

Berry Petroleum Company, LLC
Form 10-Q
May 12, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2016

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 1-9735

BERRY PETROLEUM COMPANY, LLC

(Successor in interest to Berry Petroleum Company)

(Exact name of registrant as specified in its charter)

Delaware 77-0079387

(State of incorporation or organization) (I.R.S. Employer Identification Number)

600 Travis, Suite 5100

Houston, Texas 77002

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:

(281) 840-4000

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
Pursuant to the terms of its senior note indentures, the registrant is a voluntary filer of reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, and has filed all such reports as required by its senior note indentures during the preceding 12 months.

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q as it is an indirect wholly owned subsidiary of Linn Energy, LLC, which is a reporting company under the Securities Exchange Act of 1934 and which has filed with the SEC all materials required to be filed pursuant to Section 13, 14 or 15(d) thereof, and the registrant is therefore filing this Form 10-Q with a reduced disclosure format.

Indicate by check mark 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) 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: Berry Petroleum Company, LLC - 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 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

On December 16, 2013, the registrant was acquired (see Note 1 of Notes to Condensed Financial Statements), as a result of which 100% of its membership interest is currently held by a single member and the registrant deregistered its equity under the Securities Exchange Act of 1934.

TABLE OF CONTENTS

	Page
<u>Glossary of Terms</u>	<u>ii</u>
 <u>Part I – Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Balance Sheets as of March 31, 2016, and December 31, 2015</u>	<u>1</u>
<u>Condensed Statements of Operations for the three months ended March 31, 2016, and March 31, 2015</u>	<u>2</u>
<u>Condensed Statement of Member’s Equity for the three months ended March 31, 2016</u>	<u>3</u>
<u>Condensed Statements of Cash Flows for the three months ended March 31, 2016, and March 31, 2015</u>	<u>4</u>
<u>Notes to Condensed Financial Statements</u>	<u>5</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>33</u>
<u>Item 4. Controls and Procedures</u>	<u>34</u>
 <u>Part II – Other Information</u>	
<u>Item 1. Legal Proceedings</u>	<u>35</u>
<u>Item 1A. Risk Factors</u>	<u>35</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>38</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>38</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>38</u>
<u>Item 5. Other Information</u>	<u>38</u>
<u>Item 6. Exhibits</u>	<u>39</u>
 <u>Signatures</u>	 <u>40</u>

Table of Contents

GLOSSARY OF TERMS

As commonly used in the oil and natural gas industry and as used in this Quarterly Report on Form 10-Q, the following terms have the following meanings:

Bbl. One stock tank barrel or 42 United States gallons liquid volume.

Bbls/d. Bbls per day.

Bcf. One billion cubic feet.

BOE. Barrel of oil equivalent, determined using the ratio of one Bbl of oil, condensate or natural gas liquids to six Mcf of natural gas.

BOE/d. BOE per day.

Btu. One British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 degrees to 59.5 degrees Fahrenheit.

MBbls. One thousand barrels of oil or other liquid hydrocarbons.

MBbls/d. MBbls per day.

Mcf. One thousand cubic feet.

MMBbls. One million barrels of oil or other liquid hydrocarbons.

MBOE. One thousand barrels of oil equivalent.

MBOE/d. MBOE per day.

MMBOE. One million barrels of oil equivalent.

MMBtu. One million British thermal units.

MMcf. One million cubic feet.

MMcf/d. MMcf per day.

Mwh. One thousand kilowatts of electricity used continuously for one hour.

Mwh/d. Mwh per day.

NGL. Natural gas liquids, which are the hydrocarbon liquids contained within natural gas.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BERRY PETROLEUM COMPANY, LLC

CONDENSED BALANCE SHEETS

(Unaudited)

March 31, December
2016 31, 2015
(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$7,334	\$1,023
Accounts receivable – trade, net	40,755	46,053
Derivative instruments	295	13,218
Other current assets	19,582	20,897
Total current assets	67,966	81,191

Noncurrent assets:

Oil and natural gas properties (successful efforts method)	5,019,579	5,011,061
Less accumulated depletion and amortization	(2,682,011)	(1,596,165)
	2,337,568	3,414,896

Other property and equipment

113,947 111,495

Less accumulated depreciation

(14,617) (12,522)

99,330 98,973

Restricted cash

250,612 250,359

Other noncurrent assets

16,836 16,057

267,448 266,416

Total noncurrent assets

2,704,346 3,780,285

Total assets

\$2,772,312 \$3,861,476

LIABILITIES AND MEMBER'S EQUITY

Current liabilities:

Accounts payable and accrued expenses	\$148,681	\$125,748
Derivative instruments	1,190	2,241
Current portion of long-term debt	873,175	873,175
Other accrued liabilities	29,996	16,735
Total current liabilities	1,053,042	1,017,899

Noncurrent liabilities:

Long-term debt, net	844,927	845,368
Other noncurrent liabilities	213,003	212,050
Total noncurrent liabilities	1,057,930	1,057,418

Commitments and contingencies (Note 8)

Member's equity:

Additional paid-in capital	2,798,713	2,798,713
Accumulated deficit	(2,137,373)	(1,012,554)

Edgar Filing: Berry Petroleum Company, LLC - Form 10-Q

	661,340	1,786,159
Total liabilities and member's equity	\$2,772,312	\$3,861,476

The accompanying notes are an integral part of these condensed financial statements.

1

Table of Contents

BERRY PETROLEUM COMPANY, LLC
 CONDENSED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended March 31, 2016 2015 (in thousands)	
Revenues and other:		
Oil, natural gas and natural gas liquids sales	\$83,466	\$156,586
Electricity sales	4,211	5,151
Gains on oil and natural gas derivatives	508	3,267
Marketing revenues	1,033	2,381
Other revenues	2,048	1,896
	91,266	169,281
Expenses:		
Lease operating expenses	50,093	67,189
Electricity generation expenses	3,802	4,570
Transportation expenses	12,929	12,606
Marketing expenses	653	1,075
General and administrative expenses	25,172	21,187
Depreciation, depletion and amortization	58,843	72,979
Impairment of long-lived assets	1,030,588	72,000
Taxes, other than income taxes	14,313	