

ISRAMCO INC
Form 10-Q
May 11, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Check
One

- Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2015

or

- Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number 0-12500

ISRAMCO, INC
(Exact Name of registrant as Specified in its Charter)

Delaware
(State or other Jurisdiction of Incorporation or
Organization)

13-3145265
I.R.S. Employer Number

2425 West Loop South, Suite 810, HOUSTON, TX 77027
(Address of Principal Executive Offices)

713-621-5946
(Registrant's Telephone Number, Including Area Code)

Indicate by check whether the registrant: (1) 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 the definition 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 (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 No

As of May 11, 2015, Isramco, Inc, had 2,717,691 outstanding shares of common stock, par value \$0.01 per share.

Table of Contents

TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	
Item 1.	4
	4
	5
	6
	7
	8
Item 2.	14
Item 3.	21
Item 4.	21
PART II. OTHER INFORMATION	
Item 1.	22
Item 1A.	23
Item 2.	23
Item 3.	23
Item 4	23
Item 5.	23
Item 6.	24
	25

Table of Contents

Forward Looking Statements

CERTAIN STATEMENTS MADE IN THIS QUARTERLY REPORT ON FORM 10-Q ARE “FORWARD-LOOKING STATEMENTS” WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD-LOOKING STATEMENTS CAN BE IDENTIFIED BY TERMINOLOGY SUCH AS “MAY”, “WILL”, “SHOULD”, “EXPECTS”, “INTENDS”, “ANTICIPATES”, “BELIEVES”, “ESTIMATES”, “PREDICTS”, OR “CONTINUE” OR THE NEGATIVE OF THESE TERMS OR OTHER COMPARABLE TERMINOLOGY AND INCLUDE, WITHOUT LIMITATION, STATEMENTS BELOW REGARDING EXPLORATION AND DRILLING PLANS, FUTURE GENERAL AND ADMINISTRATIVE EXPENSES, FUTURE GROWTH, FUTURE EXPLORATION, FUTURE GEOPHYSICAL AND GEOLOGICAL DATA, GENERATION OF ADDITIONAL PROPERTIES, RESERVES, NEW PROSPECTS AND DRILLING LOCATIONS, FUTURE CAPITAL EXPENDITURES, SUFFICIENCY OF WORKING CAPITAL, ABILITY TO RAISE ADDITIONAL CAPITAL, PROJECTED CASH FLOWS FROM OPERATIONS, OUTCOME OF ANY LEGAL PROCEEDINGS, DRILLING PLANS, THE NUMBER, TIMING OR RESULTS OF ANY WELLS, INTERPRETATION AND RESULTS OF SEISMIC SURVEYS OR SEISMIC DATA, FUTURE PRODUCTION OR RESERVES, LEASE OPTIONS OR RIGHTS, PARTICIPATION OF OPERATING PARTNERS, CONTINUED RECEIPT OF ROYALTIES, AND ANY OTHER STATEMENTS REGARDING FUTURE OPERATIONS, FINANCIAL RESULTS, OPPORTUNITIES, GROWTH, BUSINESS PLANS AND STRATEGY. BECAUSE FORWARD-LOOKING STATEMENTS INVOLVE RISKS AND UNCERTAINTIES, THERE ARE IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. ALTHOUGH THE COMPANY BELIEVES THAT EXPECTATIONS REFLECTED IN THE FORWARD-LOOKING STATEMENTS ARE REASONABLE, IT CANNOT GUARANTEE FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS. MOREOVER, NEITHER THE COMPANY NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THESE FORWARD-LOOKING STATEMENTS. THE COMPANY IS UNDER NO DUTY TO UPDATE ANY FORWARD-LOOKING STATEMENTS AFTER THE DATE OF THIS REPORT TO CONFORM SUCH STATEMENTS TO ACTUAL RESULTS.

Table of Contents

PART I - Financial Information

ITEM 1. Financial Statements

ISRAMCO INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	As of March 31, 2015	As of December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,927	\$ 2,027
Accounts receivable, net of allowances for doubtful accounts of \$768 and \$941	13,163	17,266
Restricted cash	61	61
Inventories	1,202	829
Deferred tax assets	3,160	2,701
Prepaid expenses and other	1,542	2,517
Total Current Assets	23,055	25,401
Property and Equipment, at cost – successful efforts method:		
Oil and gas properties	246,625	245,022
Advanced payment for equipment	489	489
Production services equipment and other	54,858	53,935
Total Property and Equipment	301,972	299,446
Accumulated depreciation, depletion and amortization and impairment	(185,768)	(183,513)
Net Property and Equipment	116,204	115,933
Deferred tax assets and other	17,996	17,530
Total assets	\$ 157,255	\$ 158,864
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 16,595	\$ 20,293
Bank overdraft	215	22
Short term debt	804	1,284
Due to related party and accrued interest	26,987	26,471
Total current liabilities	44,601	48,070
Due to related party and accrued interest	72,628	72,628
Other Long-term Liabilities:		
Deferred tax liabilities	-	-
Asset retirement obligations	20,281	20,046
Total liabilities	137,510	140,744
Commitments and contingencies		

Shareholders' equity:

Common stock \$0.01 par value; authorized 7,500,000 shares; issued 2,746,958 shares; outstanding 2,717,691 shares	27	27
Additional paid-in capital	23,853	23,853
Accumulated deficit	(4,289)	(6,095)
Treasury stock, 29,267 shares at cost	(164)	(164)
Total Isramco, Inc. shareholders' equity	19,427	17,621
Non controlling interest	318	499
Total equity	19,745	18,120
Total liabilities and shareholders' equity	\$ 157,255	\$ 158,864

See notes to the unaudited condensed consolidated financial statements.

Table of Contents

ISRAMCO INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended March 31	
	2015	2014
Revenues		
Oil and gas sales	\$ 10,525	\$ 14,690
Production services	5,815	6,414
Office services	158	134
Other	140	130
Total revenues	16,638	21,368
Operating expenses		
Lease operating expense, transportation and taxes	4,175	4,619
Depreciation, depletion and amortization	2,255	2,513
Accretion expense	208	204
Production services	4,804	4,689
Loss (gain) from plug and abandonment	2	(2)
General and administrative	1,097	1,309
Total operating expenses	12,541	13,332
Operating income	4,097	8,036
Other expenses		
Interest expense, net	1,488	1,658
Capital (gain) loss	10	(2)
Total other expenses	1,498	1,656
Income before income taxes	2,599	6,380
Income tax expense	974	2,195
Net income	\$ 1,625	\$ 4,185
Net income (loss) attributable to non-controlling interests	(181)	108
Net income attributable to Isramco	\$ 1,806	\$ 4,077
Earnings per share – basic:	\$ 0.66	\$ 1.50
Earnings per share – diluted:	\$ 0.66	\$ 1.50
Weighted average number of shares outstanding basic:	2,717,691	2,717,691
Weighted average number of shares outstanding diluted:	2,717,691	2,717,691

See notes to the unaudited condensed consolidated financial statements.

Table of Contents

ISRAMCO INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (In thousands)
 (Unaudited)

	Three Months Ended March	
	31	
	2015	2014
Net income	\$ 1,625	\$ 4,185
Other comprehensive income		
Comprehensive income	1,625	4,185
Comprehensive income (loss) attributable to non-controlling interests	(181)	108
Comprehensive Income attributable to Isramco	\$ 1,806	\$ 4,077

See notes to the unaudited condensed consolidated financial statements.

Table of Contents

ISRAMCO INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)
 (Unaudited)

	Three months Ended March 31,	
	2015	2014
Cash Flows From Operating Activities:		
Net income	\$ 1,625	\$ 4,185
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	2,255	2,513
Bad debt expense	56	20
Accretion expense	208	204
Changes in deferred taxes	(650)	2,195
Capital (gain) loss	10	(2)
Changes in components of working capital and other assets and liabilities		
Accounts receivable	4,047	(2,820)
Prepaid expenses, other receivables and other current assets	975	(987)
Due to related party	1,371	1,655
Inventories	(373)	(68)
Accounts payable and accrued expenses	(3,891)	(2,059)
Net cash provided by operating activities	5,633	4,836
Cash flows from investing activities:		
Addition to property and equipment, net	(2,466)	(6,097)
Restricted cash and deposit, net	-	1,500
Net cash used in investing activities	(2,466)	(4,597)
Cash flows from financing activities:		
Repayments on loans – related parties, net	(855)	-
Borrowings (repayments) of bank overdraft, net	193	(791)
Payments of deferred financing costs	(125)	-
Repayments of short - term debt, net	(480)	(301)
Net cash used in financing activities	(1,267)	(1,092)
Net increase (decrease) in cash and cash equivalents	1,900	(853)
Cash and cash equivalents at beginning of period	2,027	4,149
Cash and cash equivalents at end of period	\$ 3,927	\$ 3,296

See notes to the unaudited condensed consolidated financial statements.

Table of Contents

Isramco Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 - Financial Statement Presentation

Isramco, Inc. and its subsidiaries and affiliated companies (together referred to as “We”, “Our”, “Isramco” or the “Company”) is predominately an independent oil and natural gas company engaged in the exploration, development and production of oil and natural gas properties located onshore in the United States and ownership of various royalty interests in oil and gas concessions located offshore Israel. The Company also operates a production services company that provides well maintenance and workover services, well completion, and recompletion services.

The accompanying unaudited financial statements and notes of Isramco have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “Commission”). Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying financial statements and notes should be read in conjunction with the accompanying financial statements and notes included in Isramco’s Annual Report on Form 10-K for the year ended December 31, 2014.

The accompanying unaudited interim financial statements furnished in this report reflect all adjustments that are, in the opinion of management, necessary to fairly present Isramco’s results of operations and cash flows for the three-month periods ended March 31, 2015 and 2014 and Isramco’s financial position as of March 31, 2015.

Use of Estimates

In preparing financial statements in accordance with accounting principles generally accepted in the United States, management makes informed judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. Management evaluates its estimates and related assumptions regularly, including those related to the value of properties and equipment; proved reserves; intangible assets; asset retirement obligations; litigation reserves; environmental liabilities; liabilities, and costs; income taxes; and fair values. Changes in facts and circumstances or additional information may result in revised estimates, and actual results may differ from these estimates.

Consolidated interim period results are not necessarily indicative of results of operations or cash flows for the full year and accordingly, certain information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States has been condensed or omitted. The Company has evaluated events or transactions through the date of issuance of these condensed consolidated financial statements.

Concentrations of Credit Risk

Financial instruments, which potentially expose Isramco to concentrations of credit risk, consist primarily of cash equivalents, trade and joint interest accounts receivable. Isramco's customer base includes several of the major United States oil and gas operating and production companies as well as major power companies in Israel. Although Isramco is directly affected by the well-being of the oil and gas production industry, management does not believe a significant credit risk existed as of March 31, 2015. Isramco continues to monitor and review credit exposure of its marketing counter-parties.

Our production services segment customers include major oil and natural gas production companies and independent oil and natural gas production companies. We perform ongoing credit evaluations of our customers and usually do not require material collateral. We maintain reserves for potential credit losses when necessary. Our results of operations

and financial position should be considered in light of the fluctuations in demand experienced by oilfield service companies as changes in oil and gas producers' expenditures and budgets occur. These fluctuations can impact our results of operations and financial position as supply and demand factors directly affect utilization and hours which are the primary determinants of our net cash provided by operating activities.

Isramco maintains deposits in banks, which may exceed the amount of federal deposit insurance available. Management periodically assesses the financial condition of the institutions and believes that any possible deposit loss is minimal.

Consolidation

The condensed consolidated financial statements include the accounts of Isramco and its subsidiaries. Inter-company balances and transactions have been eliminated in consolidation.

Asset Retirement Obligation

ASC 410, Asset Retirement and Environmental Obligations (ASC 410) requires that the fair value of an asset retirement cost, and corresponding liability, should be recorded as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The Company records asset retirement obligations to reflect the Company's legal obligations related to future plugging and abandonment of its oil and natural gas wells and gas gathering systems. The Company estimates the expected cash flow associated with the obligation and discounts the amounts using a credit-adjusted, risk-free interest rate. At least annually, the Company reassesses the obligation to determine whether a change in the estimated obligation is necessary. The Company evaluates whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation may have materially changed on an interim basis (quarterly), the Company will accordingly update its assessment.

Table of Contents

Note 2 - Supplemental Cash Flow Information

The Israeli taxing authority withheld taxes of \$1,706,000 and \$1,079,000 during the three months ended March 31, 2015 and 2014 respectively.

Cash payments for interest were \$175,000 and \$0 for the periods ended March 31, 2015 and 2014 respectively.

The condensed consolidated statement of cash flows for the period ended March 31, 2015 excludes the following non-cash transactions:

Deferred financing costs of \$150,000 were included in accounts payable.

Property and equipment of \$44,000 included in accounts payable.

Increase in property and equipment of \$27,000 due to additional asset retirement obligation.

Related-party accrued interest payment of \$31,000 was withholding tax included in accounts payable.

The condensed consolidated statement of cash flows for the three month period ended March 31, 2014 excludes the following non-cash transactions:

Property and equipment of \$1,627,000 included in accounts payable.

Insurance premiums financed through issuance of short term debt of \$504,000.

Proceeds from short swing profits from parent company of \$585,000. This resulted in a reduction of \$709,000 due to related party accrued interest, and an increase of \$124,000 to accounts payable.

Note 3 - Debt and Interest Expense

Long-Term Related Party Debt as of March 31, 2015 and December 31, 2014 consisted of the following (in thousands):

	As of March 31, 2015	As of December 31, 2014
Libor + 6% Related party Debt	\$ 11,145	\$ 12,000
Libor + 5.5% Related party Debt	3,500	3,500
Libor + 5.5% Related party Debt	10,000	10,000
Libor + 6% Related party Debt	11,391	11,391
Libor + 6% Related party Debt	6,000	6,000
Libor + 6% Related party Debt	43,701	43,701
Libor + 5.5% Related party Debt	6,456	6,456
Libor + 6% Related party Debt	1,500	1,500
Accrued interest	5,576	4,302
	99,269	98,850
Less: Current Portion of Long-Term Debt and Accrued Interest	(26,641)	(26,222)
Total	\$ 72,628	\$ 72,628

Table of Contents

Related Party Debt

On March 27, 2015 the Company made a payment against the \$12,000,000 I.O.C. Israel Oil Company, Ltd. Loan, a company which may be deemed to be controlled by Mr. Haim Tsuff, the Company's Chairman and Chief Executive Officer, in the amount of \$1,030,000, consisting of \$855,000 and \$175,000 in principal and interest payments, respectively. The outstanding principal balance as of March 31, 2015 is \$11,145,000.

We disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014 under Note 5. Long-Term Debt and Interest Expense the material terms of our outstanding loans, including related party loans, which disclosure is hereby incorporated herein by reference thereto.

Isramco also had related party payables of \$346,000 and \$285,000 as of March 31, 2015, and December 31, 2014, respectively which are included in the related party and accrued interest section of the condensed consolidated balance sheets.

Short-Term Debt

As of March 31, 2015 and December 31, 2014 outstanding debt from short-term insurance financing agreements totaled \$804,000 and \$1,284,000 respectively. During the three months ended March 31, 2015, the Company made cash payments totaling \$480,000. The Company also increased its bank overdraft by \$193,000.

Interest expense

The following table summarizes the amounts included in interest expense for the three months ended March 31, 2015 and 2014 (in thousands):

	Three months Ended	
	March 31,	
	2015	2014
Current debt, long-term debt and other - banks corporation	\$ -	\$ -
Long-term debt – related parties	1,488	1,658
	\$ 1,488	\$ 1,658

Note 4 - Tamar Field Proceeds

We own an overriding royalty interest of 1.5375% in the Tamar Field, which will increase to 2.7375% after payout (collectively the "Tamar Royalty"). An overriding royalty interest is an ownership interest in the oil and gas leasehold estate equating to a certain percentage of production or production revenues, calculated free of the costs of production and development of the underlying lease(s), but subject to its proportionate share of certain post production costs. An overriding royalty interest is a non-possessory interest in the oil and gas leasehold estate and, accordingly, we have no control over the operations, drilling, expenses, timing, production, sales, or any other aspect of development or production of the Tamar Field. For additional information, please see the disclosure related to the Tamar Royalty set forth in the ITEM 1. BUSINESS section included in our Annual Report on Form 10-K for the year ended December 31, 2014, which disclosure is hereby incorporated herein by reference thereto.

Table of Contents

In 2009, two natural gas discoveries, known as "Tamar" and "Dalit", were made within the area covered by the Michal and Matan Licenses, respectively. In December 2009, the Israeli Petroleum Commissioner granted Noble Energy, Inc. ("Noble") and its partners, Isramco Negev 2-LP, Delek Drilling, Avner Oil & Gas, and Dor Gas (the "Tamar Consortium"), two leases (the "Leases"). The Leases are scheduled to expire in December 2038 and cover the Tamar and Dalit gas fields (collectively the "Tamar Field"). The Tamar Field is approximately 95 kilometers off the coast of the Israel, in the Israel exclusive economic zone of the Eastern Mediterranean, with a water depth of approximately 1,700 meters. On March 31, 2013 the Tamar Field commenced its initial production of the natural gas.

Since Isramco's interest in the Tamar Field is an overriding royalty interest, there are no amounts capitalized with respect to Tamar Field.

During the three months ended March 31, 2015, Tamar Field net sales attributable to Isramco amounted to 1,069,514 Mcf of natural gas and 1,430 Bbl of condensate with prices of \$5.67 per Mcf and \$55.34 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$6,128,000. Israeli Tax Authorities withheld \$1,624,000 of this revenue which is recognized as an asset on the Company's condensed consolidated balance sheets.

During three months ended March 31, 2014 the Tamar Field net sales applicable to Isramco amounted to 855,984 Mcf of natural gas and 1,166 Bbl of condensate with prices of \$5.84 per Mcf and \$101.55 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$5,102,000. Israeli Tax Authorities withheld \$1,347,000 of this revenue which is recognized as an asset on the Company's condensed consolidated balance sheet.

Note 5 - Segment Information

Isramco's primary business segments are vertically integrated within the oil and gas industry. These segments are separately managed due to distinct operational differences, unique technology, distribution and marketing requirements. The Company's two reporting segments are oil and gas exploration and production and production services. The oil and gas exploration and production segment explores for and produces natural gas, crude oil, condensate, and natural gas liquids ("NGLs"). The production services segment is engaged in rig-based and workover services, well completion and recompletion services, plugging and abandonment of wells and other ancillary oilfield services.

Oil and Gas Exploration and Production Segment

Our Oil and Gas segment is engaged in the exploration, development and production of oil and natural gas properties located onshore in the United States and ownership of various royalty interests in oil and gas concessions located offshore Israel. We own varying working interests in oil and gas wells in Louisiana, Texas, New Mexico, Oklahoma, Wyoming, Utah and Colorado and currently serve as operator of approximately 523 producing wells located mainly in Texas in New Mexico.

Production Services Segment

The Company began production services operations in October 2011. Our production servicing rig and truck fleet provides a range of production services, including the completion of newly-drilled wells, maintenance and workover of existing wells, fluid transportation, related oilfield services and plugging and abandonment of wells at the end of their useful lives to a diverse group of oil and gas exploration and production companies.

Completion Service. Newly drilled wells require completion services to prepare the well for production. Production servicing rigs are frequently used to complete newly drilled wells to minimize the use of higher cost drilling rigs in the completion process. The completion process may involve selectively perforating the well casing in the

productive zones to allow oil or gas to flow into the well bore, stimulating and testing these zones, and installing the production string and other downhole equipment. The completion process typically ranges from a few days to several weeks, depending on the nature and type of the completion, and generally requires additional auxiliary equipment in addition to a production services rigs. The demand for completion services is directly related to drilling activity levels, which are sensitive to fluctuations in oil and gas prices.

Well-servicing/Maintenance Services. We provide maintenance services on the mechanical apparatus used to pump or lift oil from producing wells. These services include, among other activities, repairing and replacing pumps, sucker rods and tubing. We provide the rigs, equipment and crews for these tasks, which are performed on both oil and natural gas wells, but which are more commonly required on oil wells. Maintenance services typically take less than 48 hours to complete. Rigs generally are provided to customers on a call-out basis.

Workover Services. Producing oil and natural gas wells occasionally require major repairs or modifications, called “workovers.” Workovers may be required to remedy failures, modify well depth and formation penetration to capture hydrocarbons from alternative formations, clean out and recomplete a well when production has declined, repair leaks or convert a depleted well to an injection well for secondary or enhanced recovery projects. Workovers normally are carried out with pumps and tanks for drilling fluids, blowout preventers, and other specialized equipment for servicing rigs. A workover may last anywhere from a few days to several weeks.

Table of Contents

Fluid Services. We own and operate 12 fluid service trucks equipped with an average fluid hauling capacity of up to 130 barrels a piece. Each fluid service truck is equipped to pump fluids from or into wells, pits, tanks and other storage facilities. The majority of our fluid service trucks are also used to transport water to fill frac tanks on well locations, to transport produced salt water to disposal wells, and to transport drilling and completion fluids to and from well locations.

Plugging Services. Production servicing rigs are also used in the process of permanently closing oil and gas wells no longer capable of producing in economic quantities. Many well operators bid this work on a “turnkey” basis, requiring the service company to perform the entire job, including the sale or disposal of equipment salvaged from the well as part of the compensation received, and complying with state regulatory requirements. Plugging and abandonment work can provide favorable operating margins and is less sensitive to oil and gas pricing than drilling and workover activity since well operators must plug a well in accordance with state regulations when it is no longer productive. We perform plugging and abandonment work throughout our core areas of operation in conjunction with equipment provided by us or by other service companies.

We typically bill clients for our production servicing on an hourly basis for the period that the rig is actively working. As of March 31, 2015, our fleet of production servicing rigs totaled 34 rigs, which we operate through 6 locations in Texas and New Mexico.

thousands	Oil and Gas Exploration & Production	Production Services	Eliminations	Total
Three Months Ended March 31, 2015:				
Sales revenues				
United States	\$ 4,397	\$ 5,815	\$ -	\$ 10,212
Israel	6,128	-	-	6,128
Intersegment revenues	-	-	-	-
Office services and other	328	-	(30)	298
Total revenues and other	10,853	5,815	(30)	16,638
Operating costs and expenses				
Operating costs and expenses	6,662	5,909	(30)	12,541
Interest expenses, net	694	794	-	1,488
Capital (gain) loss	(7)	17	-	10
Total expenses and other	7,349	6,720	(30)	14,039
Income before income taxes	\$ 3,504	\$ (905)	\$ -	\$ 2,599
Net Income	2,277	(652)	-	1,625
Net loss attributable to noncontrolling interests	-	(181)	-	(181)
Net income (loss) attributable to Isramco	2,277	(471)	-	1,806
Total Assets	\$ 100,046	\$ 57,209	\$ -	\$ 157,255
Expenditures for Long-lived Assets	\$ 1,610	\$ 960	\$ -	\$ 2,570

Table of Contents

thousands	Oil and Gas Exploration & Production	Production services	Eliminations	Total
Three Months Ended March 31, 2014:				
Sales revenues				
United States	\$ 9,588	\$ 6,414	\$ -	\$ 16,002
Israel	5,102	-	-	5,102
Intersegment revenues	-	285	(285)	-
Office services and other	294	-	(30)	264
Total revenues and other	14,984	6,699	(315)	21,368
Operating costs and expenses				
Operating costs and expenses	7,965	5,682	(315)	13,332
Interest expenses, net	1,183	475	-	1,658
Capital Loss	(2)	-	-	(2)
Total expenses and other	9,146	6,157	(315)	14,988
Income before income taxes	\$ 5,838	\$ 542	\$ -	\$ 6,380
Net Income	3,795	390	-	4,185
Net income attributable to noncontrolling interests	-	108	-	108
Net Income attributable to Isramco	3,795	282	-	4,077
Total Assets	\$ 113,879	\$ 49,063	\$ -	\$ 162,942
Expenditures for Long-lived Assets	\$ 1,285	\$ 6,439	\$ -	\$ 7,724

Table of Contents

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

THE FOLLOWING COMMENTARY SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES CONTAINED ELSEWHERE IN THIS REPORT ON FORM 10-Q. THE DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. THESE STATEMENTS RELATE TO FUTURE EVENTS OR OUR FUTURE FINANCIAL PERFORMANCE. IN SOME CASES, YOU CAN IDENTIFY THESE FORWARD-LOOKING STATEMENTS BY TERMINOLOGY SUCH AS "MAY," "WILL," "SHOULD," "EXPECT," "PLAN," "ANTICIPATE," "BELIEVE," "ESTIMATE," "PREDICT," "POTENTIAL," "INTEND," OR "CONTINUE," AND SIMILAR EXPRESSIONS. THESE STATEMENTS ARE ONLY PREDICTIONS. OUR ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THESE FORWARD-LOOKING STATEMENTS AS A RESULT OF A VARIETY OF FACTORS, INCLUDING, BUT NOT LIMITED TO, THOSE SET FORTH UNDER "RISK FACTORS" AND ELSEWHERE IN THIS REPORT ON FORM 10-Q. ISRAMCO INC. DISCLAIMS ANY OBLIGATION TO UPDATE SUCH FORWARD LOOKING STATEMENTS.

Overview

Isramco is predominately an independent oil and natural gas company engaged in the exploration, development and production of oil and natural gas properties located onshore in the United States and ownership of various royalty interests in oil and gas concessions located offshore Israel. The Company also operates a production services company that provides well maintenance, workover services, well completion and recompletion services. Our properties are primarily located in Texas, New Mexico and Oklahoma. We also act as the operator of a certain number of these properties. Historically, we have grown through acquisitions, with a focus on properties within our core operating areas that we believe have significant development and exploration opportunities and where we can apply our technical experience and economies of scale to increase production and proved reserves, while lowering lease operating costs.

We own an overriding royalty interest of 1.5375% in the Tamar Field, which will increase to 2.7375% after payout (collectively the "Tamar Royalty"). An overriding royalty interest is an ownership interest in the oil and gas leasehold estate equating to a certain percentage of production or production revenues, calculated free of the costs of production and development of the underlying lease(s), but subject to its proportionate share of certain post production costs. An overriding royalty interest is a non-possessory interest in the oil and gas leasehold estate and, accordingly, we have no control over the operations, drilling, expenses, timing, production, sales, or any other aspect of development or production of the Tamar Field. For additional information, please see the disclosure related to the Tamar Royalty set forth in the ITEM 1. BUSINESS section included in our Annual Report on Form 10-K for the year ended December 31, 2014, which is incorporated by reference herein.

As noted above in Note 1 to the Company's condensed consolidated financial statements, in 2009 two natural gas discoveries known as "Tamar" and "Dalit" were made within the area covered by the Michal and Matan Licenses respectively and are known as the Tamar Field. In December 2009 the Israeli Petroleum Commissioner granted Noble Energy, Inc. ("Noble") and its partners, Isramco Negev 2-LP, Delek Drilling, Avner Oil & Gas, and Dor Gas (the "Tamar Consortium"), two leases (the "Leases"). The Leases are scheduled to expire in December 2038. The Tamar Field is approximately 95 kilometers off the coast of the Israel in the Israel exclusive economic zone of the Eastern Mediterranean with a water depth of approximately 1,700 meters. On March 31, 2013, the Tamar Field began its initial production of the natural gas.

During the three months ended March 31, 2015, Tamar Field net sales attributable to Isramco amounted to 1,069,514 Mcf of natural gas and 1,430 Bbl of condensate with prices of \$5.67 per Mcf and \$55.34 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$6,128,000. Israeli Tax Authorities withheld \$1,624,000

of this revenue which is recognized as an asset on the Company's condensed consolidated balance sheets.

Our financial results depend upon many factors, but are largely driven by the volume of our oil and natural gas production and the prices received for that production. Our production volumes will decline as reserves are depleted unless we expend capital in successful development and exploration activities or acquire additional properties with existing production. The amount we realize for our production depends predominantly upon commodity prices, which are affected by changes in market demand and supply, as impacted by overall economic activity, weather, pipeline capacity constraints, inventory storage levels, basis differentials and other factors, and secondarily upon our commodity price hedging activities. Accordingly, finding and developing oil and natural gas reserves at economical costs is critical to our long-term success. Our future drilling plans are subject to change based upon various factors, some of which are beyond our control, including drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation constraints and regulatory approvals. To the extent these factors lead to reductions in our drilling plans and associated capital budgets in future periods, our financial position, cash flows and operating results could be adversely impacted.

Table of Contents

Concentrations of Credit Risk

Our production services segment customers include major oil and natural gas production companies and independent oil and natural gas production companies. We perform ongoing credit evaluations of our customers and usually do not require material collateral. We maintain reserves for potential credit losses when necessary. Our results of operations and financial position should be considered in light of the fluctuations in demand experienced by oilfield service companies as changes in oil and gas producers' expenditures and budgets occur. These fluctuations can impact our results of operations and financial position as supply and demand factors directly affect utilization and hours which are the primary determinants of our net cash provided by operating activities.

Istramco maintains deposits in banks, which may exceed the amount of federal deposit insurance available. Management periodically assesses the financial condition of the institutions and believes that any possible deposit loss is minimal.

Liquidity and Capital Resources

Our primary source of cash during the three months ended March 31, 2015 was cash flow from operating activities. We continuously monitor our liquidity and evaluate our development plans in light of a variety of factors, including, but not limited to, our cash flows, capital resources and drilling success.

Our future capital resources and liquidity may depend, in part, on our success in developing the leasehold interests that we have acquired. Cash is required to fund capital expenditures necessary to offset inherent declines in production and proven reserves, which is typical in the capital-intensive oil and gas industry. Future success in growing reserves and production will be highly dependent on the capital resources available and our success in finding and acquiring additional reserves. Our production services subsidiary also requires capital resources to acquire and maintain equipment and continue growth. We expect to fund our future capital requirements through internally generated cash flows, borrowings under loans from related parties, and a future credit facility. Long-term cash flows are subject to a number of variables, including the level of production, prices, amount of work orders received, and our commodity price hedging activities, as well as various economic conditions that have historically affected the oil and natural gas industry.

The Company is also in negotiations for one or more credit facilities with several commercial lenders, to obtain a new credit facility on terms favorable to the Company. The Company hopes to obtain a new credit facility that would replace its existing financing from affiliated parties and also provide additional financing for Company operations and investments. While the Company believes that it has made substantial progress in obtaining a new facility, the process is ongoing. Accordingly, the Company remains uncertain as to whether it will be successful in obtaining new replacement financing or, if it is obtained, the timetable upon which such facility will be closed and other material terms and conditions. The Company believes that the current sources of its affiliate financing will remain flexible and additional funding will be made available if needed until a new commercial credit facility can be obtained.

During the three months ended March 31, 2015, our cash increased by \$1.9 million. Specifically, the net cash provided by operating activities of \$5.6 million were offset by an investment of \$2.4 million in production services equipment and oil and gas properties, \$0.4 million primarily in repayments of short-term debt and bank overdraft, and \$0.9 million in repayments of long-term related party debt.

Debt

	As of	As of
	March 31,	December 31,

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	2015	2014
Long – term debt – related party	\$ 93,693	\$ 94,548
Current maturities of long-term debt, short-term debt and bank overdraft	1,019	1,306
Total debt	\$ 94,712	\$ 95,854
Stockholders' equity	\$ 19,745	\$ 18,120
Debt to capital ratio	83%	84%

As of March 31, 2015, our total debt was \$94,712,000, compared to total debt of \$95,854,000 at December 31, 2014.

Table of Contents

Contractual Obligations

Aggregate maturities of contractual obligations at March 31, 2015 are due in future years as follows (in thousands):

	Total	2015	2016	2017	2018
Long-term related party debt & accrued interest	\$ 99,269	26,641	29,364	29,364	13,900

Cash Flow

Our primary source of cash during the three months ended March 31, 2015 was cash flow from operating activities. In 2015, cash received from operations was primarily used for investments in production services equipment and oil and gas properties and repayment of loans. In 2014, cash received from operations and the release of restricted cash was primarily used for investments in production services equipment and oil and gas properties.

Operating cash flow fluctuations were substantially driven by changes in commodity prices and changes in our production volumes. Working capital was substantially influenced by these variables. Fluctuation in commodity prices and our overall cash flow may result in an increase or decrease in our future capital expenditures. Prices for oil and natural gas have historically been subject to seasonal fluctuations characterized by peak demand and higher prices in the winter heating season; however, the impact of other risks and uncertainties have influenced prices throughout recent years. See Results of Operations below for a review of the impact of prices and volumes on sales.

	Three months Ended March 31,	
	2015	2014
	(In thousands)	
Cash flows provided by operating activities	\$ 5,633	\$ 4,836
Cash flows used in investing activities	(2,466)	(4,597)
Cash flows used in financing activities	(1,267)	(1,092)
Net increase (decrease) in cash	\$ 1,900	\$ (853)

Operating Activities, During the three months ended March 31, 2015, compared to the same period in 2014, net cash flow provided by operating activities increased by \$797,000 to \$5,633,000. The increase was primarily attributable to proceeds from our overriding royalty interest in the Tamar Field offshore Israel, and changes in working capital components.

Investing Activities, Net cash flows used in investing activities for the three months ended March 31, 2015 and 2014 were \$2,466,000 and \$4,597,000, respectively. During the first three months of 2015, the Company invested \$2,466,000, consisting of \$1,555,000 for oil and gas properties and \$911,000 in production services equipment. During the first three months of 2014, the Company invested \$6,097,000, consisting of \$564,000 for oil and gas properties and \$5,533,000 in production services equipment, and decreased the restricted cash balance by \$1,500,000.

Financing Activities, Net cash flows used in financing activities were \$1,267,000 and \$1,092,000 for the three months ended March 31, 2015 and 2014, respectively. During the first three months of 2015 the Company made payments on related party debt of \$855,000, made payments on short term debt in the amount of \$480,000, paid deferred financing costs of \$125,000, and increased its bank overdraft by \$193,000. During the first three months of 2014 the Company made payments on short term debt in the amount of \$301,000 and reduced its bank overdraft by \$791,000.

Table of Contents

Results of Operations

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Selected Data

	Three Months Ended March 31,	
	2015	2014
	(In thousands except per share and BOE amounts)	
Financial Results		
Oil and Gas sales		
United States	\$ 4,397	\$ 9,588
Israel	6,128	5,102
Production Services	5,815	6,414
Other	298	264
Total revenues and other	16,638	21,368
Cost and expenses		
Other expenses	1,498	1,656
Income tax expense	974	2,195
Net income attributable to common shareholders	1,625	4,185
Net income (loss) attributable to non-controlling interests	(181)	108
Net income attributable to Isramco	1,806	4,077
Earnings per common share – basic	\$ 0.66	\$ 1.50
Earnings per common share – diluted	\$ 0.66	\$ 1.50
Weighted average number of shares outstanding- basic	2,717,691	2,717,691
Weighted average number of shares outstanding- diluted	2,717,691	2,717,691
Operating Results		
Adjusted EBITDAX (1)	\$ 6,550	\$ 10,755
Sales volumes United States (MBOE)	153	163
Sales volumes Israel (MBOE)	180	144
Average cost per BOE United States: (2)		
Production (excluding transportation and taxes)	\$ 23.03	\$ 21.95
General and administrative (oil and gas production segment)	\$ 6.21	\$ 7.58
Depletion	\$ 8.67	\$ 11.66

(1) See Adjusted EBITDAX for a description of Adjusted EBITDAX, which is not a Generally Accepted Accounting Principles (GAAP) measure, and a reconciliation of Adjusted EBITDAX to income from operations before income taxes, which is presented in accordance with GAAP.

(2) There are no costs associated with revenues from Israeli operations since the Company owns overriding royalty which is free of operating expenses.

Table of Contents

Financial Results

Net income in the first quarter of 2015 was \$1,806,000 or \$0.66 per share. This compares to net income of \$4,077,000 or \$1.50 per share for the same period in 2014.

This decrease was primarily due to the decrease in oil prices, and a resulting decrease in both the revenues from production service activities, and oil and gas operations in United States.

Revenues, Volumes and Average Prices Oil and Gas Segment - Israel

During three months ended March 31, 2015 the Tamar Field net sales applicable to Isramco amounted to 1,069,514 Mcf of natural gas and 1,430 Bbl of condensate with prices of \$5.67 per Mcf and \$55.34 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$6,128,000.

During three months ended March 31, 2014 the Tamar Field net sales applicable to Isramco amounted to 855,984 Mcf of natural gas and 1,166 Bbl of condensate with prices of \$5.84 per Mcf and \$101.55 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$5,102,000.

Revenues, Volumes and Average Prices Oil and Gas Segment – United States

Sales Revenues

In thousands except percentages	Three Months Ended March 31,		
	2015	2014	D vs. 2014
Gas sales	\$ 999	\$ 2,318	(57)%
Oil sales	3,019	6,217	(51)
Natural gas liquid sales	379	1,053	(64)
Total	\$ 4,397	\$ 9,588	(54)%

The Company's sales revenues from U.S. based oil and gas operations for the first quarter of 2015 decreased by 54% when compared to same period in 2014 due to lower prices received for oil, natural gas, and NGLs, and lower volumes produced of natural gas, and NGLs. This increase was partially offset by higher volumes for oil.

Volumes and Average Prices

	Three Months Ended March 31,		
	2015	2014	D vs. 2014
Natural Gas			
Sales volumes Mmcf	390.6	433.1	(10)%
Average Price per Mcf	\$ 2.56	\$ 5.35	(52)
Total gas sales revenues (thousands)	\$ 999	\$ 2,318	(57)%
Crude Oil			
Sales volumes MBbl	65.8	64.9	1%
Average Price per Bbl	\$ 45.86	\$ 95.84	(52)
Total oil sales revenues (thousands)	\$ 3,019	\$ 6,217	(51)%

Natural gas liquids			
Sales volumes MBbl	22.2	26.4	(16)%
Average Price per Bbl	\$ 17.11	\$ 39.90	(57)
Total natural gas liquids			
sales revenues (thousands)	\$ 379	\$ 1,053	(64)%

In the United States the Company's natural gas sales volumes decreased by 10%, crude oil sales volumes increased by 1%, and natural gas liquids sales volumes decreased by 16% for the first quarter of 2015 compared to the same period of 2014.

The Company's average natural gas price received for the first quarter of 2015 decreased by 52%, or \$2.79 per Mcf, when compared to the same period of 2014. The Company's average crude oil price for the first quarter of 2015 decreased by 52%, or \$49.98 per Bbl, when compared to the same period of 2014. Our average natural gas liquids price for the first quarter of 2015 decreased by 57%, or \$22.79 per Bbl, when compared to the same period of 2014.

Table of Contents

Analysis of Oil and Gas Operations Sales Revenues

The following table provides a summary of the effects of changes in volumes and prices on Isramco's United States sales revenues for the three months ended March 31, 2015 compared to the same period of 2014.

In thousands	Natural Gas	Oil	Natural gas liquids
2014 sales revenues	\$ 2,318	\$ 6,217	\$ 1,053
Changes associated with sales volumes	(227)	91	(169)
Changes in prices	(1,092)	(3,289)	(505)
2015 sales revenues	\$ 999	\$ 3,019	\$ 379

Operating Expenses (excluding production services segment)

In thousands except percentages	Three Months Ended March 31,		
	2015	2014	D vs. 2014
Lease operating expense, transportation and taxes	\$ 4,175	\$ 4,619	(10)%
Depreciation, depletion and amortization of oil and gas properties	1,327	1,905	(30)
Accretion expense	208	204	2
Loss from plugging and abandonment of wells	2	(2)	(200)
General and administrative	950	1,239	(23)
	\$ 6,662	\$ 7,965	(16)%

During three months ended March 31, 2015, our operating expenses decreased by 16% when compared to the same period of 2014 due to the following factors:

- Lease operating expense, transportation cost and taxes decreased by 10%, or \$444,000, in 2015 when compared to 2014 mainly due to decreased severance taxes and marketing expenses as a result of decline in oil and natural gas prices. On a per unit basis, lease operating expenses (excluding transportation and taxes) increased by \$1.08 per MBOE to \$23.03 per MBOE in 2015 from \$21.95 per MBOE in 2014.
- Depreciation, Depletion & Amortization ("DD&A") of the cost of proved oil and gas properties is calculated using the unit-of-production method. Our DD&A rate and expense are the composite of numerous individual field calculations. There are several factors that can impact our composite DD&A rate and expense including, but not limited to, field production profiles, drilling or acquisition of new wells, disposition of existing wells, and reserve revisions (upward or downward) primarily related to well performance and commodity prices, and impairments. Changes in these factors may cause our composite DD&A rate and expense to fluctuate from period to period. DD&A decreased by 30%, or \$578,000 in 2015 when compared to 2014 primarily due to a 2014 impairment of \$19,540,000 on the depletable base used to calculate DD&A and decrease in production. On a per unit basis, depletion expense decreased by \$2.99 per MBOE to \$8.67 per MBOE in 2015 from \$11.66 per MBOE in 2014.

General and administrative expenses decreased by 23%, or \$289,000 in 2015 when compared to 2014 primarily due to decrease in professional fees.

Production Services Segment

In thousands except percentages	Three Months Ended March 31,		
	2015	2014	D vs. 2014
Production Services (1)	\$ 5,815	\$ 6,699	(13)%
Operating expenses	4,804	4,689	2
Depreciation	928	608	53
General and administrative	147	70	110
Operating Income	\$ (64)	\$ 1,332	(105)%

(1) Production Services revenue includes intersegment revenues.

- Our sales revenues from production services operations for the first quarter of 2015 decreased by 13% or \$884,000 when compared to same period in 2014 due to a decrease in prices we charge our customers and the number of deployed rigs as a result in lower demand for our services caused by declined oil prices. The decrease was partially offset by revenues from our fluid trucking services caused by greater number of trucks we added to our fleet.

Table of Contents

- Operating expenses from production services operations for the first quarter of 2015 increased by 2% or \$115,000 when compared to the same period in 2014.
- Production service equipment depreciation – the amounts represent depreciation of production services rigs and auxiliary equipment for our production services subsidiary, the increase in depreciation expenses in the first quarter of 2015 of \$320,000 associated with increase in the number of workover rigs, trucks and other auxiliary equipment.
- General and administrative expenses from production services operations for the first quarter of 2015 increased by 110% or \$77,000 when compared to the same period in 2014 primarily due to an increase in the allowance for doubtful accounts, an increase in legal fees, and marketing expenses.

Other expenses

In thousands except percentages	Three Months Ended March 31,		
	2015	2014	D vs. 2014
Interest expense, net	\$ 1,488	\$ 1,658	(10)%
Capital (gain) loss	10	(2)	(600)
	\$ 1,498	\$ 1,656	(10)%

Interest expense. Isramco's interest expense decreased by 10%, or \$170,000, for the three months ended March 31, 2015 compared to the same period of 2014. This decrease was primarily due to lower average outstanding loans balance during the first quarter of 2015 compared to 2014.

Adjusted EBITDAX.

To assess the operating results of Isramco, management analyzes income from operations before income taxes, interest expense, exploration expense, unrealized gain (loss) on derivative contracts and DD&A expense and impairments ("Adjusted EBITDAX"). Adjusted EBITDAX is not a GAAP measure. Isramco's definition of Adjusted EBITDAX excludes exploration expense because exploration expense is not an indicator of operating efficiency for a given reporting period, but rather is monitored by management as a part of the costs incurred in exploration and development activities. Similarly, Isramco excludes DD&A expense and impairments from Adjusted EBITDAX as a measure of segment operating performance because capital expenditures are evaluated at the time capital costs are incurred. The Company's definition of Adjusted EBITDAX also excludes interest expense to allow for assessment of segment operating results without regard to Isramco's financing methods or capital structure. Adjusted EBITDAX is a widely accepted financial indicator of a company's ability to incur and service debt, fund capital expenditures and make payments on its long term loans. Management believes that the presentation of Adjusted EBITDAX provides information useful in assessing the Company's financial condition and results of operations.

However, Adjusted EBITDAX, as defined by Isramco, may not be comparable to similarly titled measures used by other companies. Therefore, Isramco's consolidated Adjusted EBITDAX should be considered in conjunction with income (loss) from operations and other performance measures prepared in accordance with GAAP, such as operating income or cash flow from operating activities. Adjusted EBITDAX has important limitations as an analytical tool because it excludes certain items that affect income from continuing operations and net cash provided by operating activities. Adjusted EBITDAX should not be considered in isolation or as a substitute for an analysis of Isramco's results as reported under GAAP. Below is a reconciliation of consolidated Adjusted EBITDAX to income (loss) from operations before income taxes.

Three Months Ended March 31,

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In thousands except percentages	2015	2014
Income from operations before income taxes	\$ 2,599	\$ 6,380
Depreciation, depletion and amortization expense	2,255	2,513
Interest expense	1,488	1,658
Accretion expense	208	204
Consolidated Adjusted EBITDAX	\$ 6,550	\$ 10,755

Table of Contents

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Derivative Instruments and Hedging Activity

We are exposed to various risks, including risks associated with energy commodity price. If oil and natural gas prices decline significantly, our ability to finance our capital budget and operations could be adversely impacted. We expect energy prices to remain volatile and unpredictable, therefore we have adopted a risk management policy which allows for the use of derivative instruments to provide partial protection against declines in oil and natural gas prices by reducing the risk of price volatility and the affect it could have on our operations. The type of derivative instrument that we typically utilize is swaps. The total volumes which we hedge through the use of our derivative instruments vary from period to period. Currently, we have no open positions or contracts in place.

When such contracts are in place, we are exposed to market risk on our open derivative contracts of non-performance by our counterparties. However, we usually do not expect such non-performance because our contracts are usually with major financial institutions with investment grade credit ratings.

We are also exposed to interest rate risk on our variable interest rate debt. If interest rates increase, our interest expense would increase and our available cash flow would decrease. We continue to monitor our risk exposure as we incur future indebtedness at variable interest rates and will look to continue our risk management policy as situations present themselves. Periodically, we look to utilize interest rate swaps to reduce the exposure to market rate fluctuations by converting variable interest rates to fixed interest rates. Currently, no interest rate swaps are in place.

We account for our derivative activities under the provisions of ASC 815, Derivatives and Hedging (ASC 815). ASC 815 establishes accounting and reporting that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at fair value. See Item 1. Consolidated Financial Statements.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

In accordance with Exchange Act Rule 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2015 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

PART II - Other Information

ITEM 1. Legal Proceedings

We disclosed information in our Quarterly Report on Form 10-Q for the three months ended September 30, 2009, filed on November 12, 2009, relating to two putative shareholder derivative actions that were filed by individual shareholders on June 1, 2009 and June 12, 2009, respectively, in the District Court of Harris County, Texas, naming certain of our officers and directors as defendants. Each of these suits claims that the shareholders were damaged as a result of various breaches of fiduciary duty, self-dealing, and other wrongdoing in connection with the Restated Agreement between the Company and Goodrich Global, Ltd. (“Goodrich”) and other matters, primarily on the part of the Company’s Chairman and Chief Executive Officer, Haim Tsuff, and Jakob Maimon. Mr. Maimon is a former President and a director who resigned from all positions held with the Company on June 29, 2011. The complaints sought unspecified money damages, disgorgement of any proceeds from the restated agreement, voiding of the agreement, other equitable relief, and costs and disbursements, including attorneys’ fees.

On or about April 6, 2011, a third complaint was filed in the 295th District Court of Harris County, Texas by Yuval Ran, who claimed to be a shareholder, against certain of our officers and directors and several corporate parties controlled by Haim Tsuff, seeking damages similar to aforementioned derivative cases. As with the prior suits, this complaint alleged various breaches of duty, self-dealing and other wrongdoing in connection with the Restated Agreement between the Company and Goodrich, primarily on the part of the Company’s Chairman and Chief Executive Officer, Haim Tsuff, and Jakob Maimon. In addition, this suit alleged claims relating to other transactions between the Company and entities controlled by Haim Tsuff, including but not limited to the loan transactions between the Company and related parties, the lease and sale of a cruise ship, and the closure of the Company’s Israel branch office. Prior to service on the Defendants, the third complaint was transferred to the 55th Judicial District Court of Harris County, Texas by order signed April 20, 2011, and consolidated with the above-referenced first and second original shareholder suits by order signed May 21, 2011, into a single case, called “Lead Cause No. 2010-34535; In Re: Isramco, Inc. Shareholder Derivative Litigation; In the 55th Judicial District Court of Harris County, Texas (the “Derivative Litigation”). The complaint sought unspecified money damages, disgorgement of any proceeds from the restated agreement, voiding of the agreement, other equitable relief, and costs and disbursements, including attorneys’ fees.

The Company disclosed information in the Company’s Quarterly Report on Form 10-Q (File No. 0-12500) for the three months ended September 30, 2011 filed by with the Commission on November 9, 2011, relating to an additional putative shareholder derivative complaint that was filed by an individual shareholder, Yuval Lapiner, on July 7, 2011, in the Delaware Chancery Court in Wilmington, Delaware, naming certain of our officers and directors as defendants. The claims asserted in this case are essentially the same damage claims as asserted in the lawsuit filed in April 2011 by Yuval Ran and described above. The Company filed motions in the Chancery Court to dismiss or stay the lawsuit and, by order dated October 20, 2011, the case was dismissed. The plaintiff did not appeal. Yuval Lapiner then filed a motion to intervene in the Derivative Litigation and that motion was denied. Mr. Lapiner then filed a motion for attorney’s fees that was also denied. On December 12, 2011, the court approved the terms of the mediated settlement and entered final order and judgment in the case. The Company paid plaintiff attorney’s fees of \$1,000,000, replaced its bylaws, amended various committee charters, and adopted other corporate governance changes as set out in the stipulation of settlement. After the judgment was rendered, Mr. Lapiner filed a motion for new trial and on February 12, 2012, filed a Notice of Appeal to the Fourteenth Court of Appeals in Houston, Texas. A Motion to Dismiss the appeal was filed. Oral arguments were presented to the Court of Appeals on January 9, 2013. On April 22, 2014, the Fourteenth Court of Appeals dismissed Mr. Lapiner’s appeal. On June 6, 2014, Mr. Lapiner filed a Petition for review to the Supreme Court of Texas and said action is Case Number 14-0451 in the Supreme Court of Texas. On August 1, 2014, the Supreme Court of Texas requested the respondents in the matter, including the Company, to respond to the Petition for Review. The Company filed said response on or before its September 2, 2014 due date. On October 24,

2014, the Supreme Court of Texas requested the parties in the matter, including the Company, file briefs on the merits in the case. The Company filed its brief on January 15, 2015.

On or about September 21, 2011, the Company's former Vice President and General Counsel, Dennis Holifield resigned. Mr. Holifield had been hired in March 2011. On or about October 12, 2011, Mr. Holifield submitted a "Summary Report" to the SEC (the "Summary Report"), in which made numerous factual allegations regarding Haim Tsuff, the Company's Chief Executive Officer, Chairman, and President; Edy Francis, the Company's Chief Financial Officer; Amir Sanker, the Company's Asset Manager; and other Company personnel. In the Summary Report, Mr. Holifield characterized the alleged conduct as illegal or criminal. On November 3, 2011, the Company's Board of Directors constituted a committee of independent directors consisting of Max Pridgeon and Asaf Yarkoni, referred to as the Special Investigative Committee of the Board of Directors ("SIC") which was directed to investigate all of the Holifield allegations and report back to the full board and make any recommendations, if any, for corrective action. On January 7, 2013, SIC made their final report to the Board of Directors of the conclusions and results of the fourteen-month investigation into the allegations made by Mr. Holifield. The SIC determined that Mr. Holifield's allegations were not supported by any available documentary evidence or by any statements made by former or current Isramco, Inc., directors, management, or employees interviewed by the SIC or its counsel. The SIC also determined that the Company had not engaged in wrongdoing of any sort including any unlawful or unethical business practices, any lapses in financial controls, or any governance issues that require redress or reform.

Table of Contents

On September 10, 2013, the Company filed suit against Mr. Holifield in Cause No. 201352927 of the 270th Judicial District Court of Harris County, Texas, to collect damages estimated in the amount of \$1,000,000.00 owing to the Company by virtue of Mr. Holifield's actions, which are alleged in the suit to include, but are not limited to, negligence, negligence per se, gross negligence, and breach of fiduciary duty owed to the Company. In response, in December 2013, Mr. Holifield filed a pro se answer which included counterclaims and a summary judgment motion. In his counterclaims, Mr. Holifield seeks to recover from the Company the following damages, inter alia: (i) over \$2,000,000 for loss of income and failure to secure gainful employment arising from his constructive discharge or termination by the Company; (ii) over \$2,000,000 for loss of earnings due to his alleged inability to obtain gainful employment by virtue of the damage caused to his professional reputation by alleged willful and deliberate acts of Haim Tsuff, Edy Francis, and Amir Sanker, (iii) over \$2,000,000 due to the intentional infliction of emotional distress to Mr. Holifield; (iv) an amount estimated at \$5,000,000 arising from Mr. Holifield's claim that the Company violated the Racketeer Influenced Corrupt Organizations Act, by engaging in racketeering and conspiracy; (v) over \$5,000,000 arising from the Company's alleged fraudulent misrepresentation regarding Isramco's purpose in hiring Mr. Holifield and (vi) other relief. The Company believes Mr. Holifield's counter claims have no merit. The Company intends to vigorously (i) pursue its case against Mr. Holifield and (ii) defend against Mr. Holifield's counterclaims.

In addition, Mr. Holifield sought whistleblower status from the United States Department of Labor. After an initial determination by the Department of Labor that there was no reasonable basis for whistleblower status, on February 26, 2014, Mr. Holifield initiated Cause No. 2014-SOX-00017 in the U. S. Department of Labor, Office of Administrative Law Judges, styled In Re: Dennis J. Holifield v. Isramco, Inc. In this suit, Mr. Holifield alleged whistleblower status under the Sarbanes-Oxley Act, the Dodd Frank Act, and the Exchange Act, and sought back pay, front pay, and other unspecified relief. A two-day hearing in the matter commenced on June 10, 2014. The Company's brief based on the evidence admitted in the hearing was submitted on August 26, 2014. By Decision and Order entered on November, 17, 2014, the Administrative Law Judge awarded Mr. Holifield damages of One Dollar (\$1.00) in back pay, One Dollar (\$1.00) in front pay, and reasonable expenses of \$3,373.72. On December 2, 2014, the Company filed a Petition for Review of Decision and Order of Administrative Law Judge with the Administrative Review Board of the Department of Labor asserting twelve (12) exceptions to conclusions made in the aforementioned Decision and Order. Mr. Holifield did not file a Petition for Review in the matter. Based on the de minimis award and Mr. Holifield's failure to appeal same, the Company decided that any further actions related to Cause No. 2014-SOX-00017 in the U. S. Department of Labor, Office of Administrative Law Judges, would not be in the best interest of the Company. On December 16, 2014, the Company filed a Withdrawal of Petition for Review and by Final Order dated January 21, 2015, the Administrative Review Board granted the withdrawal.

ITEM 1A. Risk Factors

None

ITEM 2. Change in Securities & Use of Proceeds

None

ITEM 3. Default Upon Senior Securities

None

ITEM 4. Removed and Reserved

None

ITEM 5. Other Information

None

23

Table of Contents

ITEM 6. Exhibits

Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 31 2 of Sarbanes-Oxley Act
- 31.2 Certification of Chief Financial Officer pursuant to Section 31 2 of Sarbanes-Oxley Act
- 31.3 Certification of Chief Accounting Officer pursuant to Section 31 2 of Sarbanes-Oxley Act
- 32.1 Certification of Chief Executive and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 Of the Sarbanes-Oxley act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 Of the Sarbanes-Oxley act of 2002
- 32.3 Certification of Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 Of the Sarbanes-Oxley act of 2002
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase
- 101.DEF XBRL Taxonomy Extension Definition Linkbase
- 101.LAB XBRL Taxonomy Extension Label Linkbase
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ISRAMCO, INC

Date: May 11, 2015	By:	/s/ HAIM TSUFF HAIM TSUFF CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)
Date: May 11, 2015	By:	/s/ EDY FRANCIS EDY FRANCIS CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)
Date: May 11, 2015	By:	/s/ ZEEV KOLTOVSKOY ZEEV KOLTOVSKOY CHIEF ACCOUNTING OFFICER (PRINCIPAL ACCOUNTING OFFICER)

