

10-Q/A - 2019-02-14

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10-Q/A

10-Q/A 1 cei-10qa_093018.htm AMENDMENT TO FORM 10-Q

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

**? QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended September 30, 2018

**? TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

Commission File Number: 001-32508

CAMBER ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

20-2660243
(I.R.S. Employer
Identification No.)

1415 Louisiana, Suite 3500, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

(210) 998-4035
(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 ? No ?

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ? No ?

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ?
Non-accelerated filer ?
Emerging growth ?

Accelerated filer ?
Smaller reporting company ?

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ?

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

<u>Title of each class</u>	<u>Number of Shares</u>
Common Stock, par value \$0.001 per share	123,967,648 (as of November 13, 2018)

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (“Amendment”) to the Quarterly Report on Form 10-Q of Camber Energy, Inc. (the “Company”) for the quarter ended September 30, 2018 (the “Form 10-Q”), originally filed with the Securities and Exchange Commission (the “SEC”) on November 16, 2018, is being filed for the sole purpose of amending Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, to correct the disclosure therein relating to our total estimated proved reserves as of September 30, 2018 which was reported in error in the original Form 10-Q, due to a clerical error.

In accordance with applicable SEC rules, this Amendment also contains new certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated as of the date of filing of this Amendment. Because this Amendment does not include financial statements and does not contain or amend any disclosure with respect to Items 307 and 308 of Regulation S-K, paragraphs 3, 4 and 5 of the Section 302 certifications have been omitted. Accordingly, this Amendment consists solely of the preceding cover page, this explanatory note, Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, the signature page, the Exhibit Index, and Exhibits 31.1 and 31.2.

Except as described above, no changes have been made to the Form 10-Q and no adjustments have been made to the Form 10-Q in connection with the Company’s 1-for-25 reverse stock split of the Company’s (a) authorized; and (b) issued and outstanding, shares of common stock, which was effective on December 24, 2018. The Form 10-Q continues to speak as of the date of the Form 10-Q, except as described above, and the Company has not updated the disclosures contained herein to reflect any events that have occurred as of a date subsequent to the date of the Form 10-Q, except as described above. Accordingly, this Amendment should be read in conjunction with the Form 10-Q and the Company’s filings made with the SEC subsequent to the filing of the Form 10-Q. The filing of this Amendment is not an admission that the Form 10-Q, when filed, included any untrue statement of a material fact necessary to make a statement not misleading.

CAMBER ENERGY, INC.

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PART 1. FINANCIAL INFORMATION

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements are generally located in the material set forth below under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" but may be found in other locations as well. For a more detailed description of the risks and uncertainties involved, the following discussion and analysis should be read in conjunction with management's discussion and analysis contained in Camber's Annual Report on Form 10-K for the fiscal year ended March 31, 2018, as filed with the SEC on July 2, 2018, and related discussion of our business and properties contained therein.

These forward-looking statements are subject to risks and uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the results, performance or achievements expressed or implied by the forward-looking statements. You should not unduly rely on these statements. Factors, risks, and uncertainties that could cause actual results to differ materially from those in the forward-looking statements which include, among others:

- ? the availability of funding and the terms of such funding;
- ? our ability to integrate and realize the benefits from future acquisitions that we may complete;
- ? our growth strategies;
- ? anticipated trends in our business;
- ? our ability to repay outstanding loans and satisfy our outstanding liabilities;
- ? our liquidity and ability to finance our exploration, acquisition and development strategies;
- ? market conditions in the oil and gas industry;
- ? the timing, cost and procedure for future acquisitions;
- ? the impact of government regulation;
- ? estimates regarding future net revenues from oil and natural gas reserves and the present value thereof;
- ? legal proceedings and/or the outcome of and/or negative perceptions associated therewith;
- ? planned capital expenditures (including the amount and nature thereof);
- ? increases in oil and gas production;
- ? changes in the market price of oil and gas;
- ? changes in the number of drilling rigs available;
- ? the number of wells we anticipate drilling in the future;
- ? estimates, plans and projections relating to acquired properties;

- ? the number of potential drilling locations; and
- ? our financial position, business strategy and other plans and objectives for future operations.

We identify forward-looking statements by use of terms such as “may,” “will,” “expect,” “anticipate,” “estimate,” “hope,” “plan,” “believe,” “predict,” “envision,” “intend,” “continue,” “potential,” “should,” “confident,” “could” and similar words and expressions, although some forward-looking statements may be expressed differently. You should be aware that our actual results could differ materially from those contained in the forward-looking statements. You should consider carefully the statements under the “Risk Factors” section of this report and other sections of this report which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, and the following factors:

- ? the possibility that our future acquisitions may involve unexpected costs;
- ? the volatility in commodity prices for oil and gas;
- ? the accuracy of internally estimated proved reserves;
- ? the presence or recoverability of estimated oil and gas reserves;
- ? the ability to replace oil and gas reserves;
- ? the availability and costs of drilling rigs and other oilfield services;
- ? risks inherent in natural gas and oil drilling and production activities, including risks of fire, explosion, blowouts, pipe failure, casing collapse, unusual or unexpected formation pressures, environmental hazards, and other operating and production risks;
- ? delays in receipt of drilling permits;
- ? risks relating to the availability of capital to fund drilling operations that can be adversely affected by adverse drilling results, production declines and declines in natural gas and oil prices;
- ? risks relating to unexpected adverse developments in the status of properties;
- ? risks relating to the absence or delay in receipt of government approvals or other third party consents;
- ? risks relating to governmental regulations regarding hydraulic fracturing and the disposition/disposal of produced water;
- ? environmental risks;
- ? exploration and development risks;
- ? competition;
- ? the inability to realize expected value from acquisitions;
- ? the availability and cost of alternative fuel sources;
- ? our ability to maintain the listing of our common stock on the NYSE American;
- ? our limited market capitalization;

- ? our ability to meet the covenants in our loan agreements and the consequences of not meeting such covenants;
- ? the ability of our management team to execute its plans to meet its goals; and
- ? other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our businesses, operations and pricing.

Forward-looking statements speak only as of the date of this report or the date of any document incorporated by reference in this report. Except to the extent required by applicable law or regulation, we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Review of Information and Definitions

This information should be read in conjunction with the interim unaudited financial statements and the notes thereto included in this Quarterly Report on Form 10-Q, and the consolidated financial statements and notes thereto and Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended March 31, 2018.

Certain capitalized terms used below and otherwise defined below, have the meanings given to such terms in the footnotes to our consolidated financial statements included above under “Part I – Financial Information” – “Item 1. Financial Statements”.

Unless the context requires otherwise, references to the “Company,” “we,” “us,” “our,” “Camber”, and “Camber Energy, Inc.” refer specifically to Camber Energy, Inc. and its consolidated subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this report only:

- ? “Exchange Act” refers to the Securities Exchange Act of 1934, as amended;
- ? “Bbl” refers to one stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons;
- ? “SEC” or the “Commission” refers to the United States Securities and Exchange Commission;
- ? “Boe” barrels of oil equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids, to six Mcf of natural gas;
- ? “Mcf” refers to a thousand cubic feet of natural gas;
- ? “SEC” or the “Commission” refers to the United States Securities and Exchange Commission; and
- ? “Securities Act” refers to the Securities Act of 1933, as amended.

Overview

Camber Energy, Inc., a Nevada corporation, is an independent oil and natural gas company based in Houston, Texas. We are engaged in the acquisition, development and sale of crude oil, natural gas and natural gas liquids from various known productive geological formations, including the Cline shale and upper Wolfberry shale in Glasscock County, Texas as well as its productive zones in the Panhandle in Hutchinson County, Texas Incorporated in Nevada in December 2003 under the name Panorama Investments Corp., the Company changed its name to Lucas Energy, Inc. effective June 9, 2006 and effective January 4, 2017, the Company changed its name to Camber Energy, Inc.

Our primary value drivers are our reserves which must be developed to unlock their full potential. We believe the market conditions driving us toward the need for a larger entity of greater size and financial mass are even more essential in the current environment. In order to develop the significant reserves at our disposal and to better position the Company in the future, we believe that we must become, or become part of, a larger organization with ample cash flow and greater access to capital. Measures such as return on equity, liquidity and stock multiples have led us to conclude that the market, in general, views small-cap and mid-cap exploration and production companies as having greater potential than microcaps. The larger companies tend to have access to more favorable debt financing, receive greater analyst coverage, trade with greater liquidity and consequently, often have higher share prices.

Currently, we are continuing to evaluate and conduct workovers and moving forward, the Company intends to acquire producing/non-producing properties at value prices and participate in joint ventures with industry partners with the goal of enhancing production and cash flow.

The Company continues to evaluate its current assets including potential dispositions if there is potential to increase its net worth. Concurrently, the Company is working to build on the remaining platform and technical capacity created by our recent asset acquisitions described below. We intend to create a growth company capable of delivering on the long-expected conversion of reserves to production, continued long-term growth and sustainable shareholder value.

Our website address is <http://www.camber.energy>. Our fiscal year ends on the last day of March of each year. The information on, or that may be accessed through, our website is not incorporated by reference into this report and should not be considered a part of this report. We refer to the twelve-month periods ended March 31, 2019 and March 31, 2018 as our 2019 Fiscal Year and 2018 Fiscal Year, respectively.

As of September 30, 2018, the Company had leasehold interests (working interests) covering approximately 3,488 / 19,822 (net / gross) acres, productive from the Cline and Wolfberry formations. The remaining Texas acreage consists of leasehold covering approximately 478.125 / 637.5 (net / gross) acres and wellbores located in the Panhandle in Hutchinson County, Texas, which was acquired by the Company earlier this year.

As of September 30, 2018, Camber was producing an average of approximately 42 net barrels of oil equivalent per day (“Boepd”) from over 20 active well bores. The ratio between the gross and net production varies due to varied working interests and net revenue interests in each well. Our production sales totaled 106,283 barrels of oil equivalent, net to our interest, for the six month period ended September 30, 2018.

At September 30, 2018, Camber’s total estimated proved reserves were approximately 0.429 million barrels of oil equivalent (“Boe”), of which approximately 0.190 million barrels (“Bbls”) were crude oil reserves, approximately 0.034 million barrels (“Bbls”) were natural gas liquids, and approximately 1.232 billion cubic feet (“Bcf”) were natural gas reserves. Approximately 52% of the barrel of oil equivalent (“Boe”) was producing.

As of September 30, 2018, Camber had no employees, but utilizes independent contractors on an as-needed basis.

On July 12, 2018, we entered into an Asset Purchase Agreement, which closed on September 26, 2018, described in greater detail above under “Part I. Financial Information – Item 1. Financial Statements – Note 2 – Liquidity and Going Concern Considerations – N&B Energy Asset Disposition Agreement”, “First Amendment to Sale Agreement”, “Second Amendment to Sale Agreement”, “Assumption Agreement”, and “N&B Energy Sale Agreement Closing”. Pursuant to the Sale Agreement and Assumption Agreement, the Company transferred a significant portion of its assets to N&B Energy in consideration for N&B Energy assuming all of its debt owed to IBC Bank.

Notwithstanding the sale of the Assets, the Company retained its assets in Glasscock County and Hutchinson Counties, Texas, and also retained a 12.5% production payment (effective until a total of \$2.5 million has been received); a 3% overriding royalty interest in its existing Okfuskee County, Oklahoma asset; and an overriding royalty interest on certain other undeveloped leasehold interests, pursuant to an Assignment of Production Payment and Assignments of Overriding Royalty Interests.

The Company's current plans are to continue to develop and maintain our existing assets and look for similar opportunities to maximize the Company's return for its shareholders. We will be evaluating acquisition and development opportunities adjacent to these assets as well as in basins with similar levels of risk. The Company is also evaluating strategic growth opportunities with other assets and entities to increase the Company's mass to ultimately enhance long-term shareholder value.

Industry Segments

Our operations are all crude oil and natural gas exploration and production related.

Operations and Oil and Gas Properties

We operate and invest in areas that are known to be productive, with a reasonably established production history, in order to decrease geological and exploratory risk. The Company has certain interests in wells producing from the Wolfberry and Cline formations in Glasscock County, Texas.

Additionally, in March 2018, we completed the acquisition of working interests in certain leases, wells and equipment located in the Texas panhandle and a 75% ownership of two partnerships that owned certain leases, wells and equipment in the same fields, for a total purchase price of \$250,000, payable in three tranches, from an entity which is controlled by Ian Acrey who serves as the operating manager of our operations through a different entity. A payment of \$85,000 was due at closing; \$85,000 was due thirty days after closing and \$80,000 was due sixty days after closing. Camber earned 25% of the working interest at the closing and earned an additional 25% of the working interest at each of the two subsequent closings. The seller retained a 25% carried working interest in the assets. The acquisition includes 49 non-producing well bores, 5 saltwater disposal wells and the required infrastructure and equipment necessary to support future hydrocarbon production as well as approximately 500 net leasehold acres in Hutchinson County, Texas. At least 33 of the wells are now producing.

Financing

A summary of our financing transactions, funding agreements and other material funding transactions can be found under "Part I. Financial Information – Item 1. Financial Statements – Note 2 – Liquidity and Going Concern Considerations", "Note 6 – Note Payables and Debenture", "Note 10 – Stockholders' Equity (Deficit)" and "Note 15 – Subsequent Events", above.

In addition to the transactions noted above, Camber is continuing to review and evaluate potential financing transactions, through the sale of debt or equity in order to fulfill our current obligations and capital requirements, which we believe, if finalized and completed, will ensure the future viability of the Company.

Our limited cash position and significant liabilities raise substantial doubt about our ability to continue as a going concern for the next twelve months following the issuance of these financial statements. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Market Conditions and Commodity Prices

Our financial results depend on many factors, particularly the price of natural gas, natural gas liquids and crude oil and our ability to market our production on economically attractive terms. Commodity prices are affected by many factors outside of our control, including changes in market supply and demand, which are impacted by weather conditions, inventory storage levels, basis differentials and other factors. As a result, we cannot accurately predict future commodity prices and, therefore, we cannot determine with any degree of certainty what effect increases or decreases in these prices will have on our production volumes or revenues. In addition to production volumes and commodity prices, finding and developing sufficient amounts of natural gas and crude oil reserves at economical costs are critical to our long-term success. We expect prices to remain volatile for the remainder of the year. For information about the impact of realized commodity prices on our crude oil revenues, refer to "Results of Operations" below.

RESULTS OF OPERATIONS

The following discussion and analysis of the results of operations for the three and six-month periods ended September 30, 2018 and 2017 should be read in conjunction with our consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q. The majority of the numbers presented below are rounded numbers and should be considered as approximate.

Three Months Ended September 30, 2018 vs. Three Months Ended September 30, 2017

We reported net income for the three months ended September 30, 2018 of \$23.2 million, or \$0.58 per share of common stock. For the same period a year ago, we reported a net loss of \$(6.2) million or \$(4.25) per share of common stock. As discussed in more detail below, our net income increased by \$29.2 million, primarily due to the sale which closed in September 2018.

The following table sets forth the operating results and production data for the periods indicated:

	Three Months Ended September 30,		Increase	% Increase
	2018	2017	(Decrease)	(Decrease)
Sale Volumes:				
Crude Oil (Bbls)	2,706	4,771	(2,065)	(43)%
Natural Gas (Mcf)	100,652	174,837	(74,185)	(42)%
NGL (Gallons)	517,563	1,400,508	(882,945)	(63)%
Total (Boe) ⁽¹⁾	31,804	67,256	(35,452)	(53)%
Crude Oil (Bbls per day)	29	52	(23)	(44)%
Natural Gas (Mcf per day)	1,094	1,900	(806)	(42)%
NGL (Gallons per day)	5,626	15,223	(9,597)	(63)%
Total (Boe per day) ⁽¹⁾	346	731	(385)	(53)%
Average Sale Price:				
Crude Oil (\$/Bbl)	\$ 67.25	\$ 45.53	\$ 21.72	48%
Natural Gas (\$/Mcf)	2.65	2.62	0.03	1%
NGL (\$/Bbl)	29.30	24.21	5.09	21%
Net Operating Revenues:				
Crude Oil	\$ 181,952	\$ 217,211	\$ (35,259)	(16)%
Natural Gas	266,430	457,389	(199,959)	(42)%
NGL	361,084	807,453	(446,369)	(55)%
Total Revenues	<u>\$ 809,466</u>	<u>\$ 1,482,053</u>	<u>\$ (672,587)</u>	(45)%

(1) Assumes 6 Mcf of natural gas equivalents and 42 gallons of NGL to 1 barrel of oil, respectively.

Operating and Other Expenses

The following table summarizes our production costs and operating expenses for the periods indicated:

	Three Months Ended September 30,		Increase	% Increase
	2018	2017	(Decrease)	(Decrease)
Direct lease operating expense	\$ 582,065	\$ 788,945	\$ (206,880)	(26)%
Workovers expense	1,506	58,146	(56,640)	(97)%
Other	163,803	498,118	(334,315)	(67)%
Lease Operating Expenses	<u>\$ 747,374</u>	<u>\$ 1,345,209</u>	<u>\$ (597,835)</u>	<u>(44)%</u>
Severance and Property Taxes	44,495	78,938	(34,443)	(44)%
Depreciation, Depletion, Amortization and Accretion	136,726	434,948	(298,222)	(69)%
Impairment of Oil and Gas Properties	224,309	1,375,000	(1,150,691)	(84)%
General and Administrative ("G&A")	952,201	1,259,438	(307,237)	(24)%
Share-Based Compensation	—	4,817	(4,817)	(100)%
Total G&A Expense	<u>\$ 952,201</u>	<u>\$ 1,264,255</u>	<u>\$ (312,054)</u>	<u>(25)%</u>
Interest Expense	1,268,811	3,231,788	(1,962,977)	(61)%
Gain on Sale of Oil and Gas Properties	25,808,246	—	25,808,246	100%
Other Expense (Income), Net	15,430	(1,959)	17,389	(888)%

Lease Operating Expenses

There was a decrease in lease operating expense of approximately \$0.6 million when comparing the current quarter to the prior year quarter. The decrease is primarily due to the sale closed in September 2018.

Depreciation, Depletion, Amortization and Accretion (DD&A)

DD&A decreased for the current quarter as compared to the prior year's quarter by approximately \$0.3 million primarily related to the decrease in total depreciable assets caused by the sale closed in September 2018.

Impairment of Oil and Gas Properties

Impairment expense of \$0.2 million for the three months ended September 30, 2018, compared to prior year's period by \$1.4 million decreased primarily due to fewer leasehold expirations during the current quarter.

General and Administrative (G&A) Expenses and Share-Based Compensation

G&A expenses decreased by approximately \$0.3 million for the three months ended September 30, 2018, compared to the prior year's period. The decrease was due primarily lower costs due to sale closed in September 2018.

Interest Expense

Interest expense for the three months ended September 30, 2018 decreased by approximately \$2.0 million when compared to the three-month period ended September 30, 2017, due to the assignment of the IBC loan related to the sale closed in September 2018.

Gain on Sale of Oil and Gas Properties

The gain on sale of oil and gas properties was \$25.8 million for the three months ended September 30, 2018 compared to \$0 for the same three-month period ended September 30, 2017 due to the sale closed in September 2018.

Other Expense (Income), Net

Other expense (income), net, for the three months ended September 30, 2018 increased by \$17,389, compared to the same period ended September 30, 2017, primarily due to an increase in other miscellaneous receipts.

Six Months Ended September 30, 2018 vs. Six Months Ended September 30, 2017

We reported net income for the six months ended September 30, 2018 of \$19.7 million, or \$0.79 per share of common stock. For the same period a year ago, we reported a net loss of \$(9.3) million or \$(7.25) per share of common stock. As discussed in more detail below, the change was due to sale closed in September 2018.

The following table sets forth the operating results and production data for the periods indicated:

	Six Months Ended September 30,		Increase	% Increase
	2018	2017	(Decrease)	(Decrease)
Sale Volumes:				
Crude Oil (Bbls)	5,859	14,228	(8,369)	(59)%
Natural Gas (Mcf)	310,978	413,107	(102,129)	(25)%
NGL (Gallons)	2,041,027	3,170,001	(1,128,974)	(36)%
Total (Boe) ⁽¹⁾	106,284	158,555	(52,271)	(33)%
Crude Oil (Bbls per day)	32	78	(46)	(59)%
37Natural Gas (Mcf per day)	1,699	2,257	(558)	(25)%
NGL (Gallons per day)	11,153	17,322	(6,169)	(36)%
Total (Boe per day) ⁽¹⁾	581	866	(285)	(33)%
Average Sale Price:				
Crude Oil (\$/Bbl)	\$ 65.20	\$ 47.46	\$ 17.74	37%
Natural Gas (\$/Mcf)	2.38	2.62	(0.24)	(9)%
NGL (\$/Bbl)	28.44	21.42	7.02	33%
Net Operating Revenues:				
Crude Oil	\$ 382,021	\$ 675,250	\$ (293,229)	(43)%
Natural Gas	739,943	1,080,405	(340,462)	(32)%
NGL	1,382,198	1,629,203	(247,005)	(15)%
Total Revenues	<u>\$ 2,504,162</u>	<u>\$ 3,384,858</u>	<u>\$ (880,696)</u>	(26)%

(1) Assumes 6 Mcf of natural gas equivalents and 42 gallons of NGL to 1 barrel of oil, respectively.

Operating and Other Expenses

The following table summarizes our production costs and operating expenses for the periods indicated:

	Six Months Ended September 30,		Increase	% Increase
	2018	2017	(Decrease)	(Decrease)
Direct lease operating expense	\$ 1,445,036	\$ 1,342,533	\$ 102,503	8%
Workovers expense	58,845	148,938	(90,093)	(60)%
Other	655,160	956,633	(301,473)	(32)%
Lease Operating Expenses	<u>\$ 2,159,041</u>	<u>\$ 2,448,104</u>	<u>\$ (289,063)</u>	<u>(12)%</u>
Severance and Property Taxes	127,255	163,802	(36,547)	(22)%
Depreciation, Depletion, Amortization and Accretion	463,926	1,006,989	(543,063)	(54)%
Impairment of Oil and Gas Properties	755,966	2,150,374	(1,394,408)	(65)%
General and Administrative (“G&A”)	2,491,621	2,703,560	(211,939)	(8)%
Share-Based Compensation	343,629	9,633	333,966	3,467%
Total G&A Expense	<u>\$ 2,835,250</u>	<u>\$ 2,713,193</u>	<u>\$ 122,057</u>	<u>4%</u>
Interest Expense	2,234,107	4,163,341	(1,929,234)	(46)%
Gain on Sale of Oil and Gas Properties	25,808,246	—	25,808,246	100%
Other Expense (Income), Net	20,594	34,149	(13,555)	(40)%

Lease Operating Expenses

There was a decrease in lease operating expense of approximately \$0.3 million when comparing the six months ended September 30, 2018, compared to the prior year’s period. The decrease is due primarily to the reduction in properties due to the sale that closed in September 2018.

Depreciation, Depletion, Amortization and Accretion (DD&A)

DD&A decreased for the six months ended September 30, 2018, compared to the prior year’s period by approximately \$0.5 million primarily related to the decrease in properties due to the sale closed in September 2018.

Impairment of Oil and Gas Properties

Impairment decreased for the six months ended September 30, 2018, compared to prior year’s period by approximately \$1.4 million. The decline in impairment was due to fewer expirations of leaseholds in the current quarter.

General and Administrative (G&A) Expenses and Share-Based Compensation

G&A expenses increased by approximately \$0.1 million for the six months ended September 30, 2018, compared to the prior year’s period. The increase was due primarily to costs surrounding the sale closed in September 2018.

Interest Expense

Interest expense for the six months ended September 30, 2018 decreased by approximately \$1.9 million when compared to the six-month period ended September 30, 2017 due primarily to the assignment of the IBC loan in connection with the sale that closed in September 2018.

Gain on Sale of Oil and Gas Properties

The gain on sale of oil and gas properties was \$25.8 million for the six months ended September 30, 2018 compared to \$0 for the same six-month period ended September 30, 2017, due to the sale closed in September 2018.

Other Expense (Income), net

Other expense, net, for the six months ended September 30, 2018 decreased by \$13,555 when compared to the six months ended September 30, 2017, primarily due to lower miscellaneous revenues.

LIQUIDITY AND CAPITAL RESOURCES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Accordingly, the financial statements do not include any adjustments relating to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Our primary sources of cash for the six months ended September 30, 2018 were from funds generated from the sale of preferred stock, the sale of natural gas and crude oil production and funds borrowed under funding agreements. These cash flows were primarily used to fund our capital expenditures and operations and to repay indebtedness. See below for an additional discussion and analysis of cash flow.

Working Capital

At September 30, 2018, the Company's total current assets of \$5.5 million exceeded its total current liabilities of \$4.4 million, resulting in a working capital of \$1.1 million, while at March 31, 2018, the Company's total current liabilities of \$40.3 million exceeded its total current assets of \$1.7 million, resulting in a working capital deficit of \$38.6 million. The \$39.7 million increase in the working capital surplus is primarily due to the assignment of the liabilities owed under the IBC Loan Agreement to N&B Energy in September 2018, as discussed below under "Note 2 - Liquidity and Going Concern Considerations - Assumption Agreement".

A summary of our financing transactions, recent funding agreements and other funding transactions can be found under "Part I. Financial Information – Item 1. Financial Statements – Note 2 – Liquidity and Going Concern Considerations", "Note 6 – Note Payables and Debenture", "Note 10 – Stockholders' Equity (Deficit)" and "Note 15 – Subsequent Events", above.

Cash Flows

	Six Months Ended September 30,	
	2018	2017
Cash flows used in operating activities	\$ (1,833,776)	\$ (687,580)
Cash flows used in investing activities	(2,623,797)	(238,670)
Cash flows provided by (used in) financing activities	9,000,000	(1,210,087)
Net increase (decrease) in cash and restricted cash	\$ 4,542,427	\$ (2,134,337)

Net cash used in operating activities was \$1.8 million for the six months ended September 30, 2018, compared to \$0.7 million for the same period a year ago. The increase in net cash used in operating activities of \$1.1 million was primarily related to higher G&A costs and declines in revenue.

Net cash used in investing activities was \$2.6 million for the six months ended September 30, 2018, compared to net cash used in investing activities of \$0.2 million for the same period a year ago. The increase of \$2.4 million in cash used in investing activities was primarily due to increased spending on properties and lower cash receipts from sales of properties.

We had net cash provided by financing activities of \$9.0 million for the six months ended September 30, 2018, compared to having net cash used by financing activities of \$1.2 million for the same period a year ago, which \$10.2 million increase was primarily due to the sales of Preferred C shares.

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.

CAMBER ENERGY, INC.

(Registrant)

/s/ Louis G. Schott

Louis G. Schott
Interim Chief Executive Officer
(Principal Executive Officer)
Date: February 14, 2019

/s/ Robert Schleizer

Robert Schleizer
Chief Financial Officer
(Principal Financial/Accounting Officer)
Date: February 14, 2019

EXHIBIT INDEX

- [2.1](#) Asset Purchase Agreement by and Between N&B Energy, LLC, as Purchaser and Camber Energy, Inc., as Seller, dated July 12, 2018 (Filed as Exhibit 2.1 to the Company's Report on Form 8-K, filed with the Commission on July 13, 2018 and incorporated herein by reference) (File No. 001-32508)
- [2.2](#) First Amendment to Asset Purchase Agreement by and Between N&B Energy, LLC, as Purchaser and Camber Energy, Inc., as Seller, dated August 2, 2018 (Filed as Exhibit 2.2 to the Company's Report on Form 8-K, filed with the Commission on August 7, 2018 and incorporated herein by reference) (File No. 001-32508)
- [2.3](#) Second Amendment to Asset Purchase Agreement by and Between N&B Energy, LLC, as Purchaser, Camber Energy, Inc., as Seller and CE Operating, LLC, dated September 24, 2018 (Filed as Exhibit 2.3 to the Company's Report on Form 8-K, filed with the Commission on September 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [3.1](#) Amendment to Certificate of Designations of Preferences, Powers, Rights and Limitations of Series C Redeemable Convertible Preferred Stock as filed with the Secretary of State of Nevada on July 25, 2018 (Filed as Exhibit 3.2 to the Company's Report on Form 8-K, filed with the Commission on July 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.1***](#) Separation and Release Agreement between Camber Energy, Inc. and Richard N. Azar II dated May 25, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on May 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.2***](#) Common Stock Purchase Warrant granted to Richard N. Azar II dated May 25, 2018 (Filed as Exhibit 10.2 to the Company's Report on Form 8-K, filed with the Commission on May 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.3***](#) Engagement Letter with Fides Energy LLC/Louis G. Schott dated May 25, 2018 (Filed as Exhibit 10.3 to the Company's Report on Form 8-K, filed with the Commission on May 25, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.4](#) Compromise Settlement Agreement and Mutual Release by and between Camber Energy, Inc. and Segundo Resources, LLC, dated July 12, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on July 13, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.5](#) Agreement in Connection with the Loan by and Between Camber Energy, Inc. and International Bank of Commerce (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on August 7, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.6](#) Assumption Agreement dated September 26, 2018, by and between International Bank of Commerce, Camber Energy, Inc., CE Operating, LLC, N&B Energy, LLC, Richard N. Azar, II, RAD2 Minerals, Ltd., Donnie B. Seay, and DBS Investments, Ltd. (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.7](#) Assignment of Production Payment, effective August 1, 2018, by and among N&B Energy, LLC and CE Operating, LLC (Filed as Exhibit 10.2 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.8](#) Assignment of Overriding Royalty Interest, effective August 1, 2018, by CE Operating, LLC in favor of Camber Royalties, LLC (Orion Properties) (Filed as Exhibit 10.3 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)

- [10.9](#) Assignment of Overriding Royalty Interest, effective August 1, 2018, by N&B Energy, LLC in favor of Camber Royalties, LLC (TAW Leases) (Filed as Exhibit 10.4 to the Company's Report on Form 8-K, filed with the Commission on September 27, 2018 and incorporated herein by reference) (File No. 001-32508)
- [10.10](#) Form of Stock Purchase Agreement relating to the purchase of \$3.5 million in shares of Series C Redeemable Convertible Preferred Stock dated October 26, 2018 (Filed as Exhibit 10.1 to the Company's Report on Form 8-K, filed with the Commission on November 1, 2018 and incorporated herein by reference) (File No. 001-32508)
- [16.1](#) Letter dated August 2, 2018 from GBH CPAs, PC to the Securities and Exchange Commission (Filed as Exhibit 16.1 to the Company's Report on Form 8-K, filed with the Commission on August 2, 2018 and incorporated herein by reference) (File No. 001-32508)
- [31.1*](#) Section 302 Certification of Periodic Report of Principal Executive Officer
- [31.2*](#) Section 302 Certification of Periodic Report of Principal Financial Officer
- [32.1](#) Section 906 Certification of Periodic Report of Principal Executive Officer (included in original Form 10-Q filing)
- [32.2](#) Section 906 Certification of Periodic Report of Principal Financial Officer (included in original Form 10-Q filing)

101.INS XBRL Instance Document.

101.SCHXBRL Schema Document.

101.CALXBRL Calculation Linkbase Document.

101.LABXBRL Label Linkbase Document.

101.PRE XBRL Presentation Linkbase Document.

101.DEF XBRL Definition Linkbase Document

* Exhibits filed herewith.

** Exhibits furnished herewith.

*** Management contract or compensatory plan.

EX-31.1

EX-31.1 2 ex31-1.htm SECTION 302 CERTIFICATION OF PERIODIC REPORT OF PRINCIPAL EXECUTIVE OFFICER

[Camber Energy, Inc. 10-Q/A](#)

Exhibit 31.1

CERTIFICATION

I, Louis G. Schott, certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2018, of Camber Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Date: February 14, 2019

/s/ Louis G. Schott

Louis G. Schott
Interim Chief Executive Officer
(Principal Executive Officer)

EX-31.2

EX-31.2 3 ex31-2.htm SECTION 302 CERTIFICATION OF PERIODIC REPORT OF PRINCIPAL FINANCIAL OFFICER

[Camber Energy, Inc. 10-Q/A](#)

Exhibit 31.2

CERTIFICATION

I, Robert Schleizer, certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended September 30, 2018, of Camber Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Date: February 14, 2019

/s/ Robert Schleizer

Robert Schleizer

Chief Financial Officer

(Principal Financial/Accounting Officer)
