

SARATOGA RESOURCES INC /TX
Form 10-Q
November 13, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

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 001-35241

SARATOGA RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of incorporation or organization)

76-0314489
(IRS Employer Identification No.)

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7500 San Felipe, Suite 675, Houston, Texas 77063
(Address of principal executive offices)(Zip Code)

(713) 458-1560
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of October 29, 2012, we had 30,905,101 shares of \$0.001 par value Common Stock outstanding.

SARATOGA RESOURCES, INC.

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PART I - FINANCIAL INFORMATION**ITEM 1****Financial Statements**

SARATOGA RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	September 30, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents	\$ 8,288,106	\$ 15,874,680
Accounts receivable	6,304,451	10,539,757
Prepaid expenses and other	1,980,173	1,189,406
Deferred tax asset, net	-	1,400,000
Other current asset	150,000	150,000
Total current assets	16,722,730	29,153,843
Property and equipment:		
Oil and gas properties - proved (successful efforts method)	249,984,720	196,101,827
Other	713,251	658,113
	250,697,971	196,759,940
Less: Accumulated depreciation, depletion and amortization	(68,045,627)	(53,830,820)
Total property and equipment, net	182,652,344	142,929,120
Deferred tax asset, net	6,948,628	5,147,962
Other assets, net	18,923,094	20,531,218
Total assets	\$ 225,246,796	\$ 197,762,143

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 8,867,682	\$ 4,598,534
Revenue and severance tax payable	4,167,429	5,709,773
Accrued liabilities	7,908,539	8,451,655
Derivative liabilities - short term	189,060	-
Short-term notes payable	933,403	344,256
Asset retirement obligation - current	1,158,532	1,548,945
Total current liabilities	23,224,645	20,653,163
Long-term liabilities:		

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Asset retirement obligation	11,323,077	9,852,920
Long-term debt, net of unamortized discount of \$1,849,867 and \$2,115,195, respectively	125,650,133	125,384,805
Total long-term liabilities	136,973,210	135,237,725
Commitment and contingencies (see notes)		
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized 30,867,513 and 26,714,815 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	30,867	26,714
Additional paid-in capital	76,864,136	52,674,252
Accumulated other comprehensive income(loss)	(182,569)	-
Retained deficit	(11,663,493)	(10,829,711)
Total stockholders' equity	65,048,941	41,871,255
Total liabilities and stockholders' equity	\$ 225,246,796	\$ 197,762,143

The accompanying notes are an integral part of these unaudited consolidated financial statements

SARATOGA RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues:				
Oil and gas revenues	\$ 16,454,125	\$ 18,885,950	\$ 59,588,443	\$ 53,459,141
Oil and gas hedging	(6,490)	-	(6,490)	-
Other revenues	269,810	938,385	1,467,403	4,368,436
Total revenues	16,717,445	19,824,335	61,049,356	57,827,577
Operating Expense:				
Lease operating expense	4,622,010	4,590,675	13,860,709	12,683,787
Workover expense	306,745	32,549	3,846,046	458,286
Exploration expense	213,733	166,688	369,419	573,077
Loss on plugging and abandonment	-	-	2,468,969	-
Dry hole costs	-	3,787,911	93,353	3,787,911
Depreciation, depletion and amortization	3,658,002	4,009,462	14,170,532	12,377,089
Impairment expense	44,276	-	44,276	-
Accretion expense	555,504	399,634	1,666,512	1,248,478
General and administrative	1,971,634	2,616,072	7,042,299	6,516,360
Severance taxes	1,502,134	1,431,567	5,375,259	4,096,641
Total operating expenses	12,874,038	17,034,558	48,937,374	41,741,629
Operating income	3,843,407	2,789,777	12,111,982	16,085,948
Other income (expense):				
Interest income	11,204	37,492	20,046	237,078
Interest expense	(4,334,389)	(4,384,499)	(13,058,178)	(13,620,011)
Gain on extinguishment of debt	-	7,708,486	-	7,708,486
Total other expense	(4,323,185)	3,361,479	(13,038,132)	(5,674,447)
Net income (loss) before reorganization expense and income taxes	(479,778)	6,151,256	(926,150)	10,411,501
Reorganization expense	43,287	125,420	121,528	374,414
	(523,065)	6,025,836	(1,047,678)	10,037,087

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Net income (loss) before income taxes					
Income tax expense (benefit)	(48,062)	(146,082)	(213,896)	(91,368)	
Net income (loss)	\$ (475,003)	\$ 6,171,918	\$ (833,782)	\$ 10,128,455	
Other comprehensive income(loss)					
Unrealized loss on derivative instruments	(182,569)	-	(182,569)	-	
Total comprehensive income(loss)	\$ (657,572)	\$ 6,171,918	\$ (1,016,351)	\$ 10,128,455	
Net income (loss) per share:					
Basic	\$ (0.02)	\$ 0.25	\$ (0.03)	\$ 0.49	
Diluted	\$ (0.02)	\$ 0.24			