

ISRAMCO INC  
Form 10-Q  
August 09, 2010

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

\_\_\_\_\_  
FORM 10-Q  
\_\_\_\_\_

Check  
One

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2010

or

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-12500

ISRAMCO, INC  
(Exact Name of registrant as Specified in its Charter)

Delaware  
(State or other Jurisdiction of  
Incorporation or Organization)

13-3145265  
I.R.S. Employer Number

2425 West Loop South, Suite 810, HOUSTON, TX 77027  
(Address of Principal Executive Offices)

713-621-5946  
(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) 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

Edgar Filing: ISRAMCO INC - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  (Do not check if a 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 shares outstanding of the registrant’s Common Stock as August 9, 2010 was 2,717,691.

---

Table of Contents

## TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1.	4
	4
	5
	6
	7
Item 2.	14
Item 3.	25
Item 4.	26
PART II. OTHER INFORMATION	
Item 1.	27
Item 1A.	27
Item 2	27
Item 3.	27
Item 4	27
Item 5.	27
Item 6.	27
	28

---

Table of Contents

Forward Looking Statements

CERTAIN STATEMENTS MADE IN THIS QUARTERLY REPORT ON FORM 10-Q ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMINOLOGY SUCH AS “MAY”, “WILL”, “SHOULD”, “EXPECTS”, “INTENDS”, “ANTICIPATES”, “BELIEVES”, “ESTIMATES”, “PREDICTS”, OR “CONTINUE” OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY AND INCLUDE, WITHOUT LIMITATION, STATEMENTS BELOW REGARDING EXPLORATION AND DRILLING PLANS, FUTURE GENERAL AND ADMINISTRATIVE EXPENSES, FUTURE GROWTH, FUTURE EXPLORATION, FUTURE GEOPHYSICAL AND GEOLOGICAL DATA, GENERATION OF ADDITIONAL PROPERTIES, RESERVES, NEW PROSPECTS AND DRILLING LOCATIONS, FUTURE CAPITAL EXPENDITURES, SUFFICIENCY OF WORKING CAPITAL, ABILITY TO RAISE ADDITIONAL CAPITAL, PROJECTED CASH FLOWS FROM OPERATIONS, OUTCOME OF ANY LEGAL PROCEEDINGS, DRILLING PLANS, THE NUMBER, TIMING OR RESULTS OF ANY WELLS, INTERPRETATION AND RESULTS OF SEISMIC SURVEYS OR SEISMIC DATA, FUTURE PRODUCTION OR RESERVES, LEASE OPTIONS OR RIGHTS, PARTICIPATION OF OPERATING PARTNERS, CONTINUED RECEIPT OF ROYALTIES, AND ANY OTHER STATEMENTS REGARDING FUTURE OPERATIONS, FINANCIAL RESULTS, OPPORTUNITIES, GROWTH, BUSINESS PLANS AND STRATEGY. BECAUSE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY BELIEVES THAT EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CANNOT GUARANTEE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THESE FORWARD-LOOKING STATEMENTS. THE COMPANY IS UNDER NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS.

---

Table of Contents

ISRAMCO INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share amounts)  
(Unaudited)

	As of June 30, 2010	As of December 31, 2009
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 3,924	\$ 2,907
Accounts receivable, net	5,551	7,424
Restricted and designated cash	845	827
Deferred tax assets	2,428	3,644
Derivative asset	5,086	3,421
Prepaid expenses and other	742	656
<b>Total Current Assets</b>	<b>18,576</b>	<b>18,879</b>
Property and Equipment, at cost – successful efforts method:		
Oil and Gas properties	221,873	220,138
Other	775	672
<b>Total Property and Equipment</b>	<b>222,648</b>	<b>220,810</b>
Accumulated depreciation, depletion and amortization	(84,027)	(77,315)
<b>Net Property and Equipment</b>	<b>138,621</b>	<b>143,495</b>
Marketable securities, at market	4,490	4,713
Debt cost	196	322
Derivative asset	2,995	2,158
Deferred tax assets and other	6,738	6,751
<b>Total assets</b>	<b>\$ 171,616</b>	<b>\$ 176,318</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,908	\$ 9,798
Short term debt and bank overdraft	1,182	336
Current maturities of long-term debt	16,950	12,000
Derivative liability	223	693
Accrued interest and due to related party	9,017	4,677
<b>Total current liabilities</b>	<b>35,280</b>	<b>27,504</b>
Long-term debt	24,625	32,950
Accrued interest - related party	2,777	4,832
Long-term debt - related party	76,354	79,354
Other Long-term Liabilities:		
Asset retirement obligations	16,463	16,248
Derivative liability – non-current	-	1,697
<b>Total other long-term liabilities</b>	<b>16,463</b>	<b>17,945</b>

## Commitments and contingencies

## Shareholders' equity:

Common stock \$0.01 par value; authorized 7,500,000 shares; issued 2,746,958 shares;  
outstanding 2,717,691 shares

	27	27
Additional paid-in capital	23,194	23,194
Accumulated deficit	(9,039)	(11,362)
Accumulated other comprehensive income	2,099	2,038
Treasury stock, 29,267 shares at cost	(164)	(164)
Total shareholders' equity	16,117	13,733
Total liabilities and shareholders' equity	\$ 171,616	\$ 176,318

See notes to the condensed consolidated financial statements.

Table of Contents

ISRAMCO INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except share and per share amounts)  
(Unaudited)

	Three Months Ended June		Six Months Ended June 30	
	2010	2009	2010	2009
<b>Revenues</b>				
Oil and gas sales	\$ 9,403	\$ 7,155	\$ 19,358	\$ 13,738
Office services	107	195	309	377
Other	17	49	25	291
<b>Total revenues</b>	<b>9,527</b>	<b>7,399</b>	<b>19,692</b>	<b>14,406</b>
<b>Operating expenses</b>				
Lease operating expense, transportation and taxes	5,054	3,598	9,954	7,263
Depreciation, depletion and amortization	3,542	4,244	6,712	8,751
Accretion expense	204	204	408	414
Loss from plugging and abandonment of wells	342	-	688	-
General and administrative	1,002	835	1,901	1,714
<b>Total operating expenses</b>	<b>10,144</b>	<b>8,881</b>	<b>19,663</b>	<b>18,142</b>
<b>Operating income (loss)</b>	<b>(617)</b>	<b>(1,482)</b>	<b>29</b>	<b>(3,736)</b>
<b>Other expenses (income)</b>				
Interest expense, net	1,955	2,356	3,917	4,803
Net loss (gain) on derivative contracts	(4,036)	8,385	(7,409)	971
<b>Total other expenses (income)</b>	<b>(2,081)</b>	<b>10,741</b>	<b>(3,492)</b>	<b>5,774</b>
<b>Loss before income taxes</b>	<b>1,464</b>	<b>(12,223)</b>	<b>3,521</b>	<b>(9,510)</b>
<b>Income tax (expense) benefit</b>	<b>(498)</b>	<b>4,209</b>	<b>(1,198)</b>	<b>3,286</b>
<b>Net Income (loss)</b>	<b>\$ 966</b>	<b>\$ (8,014)</b>	<b>\$ 2,323</b>	<b>\$ (6,224)</b>
<b>Earnings (loss) per share – basic and diluted:</b>				
	\$ 0.36	\$ (2.95)	\$ 0.85	\$ (2.29)
<b>Weighted average number of shares outstanding-basic and diluted</b>				
	2,717,691	2,717,691	2,717,691	2,717,691

See notes to the condensed consolidated financial statements.

Table of Contents

ISRAMCO INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)  
 (Unaudited)

	Six Months Ended June 30	
	2010	2009
Cash Flows From Operating Activities:		
Net loss	\$ 2,323	\$ (6,224)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	6,712	8,751
Accretion expense	408	414
Unrealized and realized gain on marketable securities	-	(250)
Changes in deferred taxes	1,198	(3,403)
Net unrealized loss on derivative contracts	(4,355)	9,959
Amortization of debt cost	126	126
Changes in components of working capital and other assets and liabilities		
Accounts receivable	1,873	(842)
Prepaid expenses and other current assets	(87)	68
Related party	151	74
Accrued interest - related party	(867)	1,644
Accounts payable and accrued liabilities	(2,022)	368
Net cash provided by operating activities	5,460	10,685
Cash flows from investing activities:		
Addition to property and equipment, net	(1,896)	(126)
Restricted cash and deposit, net	(18)	(67)
Proceeds from sale of marketable securities	-	752
Net cash provided by (used in) investing activities	(1,914)	