

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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SUN ENERGY PARTNERS LP

CIK: **778201** | IRS No.: **752070723** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-09033** | Film No.: **94528057**
SIC: **1311** Crude petroleum & natural gas

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DALLAS TX 75240

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
- --- SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1994

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
- --- SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-9033

SUN ENERGY PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

75-2070723

(I.R.S. Employer
Identification Number)

13155 NOEL ROAD, DALLAS, TEXAS 75240-5067

(Address of principal executive offices) (Zip code)

(214) 715-4000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing

requirements for the past 90 days.

Yes X No

The number of depositary units outstanding as of April 30, 1994 was 7,543,100.

SUN ENERGY PARTNERS, L.P.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

SUN ENERGY PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Millions of Dollars, Except Per Unit Amounts)	For the Three Months Ended March 31	
	1994	1993
	----- (Unaudited) -----	
REVENUES		
Oil and gas	\$ 162	\$ 168
Other	(3)	-
	-----	-----
	159	168
	-----	-----
COSTS AND EXPENSES		
Operating costs	48	51
Production taxes	11	12
Exploration costs	14	7
Depreciation, depletion and amortization	63	64
General and administrative expense	18	26
Interest and debt expense	3	2
Provision for restructuring (Note 2)	84	-
	-----	-----
	241	162
	-----	-----
Net Income (Loss)	\$ (82)	\$ 6
	=====	=====
Net Income (Loss) Per Unit	\$ (.19)	\$.01
	=====	=====
Cash Distributions Paid to Unitholders	\$ 34	\$ 103
	=====	=====
Cash Distributions Per Unit	\$.08	\$.25
	=====	=====
Weighted Average Number of Units		
Outstanding (in thousands)	421,171	412,455
	=====	=====

(See Accompanying Notes)

SUN ENERGY PARTNERS, L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS

(Millions of Dollars)	March 31 1994	December 31 1993
-----------------------	------------------	---------------------

	----- (Unaudited)	
ASSETS		
Current Assets		
Cash and short-term investments	\$ 4	\$ 4
Accounts and notes receivable and other current assets	105	113
	-----	-----
Total Current Assets	109	117
Properties, Plants and Equipment		
(Note 3)	1,510	1,625
Deferred Charges and Other Assets	81	80
	-----	-----
Total Assets	\$ 1,700	\$ 1,822
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Advances from affiliate	\$ 48	\$ 22
Accounts payable	68	92
Accrued liabilities	55	58
Current portion of long-term debt due affiliate	9	9
Current portion of long-term debt	3	5
	-----	-----
Total Current Liabilities	183	186
Long-Term Debt due Affiliate	80	82
Long-Term Debt	4	4
Deferred Credits and Other Liabilities	24	25
Partners' Capital (Note 4)		
Limited partnership interests	432	468
General partnership interests	977	1,057
	-----	-----
Partners' Capital	1,409	1,525
	-----	-----
Total Liabilities and Partners' Capital	\$ 1,700	\$ 1,822
	=====	=====

The successful efforts method of accounting is followed.

(See Accompanying Notes)

SUN ENERGY PARTNERS, L.P.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months
Ended March 31

(Millions of Dollars)

	1994	1993
	(Unaudited)	
CASH FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (82)	\$ 6
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation, depletion and amortization	63	64
Dry hole costs and leasehold impairment	8	-
Loss on divestments	2	1
Provision for restructuring	84	-
Other	(1)	1
	-----	-----
	74	72
Changes in working capital:		
Accounts and notes receivable and other current assets	7	50
Accounts payable, accrued liabilities and advances from affiliates	-	(28)
	-----	-----
Net Cash Flow Provided From Operating Activities	81	94
	-----	-----
CASH AND CASH EQUIVALENTS FROM INVESTING ACTIVITIES		
Capital expenditures	(39)	(22)
Proceeds from divestments	-	13
Other	(4)	(2)
	-----	-----
Net Cash Flow Used For Investing Activities	(43)	(11)
	-----	-----
CASH AND CASH EQUIVALENTS FROM FINANCING ACTIVITIES		
Repayments of long-term debt	(4)	(3)
Cash distributions paid to unitholders	(34)	(103)
	-----	-----
Net Cash Flow Used For Financing Activities	(38)	(106)
	-----	-----
Changes In Cash and Cash Equivalents	-	(23)
Cash and Cash Equivalents at Beginning of Period	4	27
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 4	\$ 4
	=====	=====

(See Accompanying Notes)

SUN ENERGY PARTNERS, L.P.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying condensed consolidated financial statements and related notes of Sun Energy Partners, L.P. and its subsidiaries (hereinafter, unless the context otherwise requires, being referred to as the Partnership) are presented in accordance with the requirements of Form 10-Q and do not include all disclosures normally required by generally accepted accounting principles or those normally made in annual reports on Form 10-K. In management's opinion, all adjustments necessary for a fair presentation of the results of operations for the periods shown have been made and are of a normal recurring nature. The results of operations of the Partnership for the three months ended March 31, 1994 are not necessarily indicative of the results for the full year 1994.

Statements of Cash Flows

Amounts paid for interest were as follows:

	Three Months Ended March 31	
	1994	1993

	(Millions of Dollars)	
Interest paid (net of capitalized amounts)	\$ 2	\$ 2

In accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," non-cash transactions are not reflected within the accompanying Condensed Consolidated Statements of Cash Flows.

2. Provision for Restructuring

In March 1994, Oryx Energy Company (Company) adopted plans designed to achieve significant future cost reductions for the Partnership by disposing of certain assets. Associated therewith, the Partnership recognized a \$84 million charge in the first quarter of 1994. Management of the Company expects the Partnership to realize about \$35 million annual cost reductions in 1995.

During 1993, the Properties included in the divestment plan accounted for about four percent of the Partnership's oil and gas production and at December 31, 1993, they accounted for about eight percent of the Partnership's net investment in properties, plants and equipment. Management of the Company expects to complete the asset disposals during 1994.

3. Properties, Plants and Equipment

	March 31 1994	December 31 1993

	(Millions of Dollars)	
Gross investment	\$4,267	\$4,247
Less accumulated depreciation, depletion and amortization ...	2,757	2,622
	-----	-----
Net investment	\$1,510	\$1,625
	=====	=====

4. Partners' Capital

At March 31, 1994, the ownership of the Partnership was comprised of a 69 percent general partnership interest and a 31 percent limited partnership interest. Oryx Energy Company holds a 98 percent interest in the Partnership. A two percent limited partnership interest in the form of depositary units is held by the public. As of March 31, 1994, there was a total of 421.2 million units outstanding.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners of Sun Energy Partners, L.P. and
the Board of Directors of Oryx Energy Company:

We have made a review of the condensed consolidated balance sheet of Sun Energy Partners, L.P. and its Subsidiaries as of March 31, 1994, and the related condensed consolidated statements of income and cash flows for the three months ended March 31, 1994 and 1993, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1993, and the related consolidated statements of income and cash flows for the year then ended (not presented herein); and in our report dated February 19, 1994, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1993 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

COOPERS & LYBRAND

Dallas, Texas
May 9, 1994

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

FINANCIAL CONDITION

At March 31, 1994 and December 31, 1993, the Partnership's cash and cash equivalents were \$4 million. Cash flows for the first quarter of 1993 included \$81 million provided from operating activities, \$43 million used for investing activities and \$38 million used for financing activities. The \$81 million net cash flow provided from operating activities was comprised of \$74 million net cash flow provided from operating activities before changes in current assets and liabilities and \$7 million of net cash flow provided from changes in current assets and liabilities. The \$74 million net cash flow provided from operating activities before changes in current assets and liabilities was unfavorably impacted by declines in crude oil prices and volumes partially offset by an increase in natural gas volumes and prices. The \$7 million net cash flow provided from changes in current assets and liabilities consisted of a \$7 million decrease in accounts and notes receivable and other current assets.

The \$43 million net cash flow used for investing activities primarily consisted of \$39 million used for capital expenditures.

The \$38 million net cash flow used for financing activities resulted from the scheduled payment of \$4 million of long-term debt and \$34 million of cash distributions paid to unitholders.

In March 1994, Oryx Energy Company adopted plans designed to achieve significant future cost reductions for the Partnership by

disposing of certain assets. Associated therewith, the Partnership recognized a \$84 million charge in the first quarter of 1994. Management of Oryx Energy Company expects the Partnership to realize about \$35 million of cost reductions in 1995 resulting from the asset disposals.

During 1993, the properties included in the divestment plan accounted for about four percent of the Partnership's oil and gas production and at December 31, 1993, they accounted for about eight percent of the Partnership's net investment in properties, plants and equipment. Management of Oryx Energy Company expects to complete the asset disposals during 1994.

A first quarter cash distribution in the amount of \$.08 per unit was paid on March 10, 1994. A second quarter cash distribution of \$.07 per unit has been declared by Oryx Energy Company's Board of Directors and will be paid on June 10, 1994 to unitholders of record on May 20, 1994.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - (continued)

RESULTS OF OPERATIONS

The net loss for the first quarter of 1994 was \$82 million, compared to net income of \$6 million in the first quarter of 1993. The first quarter 1994 net loss includes a special \$84 million charge for costs associated with the Partnership's planned onshore divestments and \$2 million in losses related to asset sales. By comparison, the 1993 first quarter includes a \$1 million loss on assets sales. Excluding these items, the Partnership generated \$4 million of operating income this quarter versus \$7 million of operating income in the same quarter last year. Excluding the restructuring provision, total costs and expenses decreased \$5 million as a result of reductions in production costs and general and administrative expenses, partially offset by increased dry hole costs.

Average net production of crude oil and condensate was 50 thousand barrels daily during the first quarter of 1994 compared to an average net production of 56 thousand barrels daily for the first quarter of 1993. The average crude oil and condensate price in the first quarter of 1994 decreased to \$12.72 per barrel, as compared to \$17.31 per barrel in the same period last year.

Average net production of natural gas for the first quarter of 1994 was 548 million cubic feet daily or eight percent higher than average net production of 509 million cubic feet daily for the same period in 1993. The average natural gas price for the first quarter of 1994 was \$2.12 per thousand cubic feet, as

compared to \$1.78 per thousand cubic feet in the same period last year.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(b) Reports on Form 8-K:

On March 17, 1994, the Partnership filed a Form 8-K to report a plan for disposing of certain assets. See Note 2 to the Condensed Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Condition.

We are pleased to furnish this report to unitholders who request it by writing to:

Sun Energy Partners, L.P. Unitholder Relations
c/o Oryx Energy Company
Managing General Partner
P.O. Box 60
Dallas, Texas 75221-0060

SIGNATURE

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.

SUN ENERGY PARTNERS, L.P.

BY ORYX ENERGY COMPANY

(Managing General Partner)

BY /s/ E. W. Moneyppenny

E. W. Moneyppenny
(Senior Vice President, Finance, and Chief Financial
Officer)

DATE: May 12, 1994