Midstates Petroleum Company, Inc.
Form 10-Q
August 14, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2012

OR

o 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: 001-35512

MIDSTATES PETROLEUM COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**45-3691816** (I.R.S. Employer Identification No.)
4400 Post Oak Parkway, Suite 1900 **Houston, Texas** (Address of principal executive offices)	**77027** (Zip Code)

(713) 595-9400

(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. Yes x No o

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 x No o

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 o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company o

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

The number of shares outstanding of our common stock at August 8, 2012 is shown below:

Class	Number of shares outstanding
Common stock, $0.01 par value	66,549,563

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MIDSTATES PETROLEUM COMPANY, INC.

QUARTERLY REPORT ON

FORM 10-Q

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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GLOSSARY OF OIL AND NATURAL GAS TERMS

Bbl: One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to oil, condensate or natural gas liquids.

Boe: Barrels of oil equivalent, with 6,000 cubic feet of natural gas being equivalent to one barrel of oil.

Boe/d: Barrels of oil equivalent per day.

Completion: The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Dry hole: A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production do not exceed production expenses and taxes.

Exploratory well: A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir.

MMBoe: One million barrels of oil equivalent.

Net acres: The percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

NYMEX: The New York Mercantile Exchange.

Proved reserves: Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons, LKH, as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil, HKO, elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Reasonable certainty: A high degree of confidence.

Recompletion: The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

Reserves: Estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible as of a given date by application of development projects to known accumulations.

Reservoir: A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Spud or Spudding: The commencement of drilling operations of a new well.

Wellbore: The hole drilled by the bit that is equipped for oil or gas production on a completed well. Also called well or borehole.

Working interest: The right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

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PART I - FINANCIAL INFORMATION

MIDSTATES PETROLEUM COMPANY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share amounts)

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,689	$ 7,344
Accounts receivable:		
Oil and gas sales	18,777	23,792
Severance tax refund	275	3,413
Other	515	249
Prepayments	5,350	2,642
Inventory	6,496	5,713
Commodity derivative contracts	12,038	4,957
Total current assets	55,140	48,110
PROPERTY AND EQUIPMENT:		
Oil and gas properties, on the basis of full-cost accounting:		
Proved properties	833,172	644,393
Unevaluated properties	95,600	76,857
Other property and equipment	2,168	1,672
Less accumulated depreciation, depletion, and amortization	(204,752)	(148,843)
Net property and equipment	726,188	574,079
OTHER ASSETS:		
Commodity derivative contracts	6,247	588
Security deposit and other noncurrent assets	3,660	1,879
Total other assets	9,907	2,467
TOTAL	**$ 791,235**	**$ 624,656**
LIABILITIES AND MEMBERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 27,122	$ 35,731
Accrued liabilities	62,985	37,524
Commodity derivative contracts	360	12,599
Total current liabilities	90,467	85,854
LONG-TERM LIABILITIES:		
Asset retirement obligations	9,398	7,627
Commodity derivative contracts		10,178
Long-term debt	151,700	234,800
Deferred income taxes	168,917	
Other long-term liabilities	614	695

Total long-term liabilities		330,629		253,300
COMMITMENTS AND CONTINGENCIES (Note 12)				
STOCKHOLDERS /MEMBERS EQUITY				
Capital contributions				322,496
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding, respectively				
Common stock, $0.01 par value, 300,000,000 shares authorized, 66,549,563 shares issued and outstanding, respectively		665		
Additional paid-in-capital		536,352		
Retained deficit/accumulated loss		(166,878)		(36,994)
Total stockholders /members equity		370,139		285,502
TOTAL	**$**	**791,235**	**$**	**624,656**

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

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MIDSTATES PETROLEUM COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	For the Three Months Ended June 30, 2012	For the Three Months Ended June 30, 2011	For the Six Months Ended June 30, 2012	For the Six Months Ended June 30, 2011
REVENUES:				
Oil sales	$ 48,056	$ 45,994	$ 93,138	$ 81,577
Natural gas sales	2,379	4,962	5,829	9,035
Natural gas liquid sales	3,901	3,171	10,173	5,216
Gains (Losses) on commodity derivative contracts net	48,143	10,477	23,478	(18,119)
Other	103	60	207	114
Total revenues	102,582	64,664	132,825	77,823
EXPENSES:				
Lease operating and workover	5,921	3,669	12,388	6,275
Severance and other taxes	6,272	5,370	11,648	9,495
Asset retirement accretion	164	39	298	86
General and administrative	4,956	10,641	11,019	14,544
Depreciation, depletion, and amortization	27,882	21,266	55,909	39,884
Total expenses	45,195	40,985	91,262	70,284
OPERATING INCOME	57,387	23,679	41,563	7,539
OTHER INCOME (EXPENSE)				
Interest income	143	4	150	12
Interest expense net of amounts capitalized	(990)	(134)	(2,680)	(134)
Total other income (expense)	(847)	(130)	(2,530)	(122)
INCOME BEFORE TAXES	56,540	23,549	39,033	7,417
Income tax expense	168,917		168,917	
NET INCOME (LOSS)	$ (112,377)	$ 23,549	$ (129,884)	$ 7,417
Pro forma loss per share:				
Basic and Diluted (Note 10)	$ (1.85)	N/A	$ (2.39)	N/A
Pro forma weighted average shares outstanding:				
Basic and Diluted (Note 10)	60,887	N/A	54,261	N/A

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

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MIDSTATES PETROLEUM COMPANY, INC.

CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS /MEMBERS EQUITY

(Unaudited)

(In thousands)

	Common Stock Number of Shares	Common Stock Amount	Capital Contributions	Additional Paid-in-Capital	Retained Deficit/ Accumulated Loss	Total Stockholders / Members Equity
Balance as of December 31, 2011		**$**	**$ 322,496**	**$**	**$ (36,994)**	**$ 285,502**
Issuance of common stock	47,634,353	476	(476)			
Reclassification of members contributions			(322,020)	322,020		
Proceeds from the sale of common stock	18,000,000	180		213,659		213,839
Stock-based compensation	915,210	9		673		682
Net loss					(129,884)	(129,884)
Balance as of June 30, 2012	**66,549,563**	**$ 665**	**$**	**$ 536,352**	**$ (166,878)**	**$ 370,139**

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

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MIDSTATES PETROLEUM COMPANY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands)

	Six months ended June 30, 2012	Six months ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (129,884)	$ 7,417
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized (gains) losses on commodity derivative contracts, net	(35,157)	9,982
Asset retirement accretion	298	86
Depreciation, depletion, and amortization	55,909	39,884
Share-based compensation	682	7,949
Deferred income taxes	168,917	
Amortization of deferred financing costs	376	383
Change in operating assets and liabilities:		
Accounts receivable oil and gas sales	5,015	(1,181)
Accounts receivable other	2,872	305
Prepayments and other assets	(2,708)	117
Inventory	(783)	(104)
Accounts payable	(3,077)	(6,920)
Accrued liabilities	(2,371)	9,069
Other	(126)	(3)
Net cash provided by operating activities	$ 59,963	$ 66,984
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in property and equipment	(184,245)	(102,302)
Net cash used in investing activities	$ (184,245)	$ (102,302)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term borrowings	20,067	57,000
Repayment of long-term borrowings	(103,167)	
Proceeds from issuance of mandatorily redeemable convertible preferred units	65,000	
Repayment of mandatorily redeemable convertible preferred units	(65,000)	
Proceeds from sale of common stock, net of initial public offering expenses of $6.1 million	213,839	
Deferred loan costs	(2,112)	(500)
Cash received for units		170
Distributions to members		(22,811)
Other		(3)
Net cash provided by financing activities	$ 128,627	$ 33,856
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,345	(1,462)
Cash and cash equivalents, beginning of period	7,344	11,917

Cash and cash equivalents, end of period	$	11,689	$	10,455
SUPPLEMENTAL INFORMATION:				
Non-cash transactions investments in property and equipment accrued not paid	$	79,400	$	28,800
Cash paid for interest, net of capitalized interest of $2.4 million and $1.3 million, respectively	$	2,763	$	158

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

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MIDSTATES PETROLEUM COMPANY, INC.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Business

Midstates Petroleum Company, Inc., through its wholly owned subsidiary Midstates Petroleum Company LLC, engages in the business of drilling for, and production of, oil, natural gas and natural gas liquids, and currently has oil and gas operations solely in the state of Louisiana. Midstates Petroleum Company, Inc. was incorporated pursuant to the laws of the State of Delaware on October 25, 2011 to become a holding company for Midstates Petroleum Company LLC, which was previously a wholly-owned subsidiary of Midstates Petroleum Holdings LLC. Pursuant to the terms of a corporate reorganization that was completed in connection with the closing of Midstates Petroleum Company, Inc. s initial public offering, all of the interests in Midstates Petroleum Holdings LLC were exchanged for newly issued common shares Midstates Petroleum Company, Inc., and as a result, Midstates Petroleum Company LLC became a wholly-owned subsidiary of Midstates Petroleum Company, Inc. and Midstates Petroleum Holdings LLC ceased to exist as a separate entity. The terms the Company, we, us, our, and similar terms when used in the present tense, prospectively or for historical periods since April 25, 2012, refer to Midstates Petroleum Company, Inc. and its subsidiary, and for historical periods prior to April 25, 2012, refer to Midstates Petroleum Holdings LLC and its subsidiary, unless the context indicates otherwise. The term Holdings LLC refers solely to Midstates Petroleum Holdings LLC prior to the corporate reorganization.

On April 25, 2012, the Company completed its initial public offering of common stock pursuant to a registration statement on Form S-1 (File 333-177966), as amended and declared effective by the SEC on April 19, 2012. Pursuant to the registration statement, the Company registered the offer and sale of 27,600,000 shares of $0.01 par value common stock, which included 6,000,000 shares of stock sold by the selling shareholders and 3,600,000 shares of common stock sold by the selling stockholders pursuant to an option granted to the underwriters to cover over-allotments. The Company s sale of the shares in its initial public offering closed on April 25, 2012 and its initial public offering terminated upon completion of the closing.

The proceeds of the Company s initial public offering, based on the public offering price of $13.00 per share, were approximately $358.8 million. After subtracting underwriting discounts and commissions of $21.5 million and the net proceeds to the selling stockholders of $117.3 million, the Company received net proceeds of approximately $220.0 million from the registration and sale of 18,000,000 common shares (or $213.8 million net of offering expenses paid directly by the Company). The Company used $67.1 million of the net proceeds to redeem convertible preferred units in Holdings LLC, including interest and other charges, and $99.0 million to pay down a portion of the borrowings under its revolving credit facility. The Company used the remaining $47.7 million to fund the execution of its growth strategy through its drilling program. The Company did not receive any of the proceeds from the sale of the 9,600,000 shares by the selling stockholders. Immediately after the initial public offering and exercise of the option, First Reserve Midstates Interholding LP and its affiliates own approximately 41.4% of the Company s outstanding common stock.

At June 30, 2012, the Company operated oil and natural gas properties as one reportable segment: the exploration, development and production of oil, natural gas and natural gas liquids. The Company s management evaluated performance based on one reportable segment as there were not different economic environments within the operation of its oil and natural gas properties.

All pro forma and per share information presented in the accompanying unaudited financial statements have been adjusted to reflect the effects of the Company s initial public offering.

2. Summary of Significant Accounting Policies

Basis of Presentation

These interim financial statements are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. Certain disclosures have been condensed or omitted from these financial statements. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America (GAAP) for complete consolidated financial statements, and should be read in conjunction with the audited consolidated financial statements and notes thereto included in MPCI s Registration Statement on Form S-1, as amended (Registration No. 333-177966).

All intercompany transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year s consolidated financial statements and related footnotes to conform them to the current year presentation. In the opinion of the Company s management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary to fairly present the financial position as of, and the results of operations for, all periods

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presented. In preparing the accompanying condensed consolidated financial statements, management has made certain estimates and assumptions that affect reported amounts in the condensed consolidated financial statements and disclosures of contingencies. Actual results may differ from those estimates. The results for interim periods are not necessarily indicative of annual results.

Recent Accounting Pronouncements

The Company reviewed recently issued accounting pronouncements that became effective during the six months ended June 30, 2012, and determined that none would have a material impact on the Company s condensed consolidated financial statements.

3. Fair Value Measurements of Financial Instruments

The Company uses a valuation framework based upon inputs that market participants use in pricing an asset or liability, which are classified into two categories: observable inputs and unobservable inputs. Observable inputs represent market data obtained from independent sources; whereas, unobservable inputs reflect a company s own market assumptions, which are used if observable inputs are not reasonably available without undue cost and effort. These two types of inputs are further divided into the following fair value input hierarchy:

- **Level 1** Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- **Level 2** Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Fair value assets and liabilities that are generally included in this category are commodity derivative contracts with fair values based on inputs from actively quoted markets. The Company uses a market approach to estimate the fair values of its commodity derivative contracts, utilizing commodity futures price strips for the underlying commodities provided by a reputable third-party.
- **Level 3** Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Derivative Instruments Commodity derivative contracts reflected in the condensed consolidated balance sheets are recorded at estimated fair value. At June 30, 2012 and December 31, 2011, all of the Company s commodity derivative contracts were with three and two bank counterparties, respectively, and are classified as Level 2.

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	Fair Value Measurements at June 30, 2012 Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
	(in thousands)						
Assets:							
Commodity derivative oil swaps	$	$	14,799	$		$	14,799
Commodity derivative deferred premium puts			1,015				1,015
Commodity derivative collars			380				380
Commodity derivative differential swaps			7,371				7,371
Total assets			**23,565**				**23,565**
Liabilities:							
Commodity derivative oil swaps	$	$	4,397	$		$	4,397
Commodity derivative deferred premium puts			180				180
Commodity derivative collars			10				10
Commodity derivative differential swaps			1,053				1,053
Total liabilities	**$**	**$**	**5,640**	**$**		**$**	**5,640**

	Fair Value Measurements at December 31, 2011 Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total
	(in thousands)						
Assets:							
Commodity derivative oil swaps	$	$		$		$	
Commodity derivative deferred premium puts			1,673				1,673
Commodity derivative collars			397				397
Commodity derivative differential swaps			4,200				4,200
Total assets			**6,270**				**6,270**
Liabilities:							
Commodity derivative oil swaps	$	$	23,162	$		$	23,162
Commodity derivative deferred premium puts			340				340
Commodity derivative collars							
Commodity derivative differential swaps							
Total liabilities	**$**	**$**	**23,502**	**$**		**$**	**23,502**

Derivative instruments listed above are presented gross and include collars, swaps, and put options that are carried at fair value. The Company records the net change in the fair value of these positions in Gains (losses) on commodity derivative contracts net in the Company s unaudited condensed consolidated statements of operations. The Company is able to value the assets and liabilities based on observable market data for similar instruments, which resulted in the Company classifying its derivatives as Level 2 instruments. This observable data includes the forward curve for commodity prices based on quoted market prices and implied volatility factors related to changes in the forward curves.

For additional information on the Company s derivative instruments and balance sheet presentation, see Note 4.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are reported at fair value on a nonrecurring basis in the Company s condensed consolidated balance sheets. The following methods and assumptions were used to estimate the fair values:

Asset Retirement Obligations (ARO s) The Company initially estimates the fair value of ARO s based on discounted cash flow projections using numerous estimates, assumptions and judgments regarding such factors as the existence of a legal obligation for an ARO, the amount and timing of settlements, the credit-adjusted risk-free rate and inflation rates. See Note 5 for a summary of changes in ARO s.

4. Risk Management and Derivative Instruments

The Company is exposed to fluctuations in crude oil and natural gas prices on its production. The Company believes it is prudent to manage the variability in cash flows by entering into derivative financial instruments to economically hedge a portion of its crude oil and natural gas production. The Company utilizes various types of derivative financial instruments, including swaps and options, to

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manage fluctuations in cash flows resulting from changes in commodity prices. These derivative contracts are generally placed with major financial institutions that the Company believes are minimal credit risks. The oil and gas reference prices, upon which the commodity derivative contracts are based, reflect various market indices that management believes have a high degree of historical correlation with actual prices received by the Company for its oil and gas production.

Inherent in the Company s portfolio of commodity derivative contracts are certain business risks, including market risk and credit risk. Market risk is the risk that the price of the commodity will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by the Company s counterparty to a contract. The Company does not require collateral from its counterparties but does attempt to minimize its credit risk associated with derivative instruments by entering into derivative instruments only with counterparties that are large financial institutions, which management believes present minimal credit risk. In addition, to mitigate its risk of loss due to default, the Company has entered into agreements with its counterparties on its derivative instruments that allow the Company to offset its asset position with its liability position in the event of default by the counterparty. Due to the netting arrangements, had the Company s counterparties failed to perform under existing commodity derivative contracts, the maximum loss at June 30, 2012 would have been approximately $18.3 million.

Commodity Derivative Contracts

As of June 30, 2012, the Company had the following open commodity positions:

	Hedged Volume	**Weighted-Average Fixed Price**
Oil (Bbls):		
WTI Swaps 2012	411,100	$ 84.36
WTI Swaps 2013	679,125	84.73
WTI Swaps 2014	262,450	83.00
WTI Collars 2012	82,800	$ 85.00 - 127.28
WTI Deferred Premium Puts 2012 (1)	276,000	$ 79.01
WTI Basis Differential Swaps 2012 (2)	505,300	$ 9.73
WTI Basis Differential Swaps 2013 (2)	679,125	6.30
LLS Swaps - 2012	315,180	$ 116.55
Brent Swaps - 2013	1,021,749	$ 111.89

(1) 2012 deferred premium puts represent the net effective floor price of a put with a strike price of $85.00/Bbl and a deferred premium of $5.99/Bbl. The premiums for these instruments are paid each month, concurrently with the settlement of the monthly put contracts.

(2) The Company enters into swap arrangements intended to capture the positive differential between the Louisiana Light Sweet (LLS) pricing and West Texas Intermediate (NYMEX WTI) pricing.

Balance Sheet Presentation

The following table summarizes the gross fair value of derivative instruments by the appropriate balance sheet classification, even when the derivative instruments are subject to netting arrangements and qualify for net presentation in the Company s condensed consolidated balance sheets at June 30, 2012 and December 31, 2011, respectively (in thousands):

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Type	Balance Sheet Location (1)			June 30, 2012		December 31, 2011
Oil Swaps	Derivative financial instruments	Current Assets	$	6,633	$	
Oil Swaps	Derivative financial instruments	Non-Current Assets		8,166		
Oil Swaps	Derivative financial instruments	Current Liabilities		(2,225)		(13,046)
Oil Swaps	Derivative financial instruments Non-Current Liabilities			(2,172)		(10,116)
Deferred Premium Puts	Derivative financial instruments	Current Assets		1,015		1,673
Deferred Premium Puts	Derivative financial instruments	Non-Current Assets				
Deferred Premium Puts	Derivative financial instruments	Current Liabilities		(180)		(278)
Deferred Premium Puts	Derivative financial instruments Non-Current Liabilities					(62)
Collars	Derivative financial instruments	Current Assets				