

SARATOGA RESOURCES INC /TX
Form 10-Q
May 09, 2011

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 AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2011

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 0-27563

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.)

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)

Edgar Filing: SARATOGA RESOURCES INC /TX - Form 10-Q

(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 May 6, 2011, we had 19,804,913 shares of \$0.001 par value Common Stock outstanding.

SARATOGA RESOURCES, INC.

FORM 10-Q

INDEX

	<u>Page</u> <u>No.</u>
PART I FINANCIAL INFORMATION	
ITEM 1. Financial Statements (Unaudited)	3
Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010	3
Consolidated Statements of Operations for the three months ended March 31, 2011 and 2010	4
Consolidated Statements of Cash Flows for the three months ended March 31, 2011 and 2010	5
Notes to Consolidated Financial Statements	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	17
ITEM 4T. Controls and Procedures	18
PART II OTHER INFORMATION	
ITEM 5. Other Information	18
ITEM 6. Exhibits	18

PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements

SARATOGA RESOURCES, INC.**CONSOLIDATED BALANCE SHEETS****(Unaudited)**

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,156,145	\$ 4,409,984
Accounts receivable	10,261,954	9,039,836
Prepaid expenses and other	454,751	888,717
Other current asset	300,000	300,000
Total current assets	17,172,850	14,638,537
Property and equipment:		
Oil and gas properties - proved (successful efforts method)	171,603,638	170,870,775
Other	588,318	561,572
	172,191,956	171,432,347
Less: Accumulated depreciation, depletion and amortization	(40,772,750)	(37,597,980)
Total property and equipment, net	131,419,206	133,834,367
Other assets, net	3,008,739	2,870,379
Total assets	\$ 151,600,795	\$ 151,343,283

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current liabilities:		
Accounts payable	\$ 3,172,484	\$ 4,655,874
Revenue and severance tax payable	5,184,513	5,071,508
Accrued liabilities	2,350,276	1,649,994
Short-term notes payable	77,711	285,298
Asset retirement obligation - current	344,743	332,863
Total current liabilities	11,129,727	11,995,537
Long-term liabilities:		
Asset retirement obligation	11,410,513	11,653,212
Long-term debt, net of unamortized discount of \$3,432,562 and \$4,140,662, respectively	131,908,309	131,200,209
Long-term debt - related parties	605,428	605,428
Total long-term liabilities	143,924,250	143,458,849

Commitment and contingencies (see notes)

Stockholders' equity (deficit):

Common stock, \$0.001 par value; 100,000,000 shares authorized 17,323,598
and 17,298,598 shares issued and outstanding at March 31, 2011 and
December 31, 2010, respectively

	17,323	17,298
Additional paid-in capital	27,846,910	27,547,251
Retained deficit	(31,317,415)	(31,675,652)
 Total stockholders' deficit	 (3,453,182)	 (4,111,103)
 Total liabilities and stockholders' equity (deficit)	 \$ 151,600,795	 \$ 151,343,283

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

SARATOGA RESOURCES, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

	For the Three Months Ended	
	March 31,	
	2011	2010
Revenues:		
Oil and gas revenues	\$ 15,798,288	\$ 12,255,776
Other revenues	1,148,750	435,258
Total revenues	16,947,038	12,691,034
Operating Expense:		
Lease operating expense	4,086,155	3,661,025
Workover expense	557,731	884,523
Exploration expense	254,366	188,895
Depreciation, depletion and amortization	3,174,770	3,178,939
Accretion expense	424,422	425,212
General and administrative	1,962,984	1,348,821
Production and severance taxes	1,432,541	1,346,306
Total operating expenses	11,892,969	11,033,721
Operating income	5,054,069	1,657,313
Other income (expense):		
Commodity derivative income, net	-	696,550
Interest income	27,566	6,939
Interest expense	(4,580,886)	(6,869,942)
Total other expense	(4,553,320)	(6,166,453)
Net income (loss) before reorganization expense and income taxes	500,749	(4,509,140)
Reorganization expense	110,012	1,324,694
Net income (loss) before income taxes	390,737	(5,833,834)
Income tax provision	32,500	-
Net income (loss)	\$ 358,237	\$ (5,833,834)
Net income (loss) per share:		

Edgar Filing: SARATOGA RESOURCES INC /TX - Form 10-Q

Basic	\$	0.02	\$	(0.35)
Diluted	\$	0.02	\$	(0.35)

Weighted average number of common shares outstanding:

Basic	17,322,487	16,690,292
Diluted	20,585,431	16,690,292

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

SARATOGA RESOURCES, INC.**CONSOLIDATED STATEMENT OF CASH FLOWS****(Unaudited)**

	For the Three Months Ended	
	March 31,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 358,237	\$ (5,833,834)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	3,174,770	3,178,939
Accretion expense	424,422	425,212
Amortization of debt issuance costs	63,192	237,537
Amortization of debt discount	708,100	169,104
Commodity derivative income	-	(473,962)
Stock-based compensation	290,684	30,600
Plugging and abandonment settlements	(655,241)	-
Changes in operating assets and liabilities:		
Accounts receivable	(1,222,118)	315,150
Prepays and other	433,966	609,983
Accounts payable	(1,533,215)	(123,645)
Revenue and severance tax payable	113,005	(88,949)
Accrued liabilities	376,581	6,544,236
Net cash provided by operating activities	2,532,383	4,990,371
Cash flows from investing activities:		
Additions to oil and gas property	(359,334)	(3,310,169)
Additions to other property and equipment	(26,746)	-
Other	(201,554)	(121,150)
Net cash used in investing activities	(587,634)	(3,431,319)
Cash flows from financing activities:		
Proceeds from option exercise	9,000	-
Repayment of short-term notes payable	(307,502)	(414,256)
Proceeds from debt borrowings	99,914	-
Settlements of commodity hedges recorded in purchase accounting	-	38,913
Net cash used in financing activities	(198,588)	(375,343)
Net increase in cash and cash equivalents	1,746,161	1,183,709
Cash and cash equivalents - beginning of period	4,409,984	21,575,483

Edgar Filing: SARATOGA RESOURCES INC /TX - Form 10-Q

Cash and cash equivalents - end of period	\$	6,156,145	\$	22,759,192
Supplemental disclosures of cash flow information:				
Cash paid for interest	\$	3,915,130		