CITY HOLDING CO
Form 10-Q
May 08, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[X] 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 PURSANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For The Transition Period From ____________To_____________.

Commission File number 0-11733
CITY HOLDING COMPANY
(Exact name of registrant as specified in its charter)

West Virginia	55-0619957
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

25 Gatewater Road	
Charleston, West Virginia	25313
(Address of principal executive offices)	(Zip Code)

(304) 769-1100
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant has (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 [X] 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 [X] 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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]	Accelerated filer [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

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

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Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practical date.
Common stock, $2.50 Par Value – 15,214,374 shares as of May 6, 2015.

FORWARD-LOOKING STATEMENTS

All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements in Management’s Discussion and Analysis of Financial Condition and Result of Operations are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such information involves risks and uncertainties that could result in the Company's actual results differing materially from those projected in the forward-looking statements. Important factors that could cause actual results to differ materially from those discussed in such forward-looking statements include, but are not limited to, (1) the Company may incur additional loan loss provision due to negative credit quality trends in the future that may lead to a deterioration of asset quality; (2) the Company may incur increased charge-offs in the future; (3) the Company could have adverse legal actions of a material nature; (4) the Company may face competitive loss of customers; (5) the Company may be unable to manage its expense levels; (6) the Company may have difficulty retaining key employees; (7) changes in the interest rate environment may have results on the Company’s operations materially different from those anticipated by the Company’s market risk management functions; (8) changes in general economic conditions and increased competition could adversely affect the Company’s operating results; (9) changes in other regulations and government policies affecting bank holding companies and their subsidiaries, including changes in monetary policies, could negatively impact the Company’s operating results; (10) the Company may experience difficulties growing loan and deposit balances; (11) the current economic environment poses significant challenges for us and could adversely affect our financial condition and results of operations; (12) deterioration in the financial condition of the U.S. banking system may impact the valuations of investments the Company has made in the securities of other financial institutions resulting in either actual losses or other than temporary impairments on such investments; (13) the effects of the Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) and the regulations promulgated and to be promulgated thereunder, which may subject the Company and its subsidiaries to a variety of new and more stringent legal and regulatory requirements which adversely affect their respective businesses; (14) the impact of new minimum capital thresholds established as a part of the implementation of Basel III; and (15) other risk factors relating to the banking industry or the Company as detailed from time to time in the Company’s reports filed with the Securities and Exchange Commission, including those risk factors included in the disclosures under the heading “ITEM 1A Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Forward-looking statements made herein reflect management's expectations as of the date such statements are made. Such information is provided to assist stockholders and potential investors in understanding current and anticipated financial operations of the Company and is included pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date such statements are made. Further, the Company is required to evaluate subsequent events through the filing of its March 31, 2015 Form 10-Q. The Company will continue to evaluate the impact of any subsequent events on the preliminary March 31, 2015 results and will adjust the amounts if necessary.

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Part I - Financial Information

Item 1 - Financial Statements

Consolidated Balance Sheets
City Holding Company and Subsidiaries
(in thousands)

Assets	March 31, 2015 (Unaudited)	December 31, 2014
Cash and due from banks	$235,004	$138,503
Interest-bearing deposits in depository institutions	10,106	9,725
Cash and Cash Equivalents	245,110	148,228
Investment securities available for sale, at fair value	273,856	254,043
Investment securities held-to-maturity, at amortized cost (approximate fair value at March 31, 2015 and December 31, 2014, - $91,117 and $94,191, respectively)	87,455	90,786
Other securities	9,857	9,857
Total Investment Securities	371,168	354,686
Gross loans	2,632,471	2,652,066
Allowance for loan losses	(20,179)	(20,150)
Net Loans	2,612,292	2,631,916
Bank owned life insurance	95,880	95,116
Premises and equipment, net	76,910	77,988
Accrued interest receivable	7,752	6,826
Net deferred tax asset	35,335	36,766
Goodwill and other intangible assets, net	70,964	74,198
Other assets	37,674	35,909
Total Assets	$3,553,085	$3,461,633
Liabilities		
Deposits:		
Noninterest-bearing	$551,596	$545,465
Interest-bearing:		
Demand deposits	654,832	639,932
Savings deposits	722,324	660,727
Time deposits	1,013,630	1,026,663
Total Deposits	2,942,382	2,872,787
Short-term borrowings	132,588	134,931
Long-term debt	16,495	16,495
Other liabilities	56,545	46,567
Total Liabilities	3,148,010	3,070,780
Shareholders' Equity		
Preferred stock, par value $25 per share: 500,000 shares authorized; none issued	—	—

Common stock, par value $2.50 per share: 50,000,000 shares authorized; 18,499,282 shares issued at March 31, 2015 and December 31, 2014, less 3,285,958 and 3,345,590 shares in treasury, respectively	46,249	46,249

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Capital surplus	106,397	107,370
Retained earnings	373,812	362,211
Cost of common stock in treasury	(118,130)	(120,818)
Accumulated other comprehensive income (loss):		
Unrealized loss on securities available-for-sale	2,096	1,190
Underfunded pension liability	(5,349)	(5,349)
Total Accumulated Other Comprehensive Loss	(3,253)	(4,159)
Total Shareholders' Equity	405,075	390,853
Total Liabilities and Shareholders' Equity	$3,553,085	$3,461,633

See notes to consolidated financial statements.

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Consolidated Statements of Income (Unaudited)
City Holding Company and Subsidiaries
(in thousands, except earnings per share data)

	Three months ended March 31,	
Interest Income	2015	2014
Interest and fees on loans	$29,388	$29,734
Interest and dividends on investment securities:		
Taxable	2,712	3,003
Tax-exempt	264	281
Total Interest Income	32,364	33,018
Interest Expense		
Interest on deposits	2,741	2,753
Interest on short-term borrowings	82	75
Interest on long-term debt	150	150
Total Interest Expense	2,973	2,978
Net Interest Income	29,391	30,040
Provision for loan losses	888	1,363
Net Interest Income After Provision for Loan Losses	28,503	28,677
Non-interest Income		
Gains on sale of investment securities	14	83
Service charges	5,927	6,160
Bankcard revenue	4,074	3,685
Insurance commissions	—	2,025
Trust and investment management fee income	1,200	1,037
Bank owned life insurance	764	756
Gain on sale of insurance division	11,084	—
Other income	958	559
Total Non-interest Income	24,021	14,305
Non-interest Expense		
Salaries and employee benefits	12,179	13,139
Occupancy and equipment	2,590	2,615
Depreciation	1,511	1,478
FDIC insurance expense	450	410
Advertising	704	824
Bankcard expenses	818	806
Postage, delivery, and statement mailings	561	575
Office supplies	346	410
Legal and professional fees	567	409
Telecommunications	475	338
Repossessed asset losses, net of expenses	220	379
Other expenses	2,744	1,993
Total Non-interest Expense	23,165	23,376
Income Before Income Taxes	29,359	19,606
Income tax expense	11,367	5,803
Net Income Available to Common Shareholders	$17,992	$13,803

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Total comprehensive income	$18,898	$14,579
Average common shares outstanding	15,067	15,631
Effect of dilutive securities:		
Employee stock awards and warrant outstanding	82	165
Shares for diluted earnings per share	15,149	15,796
Basic earnings per common share	$1.18	$0.87
Diluted earnings per common share	$1.17	$0.86
Dividends declared per common share	$0.42	$0.40

See notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income (Unaudited)
City Holding Company and Subsidiaries
(in thousands)

	Three Months Ended March 31,	
	2015	2014
Net income	$17,992	$13,803
Unrealized gains (losses) on available-for-sale securities arising during the period	1,450	1,313
Reclassification adjustment for gains	(14)	(83)
Other comprehensive income (loss) before income taxes	1,436	1,230
Tax effect	(530)	(454)
Other comprehensive income (loss), net of tax	906	776
Comprehensive income, net of tax	$18,898	$14,579

See notes to consolidated financial statements.

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Consolidated Statements of Changes in Shareholders’ Equity (Unaudited)
City Holding Company and Subsidiaries
Three Months Ended March 31, 2015 and 2014
(in thousands)

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders’ Equity
Balance at December 31, 2013	$46,249	$107,596	$333,970	$(95,202)	(4,990)	$387,623
Net income			13,803			13,803
Other comprehensive loss					776	776
Cash dividends declared ($0.40 per share)			(6,287)			(6,287)
Stock-based compensation expense, net		(746)		1,318		572
Exercise of 7,000 stock options		(107)		306		199
Purchase of 68,145 treasury shares				(2,936)		(2,936)
Balance at March 31, 2014	$46,249	$106,743	$341,486	$(96,514)	$ (4,214)	$393,750

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders’ Equity
Balance at December 31, 2014	46,249	$107,370	$362,211	(120,818)	$ (4,159)	$390,853
Net income			17,992			17,992
Other comprehensive income					906	906
Cash dividends declared ($0.42 per share)			(6,391)			(6,391)
Stock-based compensation expense, net		(679)		1,419		740
Exercise of 28,500 stock options		(294)		1,269		975
Balance at March 31, 2015	46,249	$106,397	$373,812	(118,130)	$ (3,253)	$405,075

See notes to consolidated financial statements.

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Consolidated Statements of Cash Flows (Unaudited)
City Holding Company and Subsidiaries
(in thousands)

	Three months ended March 31,	
	2015	2014
Net income	$17,992	$13,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion and amortization	(1,922)	(1,634)
Provision for loan losses	888	1,363
Depreciation of premises and equipment	1,511	1,478
Deferred income tax expense	964	752
Net periodic employee benefit cost	200	179
Realized investment securities gains	(14)	(83)
Stock-compensation expense	740	572
Increase in value of bank-owned life insurance	(764)	(756)
Loans originated for sale	(4,184)	(940)
Proceeds from the sale of loans originated for sale	3,637	1,672
Gain on sale of loans	(58)	(49)
Gain on sale of insurance division	(11,084)	—
Change in accrued interest receivable	(926)	(977)
Change in other assets	(1,824)	(3,629)
Change in other liabilities	8,343	(5,240)
Net Cash Provided by Operating Activities	13,499	6,511
Proceeds from sales of securities available-for-sale	—	129
Proceeds from maturities and calls of securities available-for-sale	16,172	13,885
Proceeds from maturities and calls of securities held-to-maturity	3,336	—
Purchases of securities available-for-sale	(34,857)	(10,262)
Purchases of securities held-to-maturity	—	(10,226)
Net increase in loans	21,622	49,511
Purchases of premises and equipment	(472)	(356)
Proceeds from sale of insurance division	15,250	—
Net Cash Provided by Investing Activities	21,051	42,681
Net increase in noninterest-bearing deposits	6,131	17,178
Net increase in interest-bearing deposits	63,635	27,430
Net increase in short-term borrowings	(2,343)	(15,885)
Purchases of treasury stock	—	(2,936)
Proceeds from exercise of stock options, net of tax benefit	973	199
Dividends paid	(6,064)	(5,827)
Net Cash Provided by Financing Activities	62,332	20,159
Increase in Cash and Cash Equivalents	96,882	69,351
Cash and cash equivalents at beginning of period	148,228	85,876
Cash and Cash Equivalents at End of Period	$245,110	$155,227

See notes to consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)
March 31, 2015

Note A –Background and Basis of Presentation

City Holding Company is a financial holding company headquartered in Charleston, West Virginia and conducts its principal activities through its wholly-owned subsidiary, City National Bank of West Virginia ("City National"). City National operates a network of 82 branch offices primarily along the I-64 corridor from Grayson, Kentucky through Lexington, Virginia; and along the I-81 corridor through the Shenandoah Valley from Staunton, Virginia to Martinsburg, West Virginia. City's branch network includes 57 offices in West Virginia, 14 offices in Virginia, 8 offices in Kentucky and 3 offices in Ohio. City National provides credit, deposit, investment advisory and insurance products and services to a broad geographical area that includes many rural and small community markets in addition to larger cities such as Charleston (WV), Huntington (WV), Winchester (VA), Staunton (VA), Virginia Beach (VA), Ashland (KY) and Martinsburg (WV). In addition to its branch network, the bank's delivery channels include ATMs, mobile banking, on-line banking, debit cards, cash management tools and telephone banking systems.

The accompanying consolidated financial statements, which are unaudited, include all of the accounts of the City Holding Company and its wholly-owned subsidiaries (collectively, “the Company”). All material intercompany transactions have been eliminated. The consolidated financial statements include all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations and financial condition for each of the periods presented. Such adjustments are of a normal recurring nature. The results of operations for three months ended March 31, 2015 are not necessarily indicative of the results of operations that can be expected for the year ending December 31, 2015. The Company’s accounting and reporting policies conform with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such policies require management to make estimates and develop assumptions that affect the amounts reported in the consolidated financial statements and related footnotes. Actual results could differ from management’s estimates.

The consolidated balance sheet as of December 31, 2014 has been derived from audited financial statements included in the Company’s 2014 Annual Report to Shareholders. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles have been omitted. These financial statements should be read in conjunction with the financial statements and notes thereto included in the 2014 Annual Report of the Company.

Certain amounts in the financial statements have been reclassified. Such reclassifications had no impact on shareholders’ equity or net income for any period.

Note B - Recent Accounting Pronouncements

In January 2014, the FASB issued ASU No. 2014-01, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects." This ASU permits reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. Under the proportional amortization method, an entity amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance in the income statement as a component of income tax expense (benefit). For those investments in qualified affordable housing projects not accounted for using the proportional amortization method, the investment should be accounted for as an equity method investment or a cost method investment. The ASU also requires reporting entities to disclose information that enable users of its financial statements to understand the nature of its investments in qualified affordable housing projects, and the effect of the measurement of its investments in qualified affordable housing projects and the related tax credits on its financial position and results of

operations. This ASU became effective for the Company on January 1, 2015. The adoption of ASU 2014-01 did not have a material impact on the Company's financial statements.

In January 2014, the FASB issued ASU No. 2014-04, "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure." This ASU clarifies that an in substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through similar legal agreement. Additionally, the amendments require interim and annual disclosures of both (1) the amount of foreclosed residential real estate property held by the creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local

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requirements of the applicable jurisdiction. This ASU became effective for the Company on January 1, 2015. The adoption of ASU 2014-04 did not have a material impact on the Company's financial statements.

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity" This ASU changes the requirements for reporting discontinued operations. A disposal of a component or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations when certain criteria are met. Additional disclosures are also required for disposals that meet the criteria to be reported in discontinued operations. The Company elected to early adopt this ASU for the year ended December
31, 2014 relating to the sale of CityInsurance. The adoption of ASU 2014-08 did not have a material impact on the Company's financial statements.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-09, "Revenue from Contracts with Customers (Topic 606)". The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The core principle will be achieved using a five step process. This ASU will become effective for the Company on January 1, 2016. The adoption of ASU 2014-09 is not expected to have a material impact on the Company's financial statements.

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-11, "Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures". The amendments in this update require two accounting changes. First, the amendments in this update change the accounting for repurchase-to-maturity transactions to secured borrowing accounting. Second, for repurchase financing arrangements, the amendments require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counter-party, which will result in secured borrowing accounting for the repurchase agreement. This update also requires certain disclosures for these types of transactions. This ASU became effective for the Company on January 1, 2015. The adoption of ASU 2014-11 did not have a material impact on the Company's financial statements.

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-12, "Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period". The amendments in this update require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. Performance targets should not be reflected in estimating the grant date fair value of the award, but compensation cost should be recognized in the period for which the requisite service has already been rendered. This ASU will become effective for the Company on January 1, 2016, with early adoption permitted. The adoption of ASU 2014-12 is not expected to have a material impact on the Company's financial statements.

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2014-14, "Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure". The amendments in this update require that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if certain conditions are met. This ASU became effective for the Company on January 1, 2015. The adoption of ASU 2014-14 did not have a material impact on the Company's financial statements.

In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2015-02, "Consolidation (Topic 810) - Amendments to the Consolidation Analysis". ASU 2015-02 eliminates the deferral of FAS 167 and makes changes to both the variable interest model and the voting model. This ASU will become effective for the Company on January 1, 2016. The adoption of ASU 2015-02 is not expected to have a material impact on the Company's financial statements.

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This ASU will become effective for the Company on January 1, 2016. The adoption of ASU 2015-03 is not expected to have a material impact on the Company's financial statements.

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In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. ASU 2015-05 provides guidance to clarify the customer's accounting for fees paid in a cloud computing arrangement. This ASU will become effective for the Company on January 1, 2016. The adoption of ASU 2015-05 is not expected to have a material impact on the Company's financial statements.

Note C –Investments

The amortized cost and estimated fair values of the Company's securities are shown in the following table (in thousands):

	March 31, 2015				December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Securities available-for-sale:								
U.S. Treasuries and U.S. government agencies	$1,713	$2	$—	$1,715	$ 1,816	$ 11	$ —	$ 1,827
Obligations of states and					$4.26 to $8.40 with expected vesting periods of 3.30 to 2.55 years, based on the various quartiles of comparative market performance. Compensation expense for market-based awards is recognized over the expected vesting period using the straight-line method, so long as the award holder remains an employee			

of the Company. Total compensation expense is based on the fair value of the awards at the date of grant and is independent of vesting or expiration of the awards, except for termination of service.

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Evolution Petroleum Corporation And Consolidated Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Unvested Restricted Stock awards at September 30, 2015 consisted of the following:

Award Type	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Service-based awards	119,747	9.53
Performance-based awards	76,642	10.05
Market-based awards	35,914	7.59
Unvested at September 30, 2015	232,303	$9.40

The following table sets forth the Restricted Stock transactions for the three months ended September 30, 2015:

	Number of Restricted Shares	Weighted Average Grant-Date Fair Value	Unamortized Compensation Expense at September 30, 2015 (1)	Weighted Average Remaining Amortization Period (Years)
Unvested at July 1, 2015	262,227	$9.37		
Vested	(29,924)	9.08		
Unvested at September 30, 2015	232,303	$9.40	$1,094,721	2.2

(1) Excludes $770,252 of potential future compensation expense for performance-based awards for which vesting is not considered probable at this time for accounting purposes.

Unvested Contingent Restricted Stock awards at September 30, 2015 consisted of the following:

Award Type	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Performance-based awards granted	38,325	$10.05
Market-based awards granted	17,961	4.26
	56,286	$8.20

Unvested at September 30, 2015

There were no changes in unvested Contingent Restricted Stock for the three months ended September 30, 2015:

	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value	Unamortized Compensation Expense at September 30, 2015 (1)	Weighted Average Remaining Amortization Period (Years)
Unvested at July 1, 2015	56,286	$8.20		
Unvested at September 30, 2015	56,286	$8.20	$51,158	2.2

(1) Excludes $385,166 of potential future compensation expense for performance-based awards for which vesting is not considered probable at this time for accounting purposes.

Stock-based compensation expense related to Restricted

Stock and contingent Restricted Stock grants for the three months ended September 30, 2015 and 2014 was $221,947 and $243,337, respectively. For the three months ended September 30, 2015, this expense includes $3,832 for cash dividends paid on unvested performance-based awards for which vesting is not considered probable for accounting purposes and are not currently being amortized to expense.

Note 11 — Derivatives

In early June 2015, the Company began using

derivative instruments to reduce its exposure to oil price volatility for a substantial portion of its near-term forecasted production to achieve a more predictable level of cash flows to support the Company’s capital expenditure program and to provide better financial visibility for the payment of dividends on common stock. The costless collars the Company uses to manage risk are designed to establish floor and ceiling prices on anticipated future oil production. While the use of these derivative

instruments
limits the
downside
risk of
adverse
price
movements,
they may
also limit
future

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Evolution Petroleum Corporation And Consolidated Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

revenues from favorable price movements. The Company does not enter into derivative instruments for speculative or trading purposes. The Company accounts for derivatives under the provisions of ASC 815 Derivatives and Hedging under which the Company records the fair value of the instruments on the balance

sheet at each reporting date with changes in fair value recognized in income. Given cost and complexity considerations, the Company did not elect to use cash flow hedge accounting provided under ASC 815. Under cash flow hedge accounting, the effective portion of the change in fair value of the derivative instruments would be deferred in other comprehensive income and not recognized in earnings until the underlying hedged item impacts earnings. These derivative instruments can result

in both fair value asset and liability positions held with that counterparty, which positions are all offset to a single fair value asset or liability at the end of each reporting period. The Company nets its fair value amounts of derivative instruments executed with the same counterparty pursuant to ISDA master agreements, which provide for net settlement over the term of the contract and in the event of default or termination of the contract. The fair value of derivative instruments where the Company is

in a net asset position with its counterparty as of September 30, 2015 totaled $961,988. Refer to Note 12—Fair Value Measurement for derivative asset and derivative liability balances before offsetting. The Company monitors the credit rating of its counterparties and believes it does not have significant credit risk. Accordingly, we do not currently require our counterparties to post collateral to support the net asset positions of our derivative instruments. As such, the Company is exposed to

credit risk to the extent of nonperformance by the counterparties to its derivative instruments. For the three months ended September 30, 2015, the Company recorded in the consolidated statement of operations a gain on derivative instruments of $1,938,389 consisting of a gain of $866,427 on settled derivatives and a net gain of $1,071,962 on unsettled derivatives. The following sets forth a summary of the Company's crude oil derivative positions at average NYMEX WTI prices

as of September 30, 2015.

Period	Type of Contract	Volumes (in Bbls./day)	Weighted Average Floor Price per Bbl.	Weighted Average Ceiling Price per Bbl.	Weighted Average Collar Spread per Bbl.
Months of October 2015 through December 2015	Costless Collar	1,100	$55.00	$64.05	$9.05

Subsequent to September 30, 2015, the Company realized a gain of $297,011 on derivative contracts expiring in October 2015 and has entered into the following open derivative contracts to manage price risk on a portion of its oil production whereby the Company receives the fixed NYMEX WTI price for its oil production.

Period	Type of Contract	Volumes (in	Weighted Average

		Bbls./day)	Floor Price per Bbl.
Months of January 2016 through March 2016	Fixed Price Swap	1,100	$51.45

Note 12 — Fair Value Measurement

Accounting guidelines for measuring fair value establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are

defined as follows:

Level 1—Observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities.

Level 2—Other inputs that are observable directly or indirectly such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

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Evolution Petroleum Corporation And Consolidated Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Level 3—Unobservable inputs for which there is little or no market data and which the Company makes its own assumptions about how market participants would price the assets and liabilities.

Fair Value of Derivative Instruments. The following table summarize the location and amounts of the Company's assets and liabilities measured at fair value on a

recurring basis as presented in the consolidated balance sheets as of September 30, 2015. All items included in the tables below are Level 2 inputs within the fair value hierarchy:

	September 30, 2015		
Asset (Liability)	Gross Amounts Recognized	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts Presented in the Consolidated Balance Sheets
Current derivative assets	$968,673	$(6,685)	$961,988
Current derivative liabilities	(6,685)	6,685	—
Total	$961,988	$—	$961,988

The fair values of the Company’s derivative assets and liabilities are based on a third-party industry-standard pricing model that uses market data obtained from third-party

sources, including quoted forward prices for oil and gas, discount rates and volatility factors. The fair values are also compared to the values provided by the counterparty for reasonableness and are adjusted for the counterparty's credit quality for derivative assets and the Company’s credit quality for derivative liabilities. To date, adjustments for credit quality have not had a material impact on the fair values.

Note 13 — Income Taxes

We file a consolidated

federal income tax return in the United States and various combined and separate filings in several state and local jurisdictions.

There were no unrecognized tax benefits nor any accrued interest or penalties associated with unrecognized tax benefits during the three months ended September 30, 2015. We believe we have appropriate support for the income tax positions taken and to be taken on our tax returns and that the accruals for tax liabilities are adequate for all open

years based on our assessment of many factors including past experience and interpretations of tax law applied to the facts of each matter. The Company’s federal and state income tax returns are open to audit under the statute of limitations for the years ending June 30, 2012 through June 30, 2014 for federal tax purposes and for the years ended June 30, 2011 through June 30, 2014 for state tax purposes.

Our effective tax rate for any period may differ from the

statutory federal rate due to (i) our state income tax liability in Louisiana; (ii) stock-based compensation expense related to qualified incentive stock option awards (“ISO awards”), which creates a permanent tax difference for financial reporting, as these types of awards, if certain conditions are met, are not deductible for federal tax purposes; and (iii) statutory percentage depletion, which may create a permanent tax difference for financial reporting.

In late September 2015, we received a $1.5 million refund payment of cash taxes paid to the State of Louisiana over a three-year period ended June 30, 2014. We also received $57,467 from the State of Louisiana for interest on the refund and recorded it as a reduction of current income tax expense. This carryback of tax losses resulted from the exercise of stock options and incentive warrants in fiscal 2014 and, accordingly, we recognized this benefit as an increase in

additional paid-in capital for financial reporting purposes. This carryback utilized approximately $19.1 million of an estimated $24.2 million net loss for state tax purposes.

We recognized income tax expense of $1,754,969 and $706,159 for the three months ended September 30, 2015 and 2014, respectively, with corresponding effective rates of 36.2% and 38.5%.

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Evolution Petroleum Corporation And Consolidated Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

Note 14 — Net Income Per Share

The following table sets forth the computation of basic and diluted income per share:

	Three Months Ended September 30,	
	2015	2014
Numerator		
Net income available to common shareholders	$2,923,652	$960,435
Denominator		
Weighted average number of common shares — Basic	32,718,244	32,682,401
Effect of dilutive securities:		
Contingent restricted stock grants	6,788	1,552
Stock options	49,144	142,297
Weighted average number	32,774,176	32,826,250

of common shares and dilutive potential common shares used in diluted EPS		
Net income per common share – Basic	$0.09	$0.03
Net income per common share – Diluted	$0.09	$0.03

Outstanding potentially dilutive securities as of September 30, 2015 were as follows:

Outstanding Potential Dilutive Securities	Weighted Average Exercise Price	At September 30, 2015
Contingent Restricted Stock grants	$—	17,961
Stock Options	2.40	85,231
	$1.98	103,192

Outstanding potentially dilutive securities as of September 30, 2014 were as follows:

Outstanding Potential Dilutive Securities	Weighted Average Exercise Price	At September 30, 2014
Contingent Restricted Stock grants	$—	17,961
Stock Options	2.08	178,061
	$1.89	196,022

Note 15 — Unsecured Revolving Credit

Agreement

On February 29, 2012, Evolution Petroleum Corporation entered into a Credit Agreement (the "Credit Agreement") with Texas Capital Bank, N.A. (the "Lender"). The Credit Agreement provides the Company with a revolving credit facility (the “facility”) in an amount up to $50,000,000 with availability governed by an Initial Borrowing Base of $5,000,000. A portion of the facility not in excess of $1,000,000 is available for the issuance of letters of credit.

The facility is unsecured and has a term of four years, expiring on February 29, 2016. The Company's subsidiaries guarantee the Company's obligations under the facility. The proceeds of any loans under the facility are to be used by the Company for the acquisition and development of oil and gas properties, as defined in the facility, the issuance of letters of credit, and for working capital and general corporate purposes.

Semi-annually, the borrowing base and a monthly reduction

amount are re-determined from reserve reports. Requests by the Company to increase the $5,000,000 initial amount are subject to the Lender's credit approval process, and are also limited to 25% of the value of our oil and gas properties, as defined in the Credit Agreement.

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Evolution Petroleum Corporation And Consolidated Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements

At the Company's option, borrowings under the facility bear interest at a rate of either (i) an Adjusted LIBOR rate (LIBOR rate divided by the remainder of 1 less the Lender’s Regulation D reserve requirement), or (ii) an adjusted Base Rate equal to the greater of the Lender’s prime rate or the sum of 0.50% plus the Federal Funds Rate. A maximum of three

LIBOR based loans can be outstanding at any time. Allowed loan interest periods are one, two, three and six months. LIBOR interest is payable at the end of the interest period except for six-month loans for which accrued interest is payable at three months and at end of term. Base Rate interest is payable monthly. Letters of credit bear fees of 3.5% per annum rate applied to the principal amount and are due when transacted. The maximum term of letters of

credit is one year.

A commitment fee of 0.50% per annum accrues on unutilized availability and is payable quarterly. The Company is responsible for certain administrative expenses of the Lender over the life of the Credit Agreement as well as $50,000 in loan costs incurred upon closing.

The Credit Agreement also contains financial covenants including a requirement that the Company maintain a current ratio of not less than 1.5 to 1; a ratio of total funded Indebtedness to EBITDA

of not more than 2.5 to 1, and a ratio of EBITDA to interest expense of not less than 3 to 1. The agreement specifies certain customary covenants, including restrictions on the Company and its subsidiaries from pledging their assets, incurring defined Indebtedness outside of the facility other than permitted indebtedness, and it restricts certain asset sales. Payments of dividends for the Series A Preferred are only restricted by the EBITDA to interest coverage ratio, wherein such

dividends are a 1X deduction from EBITDA (as opposed to a 3:1 requirement if dividends were treated as interest expense). The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, the Lender may declare any amounts outstanding under the Credit Agreement to be immediately due and payable.

As of September 30, 2015 and 2014, the Company had no borrowings and no outstanding letters of credit issued under the facility,

resulting in an available borrowing base capacity of $5,000,000, and we are in compliance with all the covenants of the Credit Agreement. During early 2014 the Lender waived the provisions of the Credit Agreement pertaining to the past payments of cash dividends on our common stock, and the Credit Agreement was amended to permit the payment of cash dividends on common stock in the future if no borrowings are outstanding at the time of such payment.

In connection with this

agreement the Company incurred $179,468 of debt issuance costs, which have been capitalized in Other Assets and are being amortized on a straight-line basis over the term of the agreement. The unamortized balance in debt issuance costs related to the Credit Agreement was $20,257 as of September 30, 2015. The Company is in discussions with the Lender to extend the maturity or renew the current unsecured Credit Agreement. The Company has decided to postpone

its previous plans to obtain an expanded secured credit facility. As a result of this decision, during the quarter ended September 30, 2015, the Company charged deferred legal fees of $50,414 to expense and charged $108,472 in costs incurred for title work in the Delhi field to capitalized costs of oil and gas properties.

Note 16 — Commitments and Contingencies

We are subject to various claims and contingencies in the normal course of business. In addition,

from time
to time, we
receive
communications
from
government
or
regulatory
agencies
concerning
investigations
or
allegations
of
noncompliance
with laws
or
regulations
in
jurisdictions
in which
we operate.
At a
minimum
we disclose
such
matters if
we believe
it is
reasonably
possible
that a
future event
or events
will
confirm a
loss
through
impairment
of an asset
or the
incurrence
of a
liability.
We accrue
a loss if we
believe it is
probable
that a
future event
or events

will confirm a loss and we can reasonably estimate such loss and we do not accrue future legal costs related to that loss. Furthermore, we will disclose any matter that is unasserted if we consider it probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. We expense legal defense costs as they are incurred.

The Company and its wholly-owned subsidiary NGS Sub Corp. are defendants in a lawsuit brought by

John C. McCarthy et al in the fifth District Court of Richland Parish, Louisiana in July 2011. The plaintiffs alleged, among other claims, that we fraudulently and wrongfully purchased plaintiffs' income royalty rights in the Delhi Field Unit in the Holt-Bryant Reservoir in May 2006. The plaintiffs are seeking cancellation of the transaction and monetary damages. On March 29, 2012, the Fifth District Court dismissed the case against the Company and NGS Sub Corp. The Court

found that plaintiffs had “no cause of action” under Louisiana law, assuming that the Plaintiffs’ claims were valid on their face. Plaintiffs filed an appeal and the Louisiana Second Circuit Court of Appeal affirmed the dismissal, but allowed the plaintiffs to amend their petition to state a different possible cause of action. The plaintiffs amended their claim and re-filed with the district court. We subsequently filed a second motion pleading “no cause of action,” with which the

district court again agreed and dismissed the plaintiffs' case on

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Evolution Petroleum Corporation And Consolidated Subsidiaries
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September 23, 2013. Plaintiffs again filed an appeal in November 2013. In October 2014, the appellate court reversed the district court. We subsequently filed for a rehearing which was denied. We filed an Application for Writ of Review in the Louisiana Supreme Court in which we asked the Supreme Court of Louisiana to reverse the

appellate court and reinstate the district court judgment dismissing plaintiffs’ case. On September 1, 2015, oral arguments were heard. On October 14, 2015, the Supreme Court of Louisiana reversed the appellate court's decision and reinstated the district court's ruling granting the defendants' exception of no cause of action and dismissing the case with prejudice.

On December 13, 2013, we and our wholly-owned subsidiaries, Tertiaire Resources Company and NGS

Sub. Corp., filed a lawsuit in the 133rd Judicial District Court of Harris County, Texas, against Denbury Onshore, LLC ("Denbury") alleging breaches of certain 2006 agreements between the parties regarding the Delhi field in Richland Parish, Louisiana. The specific allegations include improperly charging the payout account for capital expenditures and costs of capital, failure to adhere to preferential rights to participate in acquisitions within the defined area of mutual

interest, breach of the promises to assume environmental liabilities and fully indemnify us from such costs, and other breaches. We also alleged that Denbury's gross negligence caused certain environmental damage to the unit. Specifically, we allege that Denbury failed to properly conduct CO_2 injection activities. We are seeking declaration of the validity of the 2006 agreements and recovery of damages and attorneys' fees. Denbury subsequently filed counterclaims, including

the assertion that we owe Denbury additional revenue interests pursuant to the 2006 agreements and that our transfers of the reversionary interests from our wholly owned subsidiary to our parent corporation and subsequently to another wholly-owned subsidiary were not timely noticed to Denbury. The Company disagrees with, and is vigorously defending against, Denbury's counterclaims. In March 2015, we amended and expanded our claims in this matter. This matter is set for

trial in April 2016.

On December 3, 2013, our wholly owned subsidiary, NGS Sub Corp., was served with a lawsuit filed in the 8th Judicial District Court of Winn Parish, Louisiana by Cecil M. Brooks and Brandon Hawkins, residents of Louisiana, alleging that in 2006 a former subsidiary of NGS Sub Corp. improperly disposed of water from an off-lease well into a well located on the plaintiffs' lands in Winn Parish. The plaintiffs requested monetary damages and other relief. NGS Sub Corp.

divested its ownership of the property in question along with its ownership of the subsidiary in 2008 to a third party. The district court granted our exception of no right of action and dismissed certain claims against NGS Sub Corp. The plaintiffs subsequently filed an amended petition naming NGS Sub Corp. and the Company as defendants. NGS Sub Corp. and the Company have denied the plaintiffs' claims and have filed a Motion for Summary Judgment that argues plaintiffs'

claims against NGS Sub Corp. and the Company should be dismissed with prejudice. We will continue to vigorously defend all claims by plaintiffs and consider the likelihood of a material loss to the Company in this matter to be remote.

Lease Commitments. We have a non-cancelable operating lease for office space that expires on July 31, 2016. Future minimum lease commitments as of September 30, 2015 under this operating lease are as follows: Twelve months

ended September 30, 2016 $132,509

Rent expense for the three months ended September 30, 2015 and 2014 was $45,043 and $44,473, respectively.

Employment Contracts. We have entered into employment agreements with two of the Company's senior executives. The employment contracts provide for severance payments in the event of termination by the Company for any reason other than cause or permanent disability, or in the event of a constructive termination, as defined.

The agreements provide for the payment of base pay and certain medical and disability benefits for periods ranging from six months to one year after termination. The total contingent obligation under the employment contracts as of September 30, 2015 is approximately $462,000.

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

The following discussion and analysis should be read in conjunction with our consolidated financial statements and notes thereto contained herein and in our Annual Report on Form 10-K for the year ended June 30, 2015 (the "Form 10-K"), along with Management's Discussion and Analysis of Financial Condition and Results of Operations contained

in the Form 10-K. Any terms used but not defined herein have the same meaning given to them in the Form 10-K.

This Form 10-Q and the information referenced herein contain forward-looking statements within the meaning of the Private Securities Litigations Reform Act of 1995, Section 27A of the Securities Act of 1933 (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934. The words “plan,” “expect,” “project,” “estimate,” “assume,” “believe,” “anticipate,” “intend,” “budget,” “forecast,”

"predict" and
other
similar
expressions
are
intended to
identify
forward-looking
statements.
These
statements
appear in a
number of
places and
include
statements
regarding
our plans,
beliefs or
current
expectations,
including
the plans,
beliefs and
expectations
of our
officers and
directors. When
considering
any
forward-looking
statement,
you should
keep in
mind the
risk factors
that could
cause our
actual
results to
differ
materially
from those
contained
in any
forward-looking
statement.
Important
factors that
could cause
actual

results to
differ
materially
from those
in the
forward-looking
statements
herein
include the
timing and
extent of
changes in
commodity
prices for
oil and
natural gas,
operating
risks and
other risk
factors as
described
in our 2015
Annual
Report on
Form 10-K
for the year
ended
June 30,
2015 as
filed with
the
Securities
and
Exchange
Commission.
Furthermore,
the
assumptions
that support
our
forward-looking
statements
are based
upon
information
that is
currently
available
and is
subject to
change. We

specifically disclaim all responsibility to publicly update any information contained in a forward-looking statement or any forward-looking statement in its entirety and therefore disclaim any resulting liability for potentially related damages. All forward-looking statements attributable to Evolution Petroleum Corporation are expressly qualified in their entirety by this cautionary statement.

We use the terms, “EPM,” “Company,” “we,” “us” and “our” to refer to Evolution Petroleum Corporation and its

wholly owned subsidiaries.

Executive Overview

General

We are engaged primarily in the development of oil and gas reserves within known oil and gas resources for our stockholders and customers utilizing conventional and proprietary technology. We are focused on increasing underlying asset values on a per share basis. In doing so, we depend on a conservative capital structure, allowing us to maintain control of our assets for the benefit of our stockholders,

and a substantial stock ownership by our directors, officers and staff. By policy, every employee and director maintains a beneficial ownership in our common stock.

Our strategy is to grow the value of our Delhi asset to maximize the value realized by our stockholders while also commercializing our patented GARP® artificial lift technology for recovering oil and gas reserves in mature fields.

We are currently funding our fiscal 2016 capital program from

working capital and net cash flows from our properties.

Highlights for our First Quarter of Fiscal 2016 and Project Update

"Q1-16" & "current quarter" refer to the three months ended September 30, 2015, the Company's 1st quarter of fiscal 2016.

"Q4-15" & "prior quarter" refer to the three months ended June 30, 2015, the Company's 4th quarter of fiscal 2015.

"Q1-15" & "year-ago quarter" refer to the three months ended

September 30, 2014, the Company's 1st quarter of fiscal 2015.

Highlights

- For Q1-16, the Company earned $2.9 million of net income, or $0.09 per diluted common share, more than triple the year-ago quarter and a 70% increase from the prior quarter. Approximately $1.9 million of gains on derivative instruments and a $1.1 million insurance recovery were the primary drivers for higher net income compared to the year-ago quarter. The increase from prior quarter is similarly impacted, offset by lower revenues due to lower oil prices.

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• Current quarter revenues were $7.4 million, an 84% increase from the year-ago quarter and an 19% decrease from the prior quarter. The increase from the year-ago quarter was due to net revenues associated with the reversion of our working interest ownership in the Delhi field effective November 1, 2014, and 12% higher gross field production, offset by significantly lower realized oil prices. The decrease from prior quarter is due primarily to lower realized oil prices offset

by a 2% increase in Delhi production.

- Delhi average realized crude oil prices received in Q1-16 decreased 53% to approximately $47 per barrel from approximately $99 per barrel in the year-ago quarter, and decreased 21% from approximately $59 per barrel in the prior quarter. Delhi oil pricing is based on Louisiana Light Sweet index, which continues to be generally valued at a premium compared to West Texas Intermediate, although that premium has declined with the overall drop in oil prices.

- Delhi field operating costs fell 10% to approximately $16 per BOE, primarily impacted by

lower CO_2 costs.

Derivative gains for the quarter were $1.9 million, of which $866 thousand were settled gains and $1.1 million represents unsettled gains at quarter end.

- The costless collars entered into have an average floor price of $55.00 per barrel for approximately 67% of our estimated production through December 31, 2015.

- We recorded our proportionate share of insurance proceeds from the operator of the Delhi field, resulting in other income of approximately $1.1 million. This credit is related to the June 2013 fluid release event.

- We received a refund of

$1.5 million for taxes previously paid to the State of Louisiana which were utilized with a carryback of deductions from the exercise of incentive stock options and warrants by officers and directors of the Company in late 2013.

- We distributed $1.8 million of cash dividends to our common and preferred stockholders during the current quarter and returned $1.0 million of cash to shareholders for 173,790 shares repurchased under our common stock buyback program. Despite these

distributions, our net working capital position increased by $1.9 million from $14.4 million to $16.3 million at September 30, 2015.

- Subsequent to quarter end, we entered into fixed-price swap agreements covering 1,100 barrels of oil per day (approximately two-thirds of our estimated production) for the three month period ending March 31, 2016. These derivatives allows us to receive the WTI equivalent of $51.45 per barrel for approximately two-thirds of our anticipated oil production.

- The Louisiana Supreme Court overturned the Appellate Court's ruling and upheld the

District Court's decision in the John C. McCarthy et al lawsuit and dismissed the case with prejudice.

Full Cost Pool Ceiling Test and Proved Undeveloped Reserves

Sustained lower commodity prices are impacting our full cost ceiling test calculation for the current quarter and will impact tests over the remainder of fiscal 2016. For the current quarter our capitalized costs are well below the full cost ceiling and we expect that projected capitalized costs will also be under ceilings for

the remaining quarters of fiscal 2016. Under the full cost method capitalized costs of oil and gas properties, net of accumulated DD&A and related deferred taxes, are limited to the estimated future net cash flows from estimated proved oil and gas reserves, including the effects of cash flow hedges in place, discounted at 10%, plus the lower of cost or fair value of unproved properties, as adjusted for related income tax effects (i.e. the "ceiling"). If capitalized costs exceed the full cost

ceiling, the excess would be charged to ceiling test write-down of oil and gas properties in the quarter in which the excess occurs. The ceiling test calculation dictates that each quarter we use the unweighted arithmetic average price of crude oil, natural gas liquids and natural gas as of the first day of each month for the 12-month period ending at the balance sheet date. If commodity prices remain at the current quarter's decreased levels, the average prices used in the ceiling test calculations will also

decline. The estimated capital expenditures for our proved undeveloped reserves in the Delhi field are $9.34 per BOE. The timing of plans for continued development of the eastern part of the Delhi field will be affected by the operator's plans for capital allocation within their portfolio. We continue to believe that these projects are economically viable and will be executed within the next five years. We believe the economics of these projects will remain viable in the event that current depressed oil prices

continue,
given the
field's low
production
costs and
development
costs per
BOE.

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Projects
Additional property and project information is included under Item 1. Business, Item 2. Properties, Notes to the Financial Statements and Exhibit 99.4 of our Form 10-K for the year ended June 30, 2015.
Delhi Field - Enhanced Oil Recovery Project

Gross production at Delhi in the first quarter of fiscal 2016 averaged 6,423 BOPD, a increase of 12% from the year-ago quarter, and a 2% increase from the prior quarter. Net production

averaged 1,698 BOPD, a 300% increase from the year-ago quarter, primarily due to the reversion of our working interest, and a slight increase from prior quarter.

In the quarter ending September 30, 2015, our net share of the joint interest billed lease operating expenses was approximately $2.6 million, of which $1.4 million is related to CO_2 purchases and transportation expenses. Under our contract with the operator, purchased CO_2 is priced at 1% of the

oil price in
the field
per
thousand
cubic feet
(“Mcf”) plus
transportation
costs of
$0.20 per
Mcf. Total
average
CO_2 costs
per month
are down
22% from
the prior
quarter as
result of
both lower
oil prices
and lower
purchased
CO_2
volumes in
the quarter.
Declining
7%,
purchased
CO_2 gross
volumes in
the current
quarter
averaged
89,705 Mcf
per day
compared
to 96,379
Mcf per
day in the
prior
quarter.
Despite
lower
purchased
CO_2
volumes,
the overall
oil
production
has been
flat or

slightly increasing over the past few quarters. On a total BOE basis, average CO_2 costs were down 24% from $11.68 per BOE in the prior quarter to $8.89 per BOE, primarily due to 6% lower CO_2 volumes purchased and lower realized oil prices in the current quarter. Our purchased CO_2 costs are directly correlated with realized oil prices. In other areas of lease operating expenses, the operator has reported lower workover costs, lower power costs, rates and usage, and lower third-party contractor

and vendor expenses over the past two quarters, which have improved operating margins and partially mitigates lower revenues due to extended low oil prices.

The plans and purchases for construction of the NGL plant are continuing and we continue to anticipate startup in the summer of calendar 2016. The plant has a total estimated cost of $24.6 million net to the Company, of which approximately $6.6 million had been incurred as of September 30, 2015.

The June 30, 2015 reserves report includes projected peak proved production volumes of approximately 1,850 barrels of liquids per day from the NGL plant over the next five years, and peak probable volumes of 1,140 barrels of liquids per day later next decade. As previously discussed, the methane produced from the plant will be used to generate electricity and other power requirements for the field, which will substantially reduce operating costs. The NGL plant is also expected to

increase the efficiency of the CO_2 flood, and the reserves report reflects incremental gross crude oil production volumes of about 500 BOPD once the plant is operational.

We have received a $1.1 million credit (net to us) on our joint interest billing, representing our proportionate share of an insurance reimbursement payment resulting from the June 2013 fluid release event in Delhi field. The operator has stated their belief that their insurance policies entitled them reimbursement of between

approximately one-third and two-thirds of the total remediation costs. To date, we believe that they have recovered less than one quarter of the total remediation costs. They have filed suit to pursue further insurance reimbursements, the outcome of which cannot be predicted.

GARP® - Artificial Lift Technology

During the current quarter, we completed a GARP® installation in the Eagle Ford play for new third-party customer. Subsequent to the end of the quarter, we completed an installation

for another new customer in the Barnett Shale. Initial results from both installations looks promising. An earlier installation for a customer in the Permian Basin was recently removed from the well due to unrelated production difficulties. Despite the challenging market environment and overall industry conditions, we are diligently working to advance the adoption of the technology and are pleased to have completed these new installations for large operators in new basins. We are also reviewing the best options for

accelerating commercial development.

Liquidity and Capital Resources

We had $16.3 million and $20.1 million in cash and cash equivalents at September 30, 2015 and June 30, 2015, respectively. In addition, we have $5.0 million of availability under our unsecured revolving credit facility at period end.

During the three months ended September 30, 2015, we funded our operations with cash generated from operations and cash on hand. At September 30, 2015, our

working capital was $16.3 million, compared to working capital of $14.4 million at June 30, 2015. The $1.9 million working capital increase is primarily due to $5.5 million of lower accounts payable reflecting the operator's lower capital expenditure billings and the insurance recovery, partially offset by $3.8 million of lower cash.

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Cash Flows from Operating Activities

For the three months ended September 30, 2015, cash flows provided by operating activities were $2.2 million, which included $0.4 million used by other working capital items. Of the $2.7 million provided before other working capital changes, approximately $3.1 million was due to net income that was partly offset by $0.4 million of non-cash items.

For the three months ended September 30, 2014, cash flows provided by operating activities were $0.6 million, which is net of $1.0 million used by other working capital items. Of the $1.6 million provided before working capital changes, $1.1 million was due to net income, and $0.5 million was attributable to non-cash items.

Cash Flows from Investing Activities

Investing activities for the three months ended September 30, 2015 used $6.0

million of cash, consisting primarily of capital expenditures of approximately $6.6 million for Delhi field slightly offset by $0.6 million of derivative settlements received.

Investing activities for the three months ended September 30, 2014 used $0.2 million of cash, consisting primarily of artificial lift technology capital equipment and GARP® patent costs.

Cash Flows from Financing Activities

For the three months ended September

30, 2015, financing activities were cash neutral as $1.8 million of common and preferred shares' cash dividend payments and $1.2 million of treasury acquisitions, primarily attributable to the Company's share buyback program, were offset by $3.0 million of cash provided by tax benefits related to stock-based compensation. These tax benefits include the $1.5 million impact of the cash refund received from the State of Louisiana for previously filed carryback returns.

In the three months ended September 30, 2014, we used $3.0 million in cash for financing activities principally consisting of cash outflows of $3.3 million for common stock dividend payments and $0.2 million for preferred dividend payments, offset partially by $0.5 million of cash provided by tax benefits related to stock-based compensation.

Capital Budget

Delhi Field

With the operator's determination that reversion of our 23.9% working interest and 19.0% net revenue interest in

Delhi
occurred
effective
November
1, 2014, we
began
funding our
share of
capital
expenditures
in the field
as of that
date. From
reversion
through
June 30,
2015, our
net share of
capital
expenditures
was
approximately
$10.4
million,
including
$5.0
million for
the gas
processing
plant.
During the
three
months
ended
September
30, 2015,
we incurred
$2.6
million of
capital
expenditures,
which
includes
$1.6
million for
the gas
processing
plant, $0.4
million for
enhancing
well bore

integrity, $0.6 million for road reconstruction and general maintenance capital within the Unit.

Projected capital expenditures in the current fiscal year are currently expected to total approximately $19.6 million net to our working interest for the balance of the costs of the NGL recovery plant, of which approximately $18.0 million remains to be expended as of September 30, 2015. In addition, there will likely be other spending on unbudgeted capital projects during the

fiscal year, which we do not expect to have a material effect on our financial position.

GARP® - Artificial Lift Technology

Based on our current marketing and business plans, we expect that our capital requirements for artificial lift technology operations will be relatively minor over the next fiscal year.

Liquidity Outlook

Our liquidity is highly dependent on the realized prices we receive for the oil, natural gas and natural gas liquids we produce. Commodity prices are

market driven and historically volatile, and they are likely to continue to be volatile. In June 2015, the Company began using derivative instruments to reduce its exposure to oil price volatility for approximately two-thirds of its forecasted production from July 1, 2015 to December 31, 2015 to achieve a more predictable level of cash flows to support the Company's capital expenditure program. Costless collars used by the Company to manage risk are designed to

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establish floor and ceiling prices on anticipated future oil production. Subsequent to September 30, 2015, to reduce exposure to oil price volatility for approximately two-thirds of forecasted production from January 1, 2016 to March 31, 2016, we acquired a series of swaps, which provide equivalent floor and ceiling prices. While the use of these derivative instruments limits the downside risk of adverse price movements, they may also limit future

revenues from favorable price movements. Our future revenues, cash flow, profitability, access to capital and future rate of growth are significantly impacted by the prices we receive for our production. Liquidity could also be affected by any litigation outcome, positive or negative. Funding for our anticipated capital expenditures over the next two fiscal years is expected to be met from cash flows from operations and current working capital. Our preference is to remain debt free under our current operating

plans, but we have access to a $5.0 million unsecured revolving line of credit. This facility is intended primarily to provide a standby source of liquidity to meet future capital expenditures at Delhi or other future capital needs. As this facility expires February 29, 2016, we are currently seeking to renew the unsecured revolving line of credit or a similar source of bank financing. The Board of Directors and management instituted a cash dividend on our common stock in December 2013 at an

initial
quarterly
rate of
$0.10 per
common
share.
However,
as a result
of the
decline in
oil prices
which
began in
the fall of
2014,
combined
with the
anticipated
$24.6
million cost
of building
and
installing
the Delhi
NGL gas
plant
during
calendar
years 2015
and 2016,
the
Dividend
Committee
and the
Board of
Directors
believed it
was
prudent to
adjust the
quarterly
dividend
rate from
$0.10 per
share to
$0.05 per
share,
effective
with the
quarter
ending

March 31, 2015. The reduction in the dividend rate allows the Company to conserve cash for additional financial flexibility while continuing to reward shareholders with a yield. In addition, in May 2015, we established a stock repurchase plan to allow us acquire up to $5.0 million of our common stock over time. The actual timing and amount of repurchases will depend upon several factors, including financial resources and market conditions. There is no fixed termination date for the

repurchase program, and the repurchase program may be suspended or discontinued at any time. Payment of free cash flow in excess of our operating and capital requirements through cash dividends and repurchases of our common stock remains a priority of our financial strategy, and it is our long term goal to increase our dividends over time as appropriate.

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Results of Operations Three Months Ended September 30, 2015 and 2014
The following table sets forth certain financial information with respect to our oil and natural gas operations:

	Three Months Ended September 30,			
	2015	2014	Variance	Variance %
Delhi field:				
Crude oil revenues	$7,296,386	$3,868,602	$3,427,784	88.6 %
Crude oil volumes (Bbl)	156,236	39,094	117,142	299.6 %
Average price per Bbl	$46.70	$98.96	$(52.26)	(52.8)%
Delhi field production costs	$2,557,887	$—	$2,557,887	— %
Delhi field production costs per BOE	$16.37	$—	$16.37	— %
Artificial lift technology:				
Crude oil revenues	$29,427	$74,980	$(45,553)	(60.8)%
NGL revenues	1,050	22,227	(21,177)	(95.3)%
	704	15,552	(14,848)	(95.5)%

Natural gas revenues				
Service revenues	51,839	3,097	48,742	1,573.8 %
Total revenues	$83,020	$115,856	$(32,836)	(28.3)%
Crude oil volumes (Bbl)	680	772	(92)	(11.9)%
NGL volumes (Bbl)	82	744	(662)	(89.0)%
Natural gas volumes (Mcf)	307	4,439	(4,132)	(93.1)%
Equivalent volumes (BOE)	813	2,256	(1,443)	(64.0)%
Crude oil price per Bbl	$43.28	$97.12	$(53.84)	(55.4)%
NGL price per Bbl	12.80	29.88	(17.08)	(57.2)%
Natural gas price per Mcf	$2.29	3.50	(1.21)	(34.6)%
Equivalent price per BOE	$38.35	$49.98	$(11.63)	(23.3)%
Artificial lift production costs (a)	$59,514	$197,360	$(137,846)	(69.8)%
Artificial lift production costs per BOE	$73.20	$87.48	$(14.28)	(16.3)%
Other properties:				
Revenues	$—	$20,369	$(20,369)	(100.0)%
Equivalent volumes (BOE)	—	285	(285)	(100.0)%
Equivalent price per BOE	$—	$71.47	$(71.47)	(100.0)%

Production costs	$1,046	$88,022	$(86,976)	(98.8)%
Production costs per BOE	$—	$308.85	$(308.85)	(100.0)%
Combined:				
Oil and gas DD&A (b)	$1,188,872	$260,160	$928,712	357.0 %
Oil and gas DD&A per BOE	$7.57	$6.25	$1.32	21.1 %

(a) Includes workover costs of approximately $9,901 and $149,000, for the three months ended September 30, 2015 and 2014, respectively.
(b) Excludes depreciation of artificial lift technology equipment, office equipment, furniture and fixtures, and other assets of $29,401 and $109,190, for the three months ended September 30, 2015 and 2014,

respectively.

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Net Income Available to Common Stockholders. For the three months ended September 30, 2015, we generated net income to common shareholders of $2.9 million, or $0.09 per diluted share, on total revenues of $7.4 million. This compares to a net income of $1.0 million, or $0.03 per diluted share, on total revenues of $4.0 million for the year-ago quarter. The $2.0 million earnings increase is primarily due to a $3.4 million

increase in revenue, a $2.0 million gain on derivatives and an $1.1 million insurance recovery, partially offset by $2.3 million of higher production costs, increased DD&A of $0.8 million and higher income taxes of $1.1 million. The components of net income are explained in greater detail below.

Delhi Field. Revenues increased 89% to $7.3 million as a result of a 300% increase in production volumes from the year-ago quarter, primarily due to our November

1, 2014 reversionary working interest, partially offset by a 53% decline in realized crude oil prices from $98.96 per barrel to $46.70 per barrel. Gross production of 6,423 BOPD was 12% higher than compared to the year-ago quarter principally due to a replacement of one producing well. Production costs for the current quarter were $2.6 million, of which $1.4 million was for CO_2 purchases and transportation expenses, compared to no production costs in the year-ago quarter as those

revenues were derived solely from our mineral and overriding royalty interests, which bore no operating expenses. Under our contract with the operator, purchased CO_2 is priced at 1% of the oil price in the field per Mcf plus $0.20 per Mcf transportation costs. For the current quarter total production costs were $22.74 per working interest BOE, which includes $12.35 per BOE for CO_2 purchase costs. Artificial Lift Technology. Revenues decreased 28% from $116,000 in

the
year-ago
quarter to
$83,000 in
the current
quarter due
to an
$82,000
decrease in
revenue
from the
Company-operated
GARP®
wells partly
offset by
$49,000 of
higher
service
revenues.
The
decrease in
our
Company-owned
GARP®
wells was
due to
lower
production
at the
Philip DL
#1, which
was shut-in
in the prior
quarter, and
the
Selected
Lands #2,
together
with a 23%
decrease in
the realized
price per
BOE from
$49.98 to
$38.35
BOE. In the
current
quarter, we
recorded
$51,839 of
service fee

revenue for a GARP® installation at a third-party customer's Permian Basin well. Other installations at third party wells have not contributed meaningful net profits to the Company in the current quarter due to low commodity prices, poor netback contracts for gas processing and higher workover costs. Artificial lift production costs were $60,000 for the current quarter, a 70% decrease from $197,000 for the year-ago quarter, which included $149,000 for workovers on the

Philip DL #1 and Selected Lands #2.
Other Properties. We have divested all of our non-core oil and gas properties, therefore, there are no revenues to report in the current quarter. The prior year-ago quarter had slight revenue of $20,369 reflecting our Mississippi Lime property interest which was sold in the second quarter of fiscal 2015. The production costs from the year-ago quarter were high as a result of high water production in our Mississippi Lime property interest.

General and Administrative Expenses (“G&A”). G&A expenses increased $0.2 million, or 12%, to $1.7 million for the three months ended September 30, 2015 from the year-ago quarter, principally due to a higher legal expense impacted by increased litigation costs and the write-off of deferred loan costs of $50,414. Total litigation costs for the quarter were approximately $306,000.

Other Income and Expenses. The Company realized gains of $0.9 million

from derivatives that settled during the quarter and $1.0 million for unsettled derivatives quarter-end positions. In addition, from our Delhi field working interest, we received an $1.1 million insurance recovery related to the pre-reversion June 2013 environmental event. Depletion & Amortization Expense (“DD&A”). DD&A increased $0.8 million, or 230%, to $1.2 million for the current quarter compared to $0.4 million for the year-ago quarter. Virtually all of this increase is due to full cost pool

amortization which increased 357% to $1.2 million. This increase is due to volumes increasing 277% to 157,049 BOE and a 21% increase in the amortization rate from $6.25 in the year-ago quarter to $7.57 per BOE. Compared to the year-ago quarter, in addition to the loss of reserves attributable to the Philip DL #1, reserves were lower as natural gas proved reserves to be recovered from the recycle stream by the planned Delhi gas plant are now expected to be used to generate

power for the Delhi field and not sold to third party customers. The offset to the lower reserves is a lower projected lease operating expense at Delhi. In addition, our future capital expenditures related to the NGL plant under construction are higher, offset by a lower operating expense of the plant, due to the working interest owners bearing all of the plant cost instead of the NGL plant contract operator bearing approximately 30% of the plant capital expenditures.

Other Economic Factors

Inflation. Although

the general inflation rate in the United States, as measured by the Consumer Price Index and the Producer Price Index, has been relatively low in recent years, the oil and gas industry has experienced unusually volatile price movements in commodity prices, vendor goods and oilfield services. Prices for drilling and oilfield services, oilfield equipment, tubulars, labor, expertise and other services greatly impact our production costs and capital expenditures. During

fiscal 2014, we saw modest increases in certain oil field services and materials compared to the prior fiscal year. During fiscal 2015 to date, we have not seen material changes in operating costs in wells that we operate, but operating costs in our third party operated Delhi field have declined, and we believe such declines are attributable to improved operating efficiencies and

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generally lower third-party contractor and vendor expenses. Product prices, operating costs and development costs may not always move in tandem. Known Trends and Uncertainties. General worldwide economic conditions, as well as economic conditions for the oil and gas industry specifically, continue to be uncertain and volatile. Concerns over uncertain future economic growth are affecting numerous industries, companies, as well as consumers, which impact

demand for crude oil and natural gas. If demand continues to decrease with a great oversupply in the future, it may continue to put downward pressure on crude oil and natural gas prices, thereby lowering our revenues and working capital going forward. In addition, our lease operating expenses and their percentage of our revenues are likely to increase due to the reversion of our back-in interest at Delhi or other additions to our working interest production that could dilute the

extraordinary margins we have enjoyed from our mineral and overriding royalty interests at Delhi.

Seasonality. Our business is generally not directly seasonal, except for instances when weather conditions may adversely affect access to our properties or delivery of our petroleum products. Although we do not generally modify our production for changes in market demand, we do experience seasonality in the product prices we receive, driven by summer cooling and driving, winter

heating,
and
extremes in
seasonal
weather
including
hurricanes
that may
substantially
affect oil
and natural
gas
production
and
imports.

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Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements to report during the quarter ending September 30, 2015.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Information about market risks for the three months ended September 30, 2015, did not change materially from the disclosures in Item 7A of our Annual Report on Form 10-K for the year ended June 30,

2015.

Commodity Price Risk

Our most significant market risk is the pricing for crude oil, natural gas and NGLs. We expect energy prices to remain volatile and unpredictable. If energy prices decline significantly, revenues and cash flow would significantly decline. In addition, a non-cash write-down of our oil and gas properties could be required under full cost accounting rules if future oil and gas commodity prices sustained a significant decline. Prices also affect the amount of cash flow available for capital

expenditures and our ability to borrow and raise additional capital, as, if and when needed. We use derivative instruments to manage our exposure to commodity price risk from time to time based on our assessment of such risk.

Interest Rate Risk

We currently have only a small exposure to changes in interest rates. Changes in interest rates affect the interest earned on our cash and cash equivalents. Under our current policies, we do not use interest rate derivative instruments to manage exposure to

interest rate changes.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to this Company's management, including our Chief Executive

Officer and
Chief
Financial
Officer, as
appropriate
to allow for
timely
decisions
regarding
required
disclosure.
As required
by
Securities
and
Exchange
Commission
Rule 13a-15(b),
we carried
out an
evaluation,
under the
supervision
and with
the
participation
of the
Company's
management,
including
our Chief
Executive
Officer and
Chief
Financial
Officer, of
the
effectiveness
of the
design and
operation
of our
disclosure
controls
and
procedures
(as defined
in
Exchange
Act
Rules 13a-15(c) and

15d-15(e)) as of the end of the quarter covered by this report. In designing and evaluating our disclosure controls and procedures, our management recognizes that controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving desired control objectives. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that as of September 30, 2015 our disclosure controls

and procedures are effective in ensuring that the 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 rules and forms. Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, during the quarter ended September 30,

2015 we have determined there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in certain legal proceedings that are described in Part I. Item 3. “Legal Proceedings” and Note 17 — Commitments and Contingencies under Part II.

Item 8. “Financial Statements” in our 2015 Annual Report. Material developments in the status of those proceedings during the quarter ended September 30, 2015 are described in Part I. Item 1. "Financial Information" under Note 16 — Commitments and Contingencies in this Quarterly Report and incorporated herein by reference. We believe that the ultimate liability, if any, with respect to these claims and legal actions will not have a material effect on our financial position or on our results of operations.

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ITEM 1A. RISK FACTORS

Our Annual Report on Form 10-K for the year ended June 30, 2015 includes a detailed discussion of our risk factors. There have been no material changes to the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended June 30, 2015.

ITEM 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2015, the Company did not sell

any equity securities that were not registered under the Securities Act.

Issuer Purchases of Equity Securities

During the quarter ended September 30, 2015, the Company received shares of common stock from employees of the Company to pay their share of payroll taxes arising from vestings of restricted stock and/or exercises of stock options. The acquisition cost per share reflected the weighted-average market price of the Company’s shares of

capital stock at the dates of exercise or restricted stock vesting. In addition, during the quarter ended September 30, 2015, the Company repurchased shares of common stock in the open market under the previously announced share repurchase program. The table below summarizes information about the Company's purchases of its common stock during the quarter ended September 30, 2015.

Period	(a) Total Number of Shares (or Units) Purchased (1) (2)	(b) Average Price Paid per Share (or Units)	(c) Total N (or Units) I of Publicly or Program
Month of July 2015	126,190	$5.94	Not applica
	47,600	$5.27	Not applica

Month of August 2015			
Month of September 2015	1,073	$5.50	Not applica

(1) On May 12, 2015, the Board of Directors approved a share repurchase program covering up to $5 million of the Company's common stock. Under the program's terms, shares may be repurchased only on the open market and in accordance with the requirements of the Securities and Exchange Commission. The timing and amount of repurchases will depend upon several factors, including financial resources and market and business conditions. There is no fixed termination date for this repurchase

program, and the repurchase program may be suspended or discontinued at any time. Such shares were initially recorded as treasury stock, then subsequently canceled.

(2) During current quarter the Company received 1,073 shares of common stock from certain of its employees which were surrendered in exchange for their payroll tax liabilities arising from vestings of restricted stock. The acquisition cost per share reflected the weighted-average market price of the Company's shares at the dates vested.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

A. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1	Certification of Chief Executive Officer pursuant to18 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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition

	Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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.

EVOLUTION PETROLEUM CORPORATION
(Registrant)

By: /s/ RANDALL D. KEYS
Randall D. Keys
President and Chief Financial Officer
Principal Financial Officer and Principal Accounting Officer

Date: November 6, 2015