Officer

Tengasco, Inc. and Subsidiaries

Exhibit 32.2
CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 I hereby certify that:

I have reviewed the Quarterly Report on Form 10-Q for the quarter ended March 31, 2013.

To the best of my knowledge this Quarterly Report on Form 10-Q (i) fully complies with the requirements of section 13(a) or 15(d) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m (a) or 78o (d)); and, (ii) the information contained in this Report fairly present, in all material respects, the financial condition and results of operations of Tengasco, Inc. and its subsidiaries during the period covered by this report.

Dated: May 14, 2013

By: s/ Michael J. Rugen
Michael J. Rugen
Chief Financial Officer

