

SARATOGA RESOURCES INC /TX
Form 10-Q
August 09, 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 June 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 August 2, 2012, we had 30,806,601 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	June 30, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents	\$ 33,676,705	\$ 15,874,680
Accounts receivable	9,406,137	10,539,757
Prepaid expenses and other	2,677,183	1,189,406
Deferred tax asset, net	-	1,400,000
Other current asset	150,000	150,000
Total current assets	45,910,025	29,153,843
Property and equipment:		
Oil and gas properties - proved (successful efforts method)	224,075,472	196,101,827
Other	672,500	658,113
	224,747,972	196,759,940
Less: Accumulated depreciation, depletion and amortization	(64,343,359)	(53,830,820)
Total property and equipment, net	160,404,613	142,929,120
Deferred tax asset, net	6,778,796	5,147,962
Other assets, net	20,905,813	20,531,218
Total assets	\$ 233,999,247	\$ 197,762,143
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,647,111	\$ 4,598,534
Revenue and severance tax payable	5,759,464	5,709,773
Accrued liabilities	10,911,746	8,451,655
Short-term notes payable	1,497,979	344,256
Asset retirement obligation - current	970,433	1,548,945
Total current liabilities	32,786,733	20,653,163
Long-term liabilities:		
Asset retirement obligation	10,833,212	9,852,920

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Long-term debt, net of unamortized discount of \$1,941,627 and \$2,115,195, respectively	125,558,373	125,384,805
Total long-term liabilities	136,391,585	135,237,725
Commitment and contingencies (see notes)		
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000,000 shares authorized 30,691,601 and 26,714,815 shares issued and outstanding at June 30, 2012 and December 31, 2011, respectively	30,691	26,714
Additional paid-in capital	75,978,738	52,674,252
Retained deficit	(11,188,500)	(10,829,711)
Total stockholders' equity	64,820,929	41,871,255
Total liabilities and stockholders' equity	\$ 233,999,247	\$ 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 Six Months Ended		
	June 30,			June 30,		
	2012	2011		2012	2011	
Revenues:						
Oil and gas revenues	\$ 23,790,638	\$ 18,774,903		\$ 43,134,318	\$ 34,573,191	
Other revenues	323,345	2,281,301		1,197,593	3,430,051	
Total revenues	24,113,983	21,056,204		44,331,911	38,003,242	
Operating Expense:						
Lease operating expense	4,668,000	4,134,023		9,238,699	8,093,112	
Workover expense	2,067,833	632,705		3,539,301	1,190,436	
Exploration expense	98,290	24,957		155,686	406,389	
Loss on plugging and abandonment	856,679	-		2,468,969	-	
Dry hole costs	3,479	-		93,353	-	
Depreciation, depletion and amortization	5,575,388	5,192,857		10,512,540	8,367,627	
Accretion expense	555,504	424,422		1,111,008	848,844	
General and administrative	2,324,182	1,937,304		5,070,665	3,900,288	
Severance taxes	2,192,246	1,232,533		3,873,125	2,665,074	
Total operating expenses	18,341,601	13,578,801		36,063,346	25,471,770	
Operating income	5,772,382	7,477,403		8,268,565	12,531,472	
Other income (expense):						
Interest income	5,526	172,020		8,842	199,586	
Interest expense	(4,312,678)	(4,654,626)		(8,723,789)	(9,235,512)	
Total other expense	(4,307,152)	(4,482,606)		(8,714,947)	(9,035,926)	
Net income (loss) before reorganization expense and income taxes						
	1,465,230	2,994,797		(446,382)	3,495,546	
Reorganization expense	35,036	138,982		78,241	248,994	
Net income (loss) before income taxes	1,430,194	2,855,815		(524,623)	3,246,552	
Income tax expense (benefit)	569,909	22,214		(165,834)	54,714	
Net income (loss)	\$ 860,285	\$ 2,833,601		\$ (358,789)	\$ 3,191,838	
Net income (loss) per share:						

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Basic	\$	0.03	\$	0.15	\$	(0.01)	\$	0.18
Diluted	\$	0.03	\$	0.12	\$	(0.01)	\$	0.15

Weighted average number
of common shares
outstanding:

Basic	28,657,191	19,145,269	27,886,081	18,238,913
Diluted	29,285,509	22,700,506	27,886,081	21,647,823

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

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

	For the Six Months Ended	
	June 30,	
	2012	2011
Cash flows from operating activities:		
Net income (loss)	\$ (358,789)	\$ 3,191,838
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation, depletion and amortization	10,512,540	8,367,627