Matador Resources Co Form 10-Q May 06, 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 $^{\rm x}$ 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 001-35410

Matador Resources Company

(Exact name of registrant as specified in its charter)

Texas 27-4662601 (State or other jurisdiction of incorporation or organization) 27-4662601 (I.R.S. Employer Identification No.)

5400 LBJ Freeway, Suite 1500

Dallas, Texas 75240

(Address of principal executive offices) (Zip Code)

(972) 371-5200

(Registrant's telephone number, including area code)

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. x 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). x 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x

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 x No

As of May 5, 2016, there were 93,283,434 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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Part I – FINANCIAL INFORMATION

Item 1. Financial Statements — Unaudited

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(In thousands, except par value and share data)

(in thousands, except par value and share data)	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	\$118,329	\$ 16,732
Restricted cash	510	44,357
Accounts receivable		
Oil and natural gas revenues	14,748	16,616
Joint interest billings	16,807	16,999
Other	5,548	10,794
Derivative instruments	11,966	16,284
Lease and well equipment inventory	1,928	2,022
Prepaid expenses	3,250	3,203
Total current assets	173,086	127,007
Property and equipment, at cost		
Oil and natural gas properties, full-cost method		
Evaluated	2,192,053	2,122,174
Unproved and unevaluated	381,915	387,504
Other property and equipment	108,731	86,387
Less accumulated depletion, depreciation and amortization	(1,693,044)	(1,583,659)
Net property and equipment	989,655	1,012,406
Other assets		
Derivative instruments	60	
Other assets	1,351	1,448
Total other assets	1,411	1,448
Total assets	\$1,164,152	\$1,140,861
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$5,930	\$10,966
Accrued liabilities	84,495	92,369
Royalties payable	12,518	16,493
Amounts due to affiliates	3,898	5,670
Derivative instruments	299	_
Advances from joint interest owners	3,225	700
Deferred gain on plant sale	5,367	4,830
Amounts due to joint ventures	3,115	2,793
Income taxes payable	385	2,848
Other current liabilities	161	161
Total current liabilities	119,393	136,830
Long-term liabilities		
Senior unsecured notes payable	391,553	391,254
Asset retirement obligations	17,177	15,166
Amounts due to joint ventures	3,634	3,956
Derivative instruments	2,282	

Deferred gain on plant sale	100,896	102,506
Other long-term liabilities	4,065	2,190
Total long-term liabilities	519,607	515,072
Commitments and contingencies (Note 10)		
Shareholders' equity		
Common stock - \$0.01 par value, 120,000,000 shares authorized; 93,327,432 and	933	856
85,567,021 shares issued; and 93,271,423 and 85,564,435 shares outstanding, respectively	733	030
Additional paid-in capital	1,169,860	1,026,077
Retained deficit	(646,584)	(538,930)
Total Matador Resources Company shareholders' equity	524,209	488,003
Non-controlling interest in subsidiaries	943	956
Total shareholders' equity	525,152	488,959
Total liabilities and shareholders' equity	\$1,164,152	\$1,140,861

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

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Matador Resources Company and Subsidiaries CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED (In thousands, except per share data)

Revenues 43,926 \$62,465 Coil and natural gas revenues \$43,926 \$62,465 Realized gain on derivatives 7,063 18,504 Unrealized loss on derivatives (6,839) (8,557) Total revenues 44,150 72,412 *** Expenses 7,902 7,049 *** Production taxes and marketing 15,489 13,046 *** Lease operating 15,489 13,046 *** Pepletion, depreciation and amortization 28,923 46,470 *** Accretion of asset retirement obligations 264 112 *** Full-cost ceiling impairment 80,462 67,127 ** General and administrative 13,163 13,413 ** Total expenses 146,203 147,217 ** Operating loss (102,053 7(7,180 ** ** Net gain (loss) on asset sales and inventory impairment 1,065 97 ** Interest expense (5,014 (1,783 ** <tr< th=""><th></th><th colspan="2">Three Months Ended March 31,</th></tr<>		Three Months Ended March 31,	
Oil and natural gas revenues \$43,926 \$62,465 Realized gain on derivatives 7,063 18,504 Unrealized loss on derivatives (6,839) (8,557) Total revenues 4,4150 7,2412 > Expenses 7902 7,049 7,049 Population taxes and marketing 7,902 7,049 Population depreciation and amortization 28,923 46,470 Population, depreciation and amortization 28,923 46,470 Population, depreciation and amortization 264 112 Pull-cost ceiling impairment defined impairment defined impairment 80,462 67,127 Population deventing impairment defined impairment defined impairment 13,63 13,413 Population deventing defined impairment		2016	2015
Realized gain on derivatives 7,063 18,504 Unrealized loss on derivatives (6,839) (8,557) Total revenues 44,150 72,412 > Expenses 7,902 7,049 > Production taxes and marketing 7,902 7,049 > 15,489 13,046 Lease operating 28,923 46,470 > 46,470 > Ceneral on damortization 264 112 * Full-cost ceiling impairment 80,462 67,127 Ceneral and administrative 13,163 13,413 * * * * * 1,47,217 *	Revenues		
Unrealized loss on derivatives (6,839) (8,557) 7 Total revenues 44,150 72,412 72,412 Expenses 7,902 7,049 7,049 Production taxes and marketing 15,489 13,046 15,489 13,046 15,489 13,046 15,489 13,046 15,489 13,046 12,249 13,046 12,249 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 12,249 13,046 13,046 13,046 13,046 13,047 12,046 13,046		\$43,926	\$62,465
Total revenues 44,150 72,412 Expenses 7,002 7,049 Production taxes and marketing 15,489 13,046 Lease operating 15,489 13,046 Depletion, depreciation and amortization 28,923 46,470 Accretion of asset retirement obligations 26 112 Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053) (74,805) Other income (expense) (102,053) (74,805) Other income (expense) (102,053) (74,805) Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,58) Income tax (benefit) provision — (26,390) Net loss (i	Realized gain on derivatives	7,063	18,504
Expenses Froduction taxes and marketing 7,902 7,049 Lease operating 15,489 13,046 Depletion, depreciation and amortization 28,923 46,470 Accretion of asset retirement obligations 264 112 Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss 146,203 147,217 Other income (expense) 1,065 97 1 Net gain (loss) on asset sales and inventory impairment 1,065 97 1 Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 36) Net loss (income) attributable to Matador Resources Company shareholders \$(107,654) \$(5,014)) (5,	Unrealized loss on derivatives	(6,839)	(8,557)
Production taxes and marketing 7,902 7,049 Lease operating 15,489 13,046 Depletion, depreciation and amortization 28,923 46,470 Accretion of asset retirement obligations 264 112 Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053 74,805) Other income (expense) (102,053 774,805) Other income (expense) (102,053 774,805) Interest and other income 518 384 Total other expense (5,614 (1,783) Loss before income taxes (107,667 (76,588) Income tax (benefit) provision — (26,390) Net loss (107,667 (50,198) Net loss (income) attributable to on-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(12,60<	Total revenues	44,150	72,412
Lease operating 15,489 13,046 Depletion, depreciation and amortization 28,923 46,470 Accretion of asset retirement obligations 264 112 Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053 (74,805 Other income (expense) (7,197 (20,700 Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197 (20,700) Interest and other income 518 38 Total other expense (5,614 (1,783) Loss before income taxes (107,667 (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss (income) attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share <	Expenses		
Depletion, depreciation and amortization 28,923 46,470 Accretion of asset retirement obligations 264 112 Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053 (74,805) Other income (expense) 7,197 (20,700) Interest expense (7,197 (20,700) Interest and other income 518 384 Total other expense (5,614 (1,783) Loss before income taxes (107,667 (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss (income) attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share \$(1,26) \$(0,68) <td< td=""><td>Production taxes and marketing</td><td>7,902</td><td>7,049</td></td<>	Production taxes and marketing	7,902	7,049
Accretion of asset retirement obligations 264 112 Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053) (74,805) Other income (expense) (102,053) (74,805) Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Total income tax (benefit) provision — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,657) \$(50,198)) Earnings (loss) per common share \$(1,26) \$(0,2	Lease operating	15,489	13,046
Full-cost ceiling impairment 80,462 67,127 General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053) (74,805) Other income (expense) (102,053) (74,805) Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Total income tax (benefit) provision — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) (50,234 Earnings (loss) per common share \$(1,26) \$(0,68) Basic \$(1,26) \$(0,68)	Depletion, depreciation and amortization	28,923	46,470
General and administrative 13,163 13,413 Total expenses 146,203 147,217 Operating loss (102,053) (74,805) Other income (expense) **** ***** Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Net loss (107,667) (50,198) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share Basic \$(1,26) \$(0,68) Diluted \$(1,26) \$(0,68) Weighted average common shares	Accretion of asset retirement obligations	264	112
Total expenses 146,203 147,217 Operating loss (102,053 (74,805) Other income (expense) (102,053 (74,805) Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Net loss (107,667) (50,198) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share Basic \$(1,26) \$(0,68) Diluted \$(3,26)) Weighted average common shares outstanding Basic \$(3,381)	Full-cost ceiling impairment	80,462	67,127
Operating loss (102,053) (74,805) Other income (expense) Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Total income tax (benefit) provision — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic 85,305 73,819	General and administrative	13,163	13,413
Other income (expense) 1,065 (97) Interest and (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Net loss (107,667) (50,198) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share Basic \$(1,26) \$(0.68) Diluted \$(3,06)) \$(3,06)) Weighted average common shares outstanding Basic \$(3,06) \$(3,06) \$(3,06))	Total expenses	146,203	147,217
Net gain (loss) on asset sales and inventory impairment 1,065 (97) Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Total income tax (benefit) provision — (26,390) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic 73,819	Operating loss	(102,053)	(74,805)
Interest expense (7,197) (2,070) Interest and other income 518 384 Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Deferred — (26,390) Net loss (107,667) (50,198) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share \$(1.26) \$(0.68) Basic \$(1.26) \$(0.68) Weighted average common shares outstanding \$5,305 73,819	Other income (expense)		
Interest and other income 518 384 Total other expense (5,614) (1,783)) Loss before income taxes (107,667) (76,588)) Income tax (benefit) provision — (26,390)) Deferred — (26,390)) Net loss (income tax (benefit) provision — (26,390)) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36)) Net loss attributable to Matador Resources Company shareholders \$(107,657) \$(50,234) Earnings (loss) per common share \$(1.26) \$(0.68)) Diluted \$(1.26) \$(0.68)) Weighted average common shares outstanding 85,305 73,819	Net gain (loss) on asset sales and inventory impairment	1,065	(97)
Total other expense (5,614) (1,783) Loss before income taxes (107,667) (76,588) Income tax (benefit) provision — (26,390) Total income tax (benefit) provision — (26,390) Net loss (107,667) (50,198) Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders \$(107,654) \$(50,234) Earnings (loss) per common share \$(1.26) \$(0.68) Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding 85,305 73,819	Interest expense	(7,197)	(2,070)
Loss before income taxes Income tax (benefit) provision Deferred — (26,390) Total income tax (benefit) provision — (26,390) Net loss Net loss (income) attributable to non-controlling interest in subsidiaries Net loss attributable to Matador Resources Company shareholders Earnings (loss) per common share Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic \$85,305 73,819	Interest and other income	518	384
Income tax (benefit) provision Deferred - (26,390) Total income tax (benefit) provision - (26,390) Net loss Net loss (income) attributable to non-controlling interest in subsidiaries 13 (36) Net loss attributable to Matador Resources Company shareholders Earnings (loss) per common share Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic \$85,305 73,819	Total other expense	(5,614)	(1,783)
Deferred	Loss before income taxes	(107,667)	(76,588)
Total income tax (benefit) provision Net loss Net loss (income) attributable to non-controlling interest in subsidiaries Net loss attributable to Matador Resources Company shareholders Earnings (loss) per common share Basic Diluted Weighted average common shares outstanding Basic Standard (26,390) (107,667) (50,198) (107,654) \$(50,234) (107,654) \$(50,234) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68) (107,654) \$(0.68)	Income tax (benefit) provision		
Net loss (income) attributable to non-controlling interest in subsidiaries Net loss (income) attributable to non-controlling interest in subsidiaries Net loss attributable to Matador Resources Company shareholders Earnings (loss) per common share Basic S(1.26) \$(0.68) Diluted Weighted average common shares outstanding Basic 85,305 73,819	Deferred		(26,390)
Net loss (income) attributable to non-controlling interest in subsidiaries Net loss attributable to Matador Resources Company shareholders Earnings (loss) per common share Basic Basic Signature (1.26) \$(0.68) Diluted Weighted average common shares outstanding Basic 85,305 73,819	Total income tax (benefit) provision		(26,390)
Net loss attributable to Matador Resources Company shareholders Earnings (loss) per common share Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic \$5,305 73,819	Net loss	(107,667)	(50,198)
Earnings (loss) per common share Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic 85,305 73,819	Net loss (income) attributable to non-controlling interest in subsidiaries	13	(36)
Basic \$(1.26) \$(0.68) Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic 85,305 73,819	Net loss attributable to Matador Resources Company shareholders	\$(107,654)	\$(50,234)
Diluted \$(1.26) \$(0.68) Weighted average common shares outstanding Basic 85,305 73,819	Earnings (loss) per common share		
Weighted average common shares outstanding Basic 85,305 73,819	Basic	\$(1.26)	\$(0.68)
Basic 85,305 73,819	Diluted	\$(1.26)	\$(0.68)
,	Weighted average common shares outstanding		
Diluted 85,305 73,819	Basic	85,305	73,819
	Diluted	85,305	73,819

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

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Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED (In thousands)

For the Three Months Ended March 31, 2016

	Commo Stock Shares		Additional paid-in ncapital	Retained deficit	Sto		Total shareholders equity attributable to Matador Resources buctompany	Non-contro interest in subsidiary	ol Trog al shareholders' equity
Balance at January 1, 2016			\$1,026,077	\$(538,930)			\$488,003	\$ 956	\$488,959
Issuance of common stock		75	142,275		_	_	142,350	_	142,350
Cost to issue equity			(830)	· 			(830)	_	(830)
Stock-based compensation expense related to equity-based awards	_	_	2,340	_	_	_	2,340	_	2,340
Stock options exercised	2	_	_			_		_	_
Restricted stock issued	249	2	(2)		_	_			_
Restricted stock forfeited	_	_			54	_			_
Vesting of restricted stock units	9	_	_	_		_	_	_	_
Current period net loss Balance at March 31, 2016	— 93,327	 \$ 933	- \$1,169,860	(107,654) \$(646,584)	<u></u>	\$ -	(107,654) -\$ 524,209	(13) \$ 943	(107,667) \$525,152

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

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Matador Resources Company and Subsidiaries CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED (In thousands)

	Three Months Ended March 31,		
	2016	2015	
Operating activities			
Net loss	\$(107,667)	\$(50,198)	
Adjustments to reconcile net loss to net cash provided by operating activities			
Unrealized loss on derivatives	6,839	8,557	
Depletion, depreciation and amortization	28,923	46,470	
Accretion of asset retirement obligations	264	112	
Full-cost ceiling impairment	80,462	67,127	
Stock-based compensation expense	2,243	2,337	
Deferred income tax (benefit) provision		(26,390)	
Amortization of debt issuance cost	300		
Net (gain) loss on asset sales and inventory impairment	(1,065)	97	
Changes in operating assets and liabilities			
Accounts receivable	7,307	2,140	
Lease and well equipment inventory	150	(112)	
Prepaid expenses	(47)	(364)	
Other assets	97	193	