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MERIDIAN RESOURCE CORP
Form 10-Q
May 16, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended: March 31, 2003

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: 1-10671

THE MERIDIAN RESOURCE CORPORATION
(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of
incorporation or organization)

76-0319553
(I.R.S. Employer
Identification No.)

1401 ENCLAVE PARKWAY, SUITE 300, HOUSTON, TEXAS
(Address of principal executive offices)

77077
(Zip Code)

Registrant's telephone number, including area code: 281-597-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Number of shares of common stock outstanding at May 8, 2003 50,162,304

THE MERIDIAN RESOURCE CORPORATION
QUARTERLY REPORT ON FORM 10-Q

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THE MERIDIAN RESOURCE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(thousands of dollars, except per share information)
(unaudited)

THREE

2003

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REVENUES:

Oil and natural gas	\$ 28,987
Price risk management activities	-----
Interest and other	38

	29,025

OPERATING COSTS AND EXPENSES:

Oil and natural gas operating	2,484
Severance and ad valorem taxes	1,819
Depletion and depreciation	14,655
Accretion expense	128
General and administrative	2,810

	21,896

EARNINGS BEFORE INTEREST AND INCOME TAXES

7,129

OTHER EXPENSES:

Interest expense	2,618
Taxes on income - deferred	---

	2,618

NET EARNINGS (LOSS) BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

4,511

Cumulative effect of change in accounting principle

(1,309)

NET EARNINGS (LOSS)

3,202

Dividends on preferred stock

1,481

NET EARNINGS (LOSS) APPLICABLE TO COMMON STOCKHOLDERS

\$ 1,721

NET EARNINGS (LOSS) PER SHARE BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE:

Basic and Diluted \$ 0.06

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE PER SHARE:

Basic and Diluted \$ (0.03)

NET EARNINGS (LOSS) PER SHARE:

Basic and Diluted \$ 0.03

WEIGHTED AVERAGE NUMBER OF COMMON SHARES:

Basic and Diluted 50,090

See notes to consolidated financial statements.

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MARCH 31,
2003

(unaudited)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	7,214
Accounts receivable, less allowance for doubtful accounts		
\$833 [2003 and 2002]		31,142
Due from affiliates		1,632
Prepaid expenses and other		2,071
Assets from price risk management activities		1,059

Total current assets		43,118

PROPERTY AND EQUIPMENT:

Oil and natural gas properties, full cost method (including		
\$19,982 [2003] and \$18,993 [2002] not		
subject to depletion)		1,181,593
Land		478
Equipment		9,921
		1,191,992
Less accumulated depletion and depreciation		776,508

Total property and equipment, net		415,484

OTHER ASSETS:

Assets from price risk management activities		95
Deferred tax asset		3,678
Other		6,011

Total other assets		9,784

Total assets	\$	468,386
		=====

See notes to consolidated financial statements.

THE MERIDIAN RESOURCE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued) (thousands of dollars)

MARCH 31,
2003

(unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

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CURRENT LIABILITIES:	
Accounts payable	\$ 20,409
Revenues and royalties payable	12,559
Notes payable	82
Accrued liabilities	12,491
Liabilities from price risk management activities	8,231
Current income taxes payable	931
Current portion long-term debt	34,000

Total current liabilities	88,703

LONG-TERM DEBT	148,500

9 1/2% CONVERTIBLE SUBORDINATED NOTES	20,000

OTHER:	
Liabilities from price risk management activities	3,433
Abandonment costs	4,651

	8,084

REDEEMABLE PREFERRED STOCK:	
Preferred stock, \$1.00 par value (1,500,000 shares authorized, 696,900 shares of Series C Redeemable Convertible Preferred Stock issued at stated value)	69,690

STOCKHOLDERS' EQUITY:	
Common stock, \$0.01 par value (200,000,000 shares authorized, 53,868,343 [2003 and 2002] issued)	560
Additional paid-in capital	377,919
Accumulated deficit	(208,017)
Accumulated other comprehensive loss	(7,017)
Unamortized deferred compensation	(277)

	163,168
Less treasury stock, at cost (3,706,039 shares [2003] and 3,779,225 [2002] shares)	29,759

Total stockholders' equity	133,409

Total liabilities and stockholders' equity	\$ 468,386
	=====

See notes to consolidated financial statements.

THE MERIDIAN RESOURCE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (thousands of dollars) (unaudited)

THREE MONTHS
MARCH
2003

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings (loss)	\$ 3,202
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:	
Cumulative effect of change in accounting principle	1,309
Depletion and depreciation	14,654
Amortization of other assets	568
Non-cash compensation	413
Non-cash price risk management activities	--
Accretion expense	128
Deferred income taxes	--
Changes in assets and liabilities:	
Accounts receivable	(6,975)
Due from affiliates	(75)
Prepaid expenses and other	150
Accounts payable	3,567
Revenues and royalties payable	181
Accrued liabilities and other	795

Net cash provided by operating activities	17,917

CASH FLOWS FROM INVESTING ACTIVITIES:	
Additions to property and equipment	(16,085)
Sale of property and equipment	135

Net cash used in investing activities	(15,950)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Reductions in long-term debt	(1,250)
Notes payable	(749)
Issuance of stock/exercise of options	(41)
Additions to deferred loan costs	--

Net cash used in financing activities	(2,040)

NET CHANGE IN CASH AND CASH EQUIVALENTS	(73)
Cash and cash equivalents at beginning of period	7,287

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 7,214
	=====

See notes to consolidated financial statements.

THE MERIDIAN RESOURCE CORPORATION AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements reflect the accounts of The Meridian Resource Corporation and its subsidiaries (the "Company") after elimination of all significant intercompany transactions and balances. The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission.

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The financial statements included herein as of March 31, 2003, and for the three month periods ended March 31, 2003 and 2002, are unaudited, and in the opinion of management, the information furnished reflects all material adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented.

2. DEBT

CREDIT FACILITY. During August 2002, the Company replaced its Chase Manhattan Bank Credit Facility with a new three-year \$175 million underwritten senior secured credit agreement (the "Credit Agreement") with Societe Generale, as administrative agent, lead arranger and book runner, and Fortis Capital Corp., as co-lead arranger and documentation agent. The current borrowing base under the existing Credit Agreement was established on September 23, 2002, at \$165 million, with the borrowing base redetermination date scheduled for November 30, 2002. The parties to the Credit Agreement have entered into an amendment of the Agreement, effective March 31, 2003, to eliminate the November 30, 2002, redetermination date and to reschedule the borrowing base redetermination date for April 30, 2003, and quarterly redetermination thereafter.

On March 31, 2003, the Company received notice from its senior lenders that effective April 30, 2003, the borrowing base will be established at \$138.5 million. Accordingly, the Company has reflected the difference of \$26.5 million as a current maturity of its long-term debt and is required to make up the deficiency through the addition of reserves or value to its current reserve base or pay the senior lenders this deficiency within 90 days of the effective date of April 30, 2003. Though no assurances can be made that sufficient funds will be available to pay this deficiency, management believes that it can satisfy this deficiency through a combination of the addition of reserves, third-party financing, property sales and cash flow.

In addition to the scheduled quarterly borrowing base redeterminations, the lenders and the Credit Agreement have the right to redetermine the borrowing base at any time once during each calendar year and the Company has the right to obtain a redetermination by the banks of the borrowing base once during each calendar year. Borrowings under the Credit Agreement are secured by pledges of outstanding capital stock of the Company's subsidiaries and a mortgage on the Company's oil and natural gas properties of at least 90% of its present value of proved properties. The Credit Agreement contains various restrictive covenants including, among other items, maintenance of certain financial ratios and restrictions on cash dividends on Common Stock and an unqualified audit report on the Company's consolidated financial statements beginning with those as of and for the year ended December 31, 2002. The Company has received from the senior lenders a waiver of the covenant that would have triggered an event of default as a result of the independent auditors' report which contained a "going concern" modification for our 2002 consolidated financial statements. Borrowings under the Credit Agreement mature on August 13, 2005.

Under the new Credit Agreement, the Company may secure either (i) an alternative base rate loan that bears interest at a rate per annum equal to the greater of the administrative agent's prime rate plus an additional 0.5% to 1.5% depending on the ratio of the aggregate outstanding loans and letters of credit to the borrowing base; or a federal funds-based rate plus 1/2 of 1% or (ii) a Eurodollar base rate loan that bears interest, generally, at a rate per annum equal to the London interbank offered rate ("LIBOR") plus 1.5% to 2.5%, depending on the ratio of the aggregate outstanding loans and letters of credit to the borrowing base. The Credit Agreement also provides for commitment fees ranging from 0.375% to 0.5% per annum.

SUBORDINATED CREDIT AGREEMENT. The Company extended and amended a short-term subordinated credit agreement with Fortis Capital Corporation for \$25 million on April 5, 2002, with a maturity date of December 31, 2004. The notes are

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unsecured and contain customary events of default, but do not contain any maintenance or other restrictive covenants. The interest rate is the London interbank offered rate ("LIBOR") plus 4.5% through December 31, 2002, LIBOR plus 5.5% from January 1, 2003, through August 31, 2003, and LIBOR plus 6.5% from September 1, 2003, through December 31, 2004. Note payments of \$5 million each are due on August 31, 2003 and April 30, 2004, with the remaining \$5 million payable on December 31, 2004. Note payments totaling \$1.25 million were paid in January 2003. An additional \$2.5 million that is currently due has been deferred in conjunction with the March 31, 2003, amendment to the Credit Agreement. No amounts are payable under this subordinated debt until any and all borrowing base deficiencies under the Credit Agreement are satisfied. The Company is in compliance under this agreement.

3. EARNINGS PER SHARE (in thousands, except per share)

The following tables set forth the computation of basic and diluted net earnings (loss) per share:

	THREE MONTHS ENDED 2003 ----
Numerator:	
Net earnings (loss) applicable to common stockholders	\$ 1,721
Plus income impact of assumed conversions:	
Preferred stock dividends	1,481
Interest on convertible subordinated notes	309

Net earnings (loss) applicable to common stockholders plus assumed conversions	\$ 3,511 -----
Denominator:	
Denominator for basic net earnings (loss) per share - weighted-average shares outstanding	50,090
Effect of potentially dilutive common shares:	
Redeemable convertible preferred stock	N/A
Convertible subordinated notes	N/A
Employee and director stock options	--
Warrants	N/A

Denominator for diluted net earnings (loss) per share - weighted-average shares outstanding and assumed conversions	50,090 =====
Basic net earnings (loss) per share	\$ 0.03 =====
Diluted net earnings (loss) per share	\$ 0.03 =====

4. OIL AND NATURAL GAS HEDGING ACTIVITIES

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The Company may address market risk by selecting instruments whose value fluctuations correlate strongly with the underlying commodity being hedged. The Company enters into swaps and other derivative contracts to hedge the price risks associated with a portion of anticipated future oil and gas production. These swaps allow the Company to predict with greater certainty the effective oil and natural gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended. While the use of hedging arrangements limits the downside risk of adverse price movements, it may also limit future gains from favorable movements. Under these agreements, payments are received or made based on the differential between a fixed and a variable product price. These agreements are settled in cash at or prior to expiration or exchanged for physical delivery contracts. The Company does not obtain collateral to support the agreements, but monitors the financial viability of counter-parties and believes its credit risk is minimal on these transactions. In the event of nonperformance, the Company would be exposed to price risk. The Company has some risk of accounting loss since the price received for the product at the actual physical delivery point may differ from the prevailing price at the delivery point required for settlement of the hedging transaction.

These swaps have been designated as cash flow hedges as provided by FAS 133 and any changes in fair value of the cash flow hedge resulting from ineffectiveness of the hedge is reported in the consolidated statement of operation as revenues.

The estimated March 31, 2003, fair value of the Company's oil and natural gas swaps is an unrealized loss of \$10.5 million (\$6.8 million net of tax) recognized in other comprehensive income. Based upon March 31, 2003, oil and natural gas commodity prices, approximately \$7.2 million of the loss deferred in other comprehensive income is expected to lower gross revenues over the next twelve months when the revenues are generated. The swap agreements expire at various dates through July 31, 2005.

Payments under these swap agreements reduced oil and natural gas revenues by \$7,105,000 for the three months ended March 31, 2003, as a result of hedging transactions.

The Notional Amount is equal to the total net volumetric hedge position of the Company during the periods presented. The positions effectively hedge approximately 44% of our proved developed natural gas production and 70% of our proved developed oil production. The fair values of the hedges are based on the difference between the strike price and the New York Mercantile Exchange future prices for the applicable trading months.

	Notional Amount	Weighted Average Strike Price (\$ per unit)	Fair at
Natural Gas (mmbtu)			
April 2003 - June 2005	7,130,000	\$ 3.78	\$
Oil (bbls)			
April 2003 - July 2005	1,721,000	\$ 24.22	\$
			\$

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5. STOCK-BASED COMPENSATION

SFAS 123, "Accounting for Stock-Based Compensation," as amended by SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As provided for under SFAS 123, there has been no amount of compensation expense recognized for the Company's stock option plans. The Company accounts for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees." Compensation expense is recorded for restricted stock awards over the requisite vesting periods based upon the market value on the date of the grant. The compensation expense incurred in the quarters ended March 31, 2003 and 2002, related to restricted stock awards totaling \$10 thousand for each quarter, respectively.

The following is a reconciliation of reported earnings (loss) and earnings (loss) per share as if the Company used the fair value method of accounting for stock-based compensation. Fair value is calculated using the Black-Scholes option pricing model.

		Three Month 2003 ----
Net earnings (loss) applicable to common stockholders as reported (\$000)	\$	1,721
Stock-based compensation expense determined under fair value method for all awards, net of tax (\$000)		10
Net earnings (loss) applicable to common stockholders pro forma (\$000)	\$	1,711
Basic earnings (loss) per share:		
As reported	\$	0.03
Pro forma	\$	0.03
Diluted earnings (loss) per share:		
As reported	\$	0.03
Pro forma	\$	0.03

6. ASSET RETIREMENT OBLIGATIONS

On January 1, 2003, the Company adopted SFAS 143, "Accounting for Asset Retirement Obligations." This statement requires entities to record the fair value of a liability for legal obligations associated with the retirement obligations of tangible long-lived assets in the period in which it is incurred. The fair value of asset retirement obligation liabilities has been calculated using an expected present value technique. Fair value, to the extent possible, should include a market risk premium for unforeseeable circumstances. No market risk premium was included in the Company's asset retirement obligations fair

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value estimate since a reasonable estimate could not be made. When the liability is initially recorded, the entity increases the carrying amount of the related long-lived asset. Over time, accretion of the liability is recognized each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. This standard requires us to record a liability for the fair value of our dismantlement and abandonment costs, excluding salvage values.

Upon adoption, the Company recorded transition amounts for liabilities related to our wells, and the associated costs to be capitalized. A liability of \$4.5 million was recorded to long-term liabilities and a net asset of \$3.2 million was recorded to oil and natural gas properties on January 1, 2003. This resulted in a cumulative effect of an accounting change of (\$1.3) million. Accretion expenses subsequent to the adoption of this accounting statement decreased net earnings \$0.1 million in the first quarter of 2003.

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The pro forma effects of the application of SFAS 143 as if the statement had been adopted on January 1, 2002, is presented below (thousands of dollars except per share information):

	Three Months Ended March 31,	
	2003 ----	2002 ----
Net earnings (loss) as reported	\$ 3,202	\$ (1,577)
Additional accretion expense	--	(117)
Cumulative effect of accounting change	1,309	--
	-----	-----
Pro forma net earnings (loss)	\$ 4,511	\$ (1,694)
Pro forma net earnings (loss) per share	\$ 0.09	\$ (0.03)

The following table describes the change in the Company's asset retirement obligations for the period ended March 31, 2003, and the pro forma amounts for 2002 (thousands of dollars):

Asset retirement obligation at January 1, 2002	\$ 4,053
Accretion expense	470

Asset retirement obligation at December 31, 2002	\$ 4,523
Accretion expense	128

Asset retirement obligation at March 31, 2003	\$ 4,651

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

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The following is a discussion of Meridian's financial operations for the three months ended March 31, 2003 and 2002. The notes to the Company's consolidated financial statements included in this report, as well as our Annual Report on Form 10-K for the year ended December 31, 2002 (and the notes attached thereto), should be read in conjunction with this discussion.

GENERAL

BUSINESS ACTIVITIES. During the first quarter of 2003, Meridian's exploration activities have been focused primarily in the Company's Biloxi Marshlands acreage. We anticipate drilling and 3-D seismic activities in the Biloxi Marshlands acreage will comprise the majority of our capital budget for 2003.

During the first quarter of 2003, capital expenditures were focused primarily in our Biloxi Marshland play. We addressed three fronts; namely, to increase the Company's near term daily production rates by completing the pipeline and production facilities for the Biloxi Marshlands discovery well, the Biloxi Marshlands 6-1 well, the identification of other drill sites in the immediate area and the acquisition of leasehold and state water bottoms acreage for current and future drilling operations.

The construction of the pipeline and production facilities was completed on March 14, 2003 and the Biloxi Marshlands No. 6-1 well placed on production on March 15, 2003 at approximately 12 MMCFE/D. This well is currently producing at a steady rate 11.5 MMCFE/D. The facilities were designed for a production capacity of 60 MMCFE/D based on anticipated additional drilling in the immediate area.

In addition to the facilities at Biloxi, utilizing our proprietary 3-D seismic which we acquired during 2002, we were successful in acquiring state lease acreage for coverage of anticipated units to be formed as additional wells are drilled in the area. Because our data is proprietary to Meridian, we were able to identify specific potential drill site acreage and successfully win the bids acquiring all of the acreage positions which we targeted during both the March Louisiana state lease sale and recently the May Louisiana state lease sale.

Further, as additional drill sites have been identified under our proprietary 3-D and the state water bottom acreage acquired to protect our land positions, we have initiated drilling additional wells in the immediate area. The first well is the Biloxi Marshlands No. 6-2 well which was spud on May 3, 2003 and reached total depth on May 14, 2003. Logging operations will commence immediately with results announced thereafter. If successful, this well can be placed on production within ten days because the production facilities recently completed are immediately adjacent to the well's surface location.

Having already identified additional drilling opportunities in the adjacent area over which we have acquired the acreage under lease, the Biloxi Marshlands No. 7-1 well has been accelerated and is currently scheduled to be drilled immediately utilizing the same rig. This will save rig move-out and move-in mobilization costs, take advantage of the accelerated drilling time line experienced with the Biloxi Marshlands No. 6-2 well and, if successful, will accelerate production rate increases and take advantage of current high natural gas prices.

Other activities in the first quarter in the Biloxi Marshlands play included the planning, permitting and negotiating of a 3-D seismic acquisition contract to acquire a minimum of an additional 105 square miles of 3-D seismic data to the south and east of the current 3-D seismic coverage owned by Meridian its area of interest. Depending on weather conditions during the summer months in this region, we may acquire an additional amount of 3-D data under the current contract.

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Based on current plans, the Company has scheduled a total of five (5) and possibly six (6) wells for the Biloxi Marshlands play for calendar year 2003. Any additional wells will depend on budget availability, and the results and timing of completing the acquisition, processing and interpretation of the new 3-D seismic data currently being acquired.

Meridian operates the Biloxi Marshlands acreage and owns a 93% working interest (66% net revenue interest) in the project area.

In addition to the activities in the Biloxi Marshlands play, the Company is currently scheduled to drill its Ship Shoal prospect beginning during the late second quarter or early third quarter, depending on rig availability and move-in timing. Meridian developed the play and owns a 43% working interest. The well will test the Lower Pleistocene sands at approximately 13,000 feet and should be drilled and logged by the end of the August or early September depending on start date and operations. It is expected that the well will be drilled under a turnkey contract. Although, if successful, reserves will be added in calendar year 2003, it is anticipated that the well will not be on production until 2004 inasmuch as it is in over 250 feet of water and production facilities will have to be constructed.

Other prospects scheduled for the second quarter are in the Company's Riceville area. The Pathfinder prospect has been planned for a June spud date and will test the Lower Miocene sands at approximately 12,500 feet. Again, depending on spud date and drilling operations, the drilling is expected to be completed during the end of the second quarter or beginning of the third quarter.

Workover and completions activities scheduled for the second quarter include the Avoca No. 47-1 well which was producing approximately 8 MMCFE/D and is expected to be back on production by the end of May. In addition, the Thibodaux No. 1 well is scheduled for late May or as soon as equipment is available. This is a high pressured well and is located over water. As a result, equipment to handle the workover operations is an issue to insure safe operations.

Lastly, the Hughes No. 2 well is awaiting completion operations to commence which are expected to begin on or about June 15, 2003. Plans have been established to re-enter the open hole section, clean out the bore hole to total depth, set a production liner and perforate the Bol Mex 5 series of sands encountered and logged during February 2003. Meridian is the operator of the well and owns an approximate 94% working interest and a 70% net revenue interest in the well. The well will be on production immediately after completion operations are concluded inasmuch as production facilities are in place and awaiting tie-in.

At current commodity prices, if successful, production from the above mentioned wells could result in substantial increases to the Company's cash flow from operations for 2003 and following.

INDUSTRY CONDITIONS. Revenues, profitability and future growth rates of Meridian are substantially dependent upon prevailing prices for oil and natural gas. Oil and natural gas prices have been extremely volatile in recent years and are affected by many factors outside of our control. Our average oil price (after adjustments for hedging activities) for the three months ended March 31, 2003, was \$25.15 per barrel compared to \$20.62 per barrel for the three months ended March 31, 2002, and \$27.23 per barrel for the three months ended December 31, 2002. Our average natural gas price (after adjustments for hedging activities) for the three months ended March 31, 2003, was \$5.82 per Mcf compared to \$2.51 per Mcf for the three months ended March 31, 2002, and \$4.08 per Mcf for the three months ended December 31, 2002. Fluctuations in prevailing prices for oil and natural gas have several important consequences to us, including affecting the level of cash flow received from our producing properties, the timing of

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exploration of certain prospects and our access to capital markets, which could impact our revenues, profitability and ability to maintain or increase our exploration and development program.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES. The Company's discussion and analysis of its financial condition and results of operation are based upon consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted and adopted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. See the Company's Annual Report on Form 10-K for the year ended December 31, 2002, for further discussion.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2003 COMPARED TO THREE MONTHS ENDED MARCH 31, 2002

OPERATING REVENUES. First quarter 2003 oil and natural gas revenues increased \$4.4 million as compared to first quarter 2002 revenues, primarily due to a 75% increase in average commodity prices partially offset by a 33% decrease in production volumes, both on a natural gas equivalent basis. The decrease in production was primarily a result of natural production declines, partially offset by new discoveries placed on line at varying times during 2002.

The following table summarizes the Company's operating revenues, production volumes and average sales prices for the three months ended March 31, 2003 and 2002:

	THREE MONTHS ENDED MARCH 31,		INCREASE (DECREASE)
	2003	2002	
	----	----	-----
Production Volumes:			
Oil (Mbbbl)	397	633	(37%)
Natural gas (MMcf)	3,263	4,596	(29%)
MMcfe	5,646	8,395	(33%)
Average Sales Prices:			
Oil (per Bbl)	\$ 25.15	\$ 20.62	22%
Natural gas (per Mcf)	\$ 5.82	\$ 2.51	132%
MMcfe	\$ 5.13	\$ 2.93	75%
Operating Revenues (000's):			
Oil	\$ 9,985	\$13,054	(24%)
Natural gas	19,002	11,555	64%
	-----	-----	
Total Operating Revenues	\$28,987	\$24,609	18%

OPERATING EXPENSES. Oil and natural gas operating expenses decreased \$0.6 million (20%) to \$2.5 million for the three months ended March 31, 2003, compared to \$3.1 million for the same period in 2002. This decrease primarily resulted from reorganization of field operations enabling the Company to significantly reduce labor and other field related costs.

SEVERANCE AND AD VALOREM TAXES. Severance and ad valorem taxes decreased \$0.9 million (33%) to \$1.8 million for the first quarter of 2003, compared to \$2.7 million during the same period in 2002. Meridian's oil and natural gas

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production is primarily from Louisiana, and is therefore subject to Louisiana severance tax. The severance tax rates for Louisiana are 12.5% of gross oil revenues and \$0.122 per Mcf for natural gas, a decrease from \$0.199 per Mcf effective in July 2002. Our decrease was primarily due to the decrease in oil and natural gas production and the decrease in the natural gas tax rate, partially offset by the increase in oil prices.

DEPLETION AND DEPRECIATION. Depletion and depreciation expense increased \$1.3 million (10%) during the first quarter of 2003 to \$14.7 million from \$13.4 million for the same period of 2002. This was primarily a result of an increased depletion rate for 2003 over 2002, partially offset by the decrease in production volumes in 2003 from 2002 levels.

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GENERAL AND ADMINISTRATIVE EXPENSE. General and administrative expense decreased by \$0.5 million (14%) to \$2.8 million for three months ended March 31, 2003, compared to \$3.3 million during the comparable period last year. This reduction is primarily due to a reduction in professional and technical services in 2003 as compared to 2002 levels. As previously announced, during the first quarter, the Company initiated reductions in staff to reflect its change in exploration strategy to lower risk, higher probability projects maintaining its focus in its niche region of south Louisiana and southeast Texas. It is anticipated that these changes will result in continued savings in costs without sacrificing the Company's exploration efforts or opportunities.

INTEREST EXPENSE. Interest expense decreased \$1.3 million (33%) to \$2.6 million for the first quarter of 2003 in comparison to the first quarter of 2002. The decrease is primarily a result of the reduction in the balance outstanding for the revolving credit lines and a decrease in the interest rates from the prior year.

LIQUIDITY AND CAPITAL RESOURCES

WORKING CAPITAL. During the first quarter of 2003, Meridian's capital expenditures were internally financed with cash from operations. As of March 31, 2003, we had a cash balance of \$7.2 million and a working capital deficit of \$45.6 million, including \$34 million of current maturities of long-term debt, and a \$7.2 million deficit in price risk management activities. Our strategy is to grow the Company prudently, taking advantage of the strong asset base built over the years to add reserves through the drill bit while maintaining a disciplined approach to costs. Where appropriate, we will allocate excess cash above capital expenditures to reduce leverage.

CREDIT FACILITY. During August 2002, the Company replaced its Chase Manhattan Bank Credit Facility with a new three-year \$175 million underwritten senior secured credit agreement (the "Credit Agreement") with Societe Generale, as administrative agent, lead arranger and book runner, and Fortis Capital Corp., as co-lead arranger and documentation agent. The current borrowing base under the existing Credit Agreement was established on September 23, 2002, at \$165 million, with the borrowing base redetermination date scheduled for November 30, 2002. The parties to the Credit Agreement have entered into an amendment of the Agreement, effective March 31, 2003, to eliminate the November 30, 2002, redetermination date and to reschedule the borrowing base redetermination date for April 30, 2003, and quarterly redetermination thereafter.

On March 31, 2003, the Company received notice from its senior lenders that effective April 30, 2003, the borrowing base will be established at \$138.5

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million. Accordingly, the Company has reflected the difference of \$26.5 million as a current maturity of its long-term debt and is required to make up the deficiency through the addition of reserves or value to its current reserve base or pay the senior lenders this deficiency within 90 days of the effective date of April 30, 2003. Though no assurances can be made that sufficient funds will be available to pay this deficiency, management believes that it can satisfy this deficiency through a combination of the addition of reserves, third-party financing, property sales and cash flow.

In addition to the scheduled quarterly borrowing base redeterminations, the lenders under the Credit Agreement have the right to redetermine the borrowing base at any time once during each calendar year and the Company has the right to obtain a redetermination by the banks of the borrowing base once during each calendar year. Borrowings under the Credit Agreement are secured by pledges of outstanding capital stock of the Company's subsidiaries and a mortgage on the Company's oil and natural gas properties of at least 90% of its present value of proved properties. The Credit Agreement contains various restrictive covenants, including, among other items, maintenance of certain financial ratios and restrictions on cash dividends on Common Stock and an unqualified audit report on the Company's consolidated financial statements beginning with those as of and for the ended December 31, 2002. The Company has received from the senior lenders a waiver of the covenant that would have triggered an event of default as a result of the independent auditors' report which contained a "going concern" modification for our 2002 consolidated financial statements. Borrowings under the Credit Agreement mature on August 13, 2005.

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Under the new Credit Agreement, the Company may secure either (i) an alternative base rate loan that bears interest at a rate per annum equal to the greater of the administrative agent's prime rate plus an additional 0.5% to 1.5% depending on the ratio of the aggregate outstanding loans and letters of credit to the borrowing base; or a federal funds-based rate plus 1/2 of 1% or (ii) a Eurodollar base rate loan that bears interest, generally, at a rate per annum equal to the London interbank offered rate ("LIBOR") plus 1.5% to 2.5%, depending on the ratio of the aggregate outstanding loans and letters of credit to the borrowing base. The Credit Agreement also provides for commitment fees ranging from 0.375% to 0.5% per annum.

SUBORDINATED CREDIT AGREEMENT. The Company extended and amended a short-term subordinated credit agreement with Fortis Capital Corporation for \$25 million on April 5, 2002, with a maturity date of December 31, 2004. The notes are unsecured and contain customary events of default, but do not contain any maintenance or other restrictive covenants. The interest rate is the London interbank offered rate ("LIBOR") plus 4.5% through December 31, 2002, LIBOR plus 5.5% from January 1, 2003, through August 31, 2003, and LIBOR plus 6.5% from September 1, 2003, through December 31, 2004. Note payments of \$5 million each are due on August 31, 2003 and April 30, 2004, with the remaining \$5 million payable on December 31, 2004. Note payments totaling \$1.25 million were paid in January 2003. An additional \$2.5 million that is currently due has been deferred in conjunction with the March 31, 2003, amendment to the Credit Agreement. No amounts are payable under this subordinated debt until any and all borrowing base deficiencies under the Credit Agreement are satisfied. The Company is in compliance under this agreement.

CAPITAL RESOURCES AND LIQUIDITY As noted in our discussion of the Credit Facility, there is a \$26.5 million borrowing base deficiency at April 30, 2003 that must be satisfied by either sufficient additions to our proved reserves or repayment on or before July 29, 2003, to avoid an event of default. An event of

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default which is not cured results in the entire debt outstanding becoming due and payable, unless it is waived by the senior lenders or the Credit Agreement is otherwise amended. Also, repayment of \$2.5 million, after our \$1.25 million January 2003 payment, under our subordinated debt agreement is due but is deferred pending satisfaction of the borrowing base deficiency under the amended Credit Agreement. The \$5 million subordinated debt repayment that will become due in August 2003 is also subject to deferral for any borrowing base deficiencies that may exist at that time. The \$34 million due in 2003 under these agreements represents a significant component of our \$45.6 million working capital deficiency at March 31, 2003.

Based upon our expected level of production and considering a reduced level of capital spending plan of \$15 to \$20 million, we project that our available cash flow from operations is not expected to be sufficient to fund the April 30, 2003 borrowing base deficiency and amounts due or to become due in 2003 under our subordinated debt agreement.

In an effort to address the liquidity issue and the broader issue of aligning our capital structure with our long-term business strategy, the Company is pursuing several plans that it believes will remedy the current borrowing base deficiency of \$26.5 million.

First, it should be noted that, as of December 31, 2002, the Company's proved developed reserves have a present value based on SEC regulations that include prices in effect at year-end and a 10% discount rate, of approximately \$460 million or approximately three times its total senior credit facility.

Based on current cash flow projections and the Company's specific knowledge of its drilling prospects and historical performance in the areas of anticipated activity, potential opportunities for non-strategic property sales and/or third party capital funding, it is management's judgment and belief that its business plan will provide the Company with the means to meet the required coverage for the new borrowing base by a combination of newly discovered reserves, proceeds from strategic sales of non-essential properties, where appropriate, and/or the infusion of third party capital in the form of sub-debt, all on or before July 29, 2003.

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Currently, the Company has scheduled three and possibly four exploration wells that can be drilled and logged prior to July 29, 2003, barring mechanical or other issues out of the Company's control, such as permitting issues, weather or equipment availability. The Company believes that these wells together have the potential of adding reserves sufficient to remedy the borrowing base deficiency.

In addition, the Company has identified certain properties which are not essential to its future growth and which it is in the process of marketing on a limited basis. These include reserves of up to 100 BCFE and production of approximately 50 mmcfe/d having an SEC PV10 value of over \$281 million. It is believed that a sale of all or a sufficient portion of these properties can be achieved on or before July 29, 2003.

Further, the Company is in discussions with third parties regarding the infusion of capital of up to \$45-50 million in the form of subordinated debt. These discussions are subject to certain due diligence verification of the reserves, financial reported data and title examination as well as approval by the senior lenders. If successful, the proceeds will be used to reduce the current indebtedness of the senior credit facility as well as to fund capital expenditures for calendar year 2003. Assuming positive results on both the due diligence and of the terms and conditions of the facility by the senior lenders,

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it is anticipated that this transaction could close on or before July 29, 2003.

There can be no assurances, however, additions to reserves, sufficient proceeds from the sale of non-strategic oil and natural gas properties and new subordinated debt or similar financing arrangements may be generated in sufficient time to satisfy our funding obligations under both the Credit Agreement and the subordinated debt agreement to permit an orderly reduction and restructuring of our debt capital.

OIL AND NATURAL GAS HEDGING ACTIVITIES. The Company may address market risk by selecting instruments whose value fluctuations correlate strongly with the underlying commodity being hedged. The Company enters into swaps and other derivative contracts to hedge the price risks associated with a portion of anticipated future oil and gas production. These swaps allow the Company to predict with greater certainty the effective oil and natural gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended. While the use of hedging arrangements limits the downside risk of adverse price movements, it may also limit future gains from favorable movements. Under these agreements, payments are received or made based on the differential between a fixed and a variable product price. These agreements are settled in cash at or prior to expiration or exchanged for physical delivery contracts. The Company does not obtain collateral to support the agreements, but monitors the financial viability of counter-parties and believes its credit risk is minimal on these transactions. In the event of nonperformance, the Company would be exposed to price risk. The Company has some risk of accounting loss since the price received for the product at the actual physical delivery point may differ from the prevailing price at the delivery point required for settlement of the hedging transaction.

These swaps have been designated as cash flow hedges as provided by FAS 133 and any changes in fair value of the cash flow hedge resulting from ineffectiveness of the hedge is reported in the consolidated statement of operations as revenues.

CAPITAL EXPENDITURES. In the first quarter of 2003, Meridian's exploration activities have been focused primarily in the Company's Biloxi Marshlands area. We anticipate drilling and 3-D seismic activities in the Biloxi Marshlands acreage will comprise the majority of our 2003 capital budget.

DIVIDENDS. It is our policy to retain existing cash for reinvestment in our business, and therefore, we do not anticipate that dividends will be paid with respect to the Common Stock in the foreseeable future. During

May 2002, the Company completed the private placement of \$67 million of 8.5% redeemable convertible preferred stock and dividends are payable semi-annually.

FORWARD-LOOKING INFORMATION

From time to time, we may make certain statements that contain "forward-looking" information as defined in the Private Securities Litigation Reform Act of 1995 and that involve risk and uncertainty. These forward-looking statements may include, but are not limited to exploration and seismic acquisition plans, anticipated results from current and future exploration prospects, future capital expenditure plans and plans to sell properties, anticipated results from third party disputes and litigation, expectations regarding future financing and

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compliance with our credit facility, the anticipated results of wells based on logging data and production tests, future sales of production, earnings, margins, production levels and costs, market trends in the oil and natural gas industry and the exploration and development sector thereof, environmental and other expenditures and various business trends. Forward-looking statements may be made by management orally or in writing including, but not limited to, the Management's Discussion and Analysis of Financial Condition and Results of Operations section and other sections of our filings with the Securities and Exchange Commission under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended.

Actual results and trends in the future may differ materially depending on a variety of factors including, but not limited to the following:

Changes in the price of oil and natural gas. The prices we receive for our oil and natural gas production and the level of such production are subject to wide fluctuations and depend on numerous factors that we do not control, including seasonality, worldwide economic conditions, the condition of the United States economy (particularly the manufacturing sector), foreign imports, political conditions in other oil-producing countries, the actions of the Organization of Petroleum Exporting Countries and domestic government regulation, legislation and policies. Material declines in the prices received for oil and natural gas could make the actual results differ from those reflected in our forward-looking statements.

Operating Risks. The occurrence of a significant event against which we are not fully insured could have a material adverse effect on our financial position and results of operations. Our operations are subject to all of the risks normally incident to the exploration for and the production of oil and natural gas, including uncontrollable flows of oil, natural gas, brine or well fluids into the environment (including groundwater and shoreline contamination), blowouts, cratering, mechanical difficulties, fires, explosions, unusual or unexpected formation pressures, pollution and environmental hazards, each of which could result in damage to or destruction of oil and natural gas wells, production facilities or other property, or injury to persons. In addition, we are subject to other operating and production risks such as title problems, weather conditions, compliance with government permitting requirements, shortages of or delays in obtaining equipment, reductions in product prices, limitations in the market for products, litigation and disputes in the ordinary course of business. Although we maintain insurance coverage considered to be customary in the industry, we are not fully insured against certain of these risks either because such insurance is not available or because of high premium costs. We cannot predict if or when any such risks could affect our operations. The occurrence of a significant event for which we are not adequately insured could cause our actual results to differ from those reflected in our forward-looking statements.

Drilling Risks. Our decision to purchase, explore, develop or otherwise exploit a prospect or property will depend in part on the evaluation of data obtained through geophysical and geological analysis, production data and engineering studies, which are inherently imprecise. Therefore, we cannot assure you that all of our drilling activities will be successful or that we will not drill uneconomical wells. The occurrence of unexpected drilling results could cause the actual results to differ from those reflected in our forward-looking statements.

Uncertainties in Estimating Reserves and Future Net Cash Flows. Reserve engineering is a subjective process of estimating the recovery from underground

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accumulations of oil and natural gas we cannot measure in an exact manner, and the accuracy of any reserve estimate is a function of the quality of those accumulations of data and of engineering and geological interpretation and judgment. Reserve estimates are inherently imprecise and may be expected to change as additional information becomes available. There are numerous uncertainties inherent in estimating quantities and values of proved reserves and in projecting future rates of production and timing of development expenditures, including many factors beyond our control. Because all reserve estimates are to some degree speculative, the quantities of oil and natural gas that we ultimately recover, production and operating costs, the amount and timing of future development expenditures and future oil and natural gas sales prices may differ from those assumed in these estimates. Significant downward revisions to our existing reserve estimates could cause the actual results to differ from those reflected in our forward-looking statements.

Borrowing base for the Credit Facility. The Credit Agreement with Societe Generale and Fortis Capital Corp. is presently scheduled for borrowing base redetermination dates on a quarterly basis beginning April 30, 2003. The borrowing base is redetermined on numerous factors including current reserve estimates, reserves that have recently been added, current commodity prices, current production rates and estimated future net cash flows. These factors have associated risks with each of them. Significant reductions or increases in the borrowing base will be determined by these factors, which, to a significant extent, are not under the Company's control.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is currently exposed to market risk from hedging contracts changes and changes in interest rates. A discussion of the market risk exposure in financial instruments follows.

INTEREST RATES

We are subject to interest rate risk on our long-term fixed interest rate debt and variable interest rate borrowings. Our long-term borrowings primarily consist of borrowings under the Credit Facility and principal due December 31, 2004 under our Subordinated Credit Agreement. Since interest charged borrowings under the Credit Facility floats with prevailing interest rates (except for the applicable interest period for Eurodollar loans), the carrying value of borrowings under the Credit Facility should approximate the fair market value of such debt. Changes in interest rates, however, will change the cost of borrowing. Assuming \$182.5 million remains borrowed under the Credit Facility and the Subordinated Credit Agreement, we estimate our annual interest expense will change by \$1.825 million for each 100 basis point change in the applicable interest rates utilized. Changes in interest rates would, assuming all other things being equal, cause the fair market value of debt with a fixed interest rate, such as the Notes, to increase or decrease, and thus increase or decrease the amount required to refinance the debt. The fair value of the Notes is dependent on prevailing interest rates and our current stock price as it relates to the conversion price of \$5.00 per share of our Common Stock.

HEDGING CONTRACTS

The Company may address market risk by selecting instruments whose value fluctuations correlate strongly with the underlying commodity being hedged. The Company enters into swaps and other derivative contracts to hedge the price risks associated with a portion of anticipated future oil and gas production.

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While the use of hedging arrangements limits the downside risk of adverse price movements, it may also limit future gains from favorable movements. Under these agreements, payments are received or made based on the differential between a fixed and a variable product price. These agreements are settled in cash at or prior to expiration or exchanged for physical delivery contracts. The Company does not obtain collateral to support the agreements, but monitors the financial viability of counter-parties and believes its credit risk is minimal on these transactions. In the event of nonperformance, the Company would be exposed to price risk. The Company has some risk of accounting loss since the price received for the product at the actual physical delivery point may differ from the prevailing price at the delivery point required for settlement of the hedging transaction.

The Company's results of operations and operating cash flows are impacted by changes in market prices for oil and natural gas. To mitigate a portion of the exposure to adverse market changes, the Company has entered into various swap agreements. These swaps allow the Company to predict with greater certainty the effective oil and natural gas prices to be received for our hedged production. Although derivatives often fail to achieve 100% effectiveness for accounting purposes, our derivative instruments continue to be highly effective in achieving the risk management objectives for which they were intended.

These swaps have been designated as cash flow hedges as provided by FAS 133 and any changes in fair value of the cash flow hedge resulting from ineffectiveness of the hedge is reported in the consolidated statement of operations as revenues.

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The estimated March 31, 2003, fair value of the Company's oil and natural gas swaps is an unrealized loss of \$10.5 million (\$6.8 million net of tax) recognized in other comprehensive income. Based upon March 31, 2003, oil and natural gas commodity prices, approximately \$7.2 million of the loss deferred in other comprehensive income is expected to lower gross revenues over the next twelve months when the revenues are generated. The swap agreements expire at various dates through July 31, 2005.

Payments under these swap agreements reduced oil and natural gas revenues by \$7,105,000 for the three months ended March 31, 2003, as a result of hedging transactions.

The Notional Amount is equal to the total net volumetric hedge position of the Company during the periods presented. The positions effectively hedge approximately 44% of our proved developed natural gas production and 70% of our proved developed oil production. The fair values of the hedges are based on the difference between the strike price and the New York Mercantile Exchange future prices for the applicable trading months.

	Notional Amount	Weighted Average Strike Price (\$ per unit)	Fair at
	-----	-----	-----
Natural Gas (mmbtu)			
April 2003 - June 2005	7,130,000	\$ 3.78	\$
Oil (bbls)			
April 2003 - July 2005	1,721,000	\$ 24.22	\$

ITEM 4. CONTROLS AND PROCEDURES

Within the 90-day period prior to the filing of this report, an evaluation was conducted under the supervision and with the participation of Meridian'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 Rule 13a-14(c) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of our evaluation.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On October 29, 2002, Veritas DGC Land Inc. ("Veritas Land") filed a complaint against Meridian. The dispute concerns a contract for seismic services for Meridian's Biloxi Marshlands project in St. Bernard Parish, Louisiana. Purporting to invoke force majeure, Veritas Land, together with Veritas DGC Inc. (collectively, "Veritas"), unilaterally terminated the parties' contract. The main dispute is whether Veritas had breached the parties' contract before the alleged force majeure events and/or when it terminated the contract; Meridian has not made any payments to Veritas under the parties' contract. Veritas' complaint seeks breach-of-contract damages of approximately \$6.8 million together with interest, costs and attorneys' fees.

On December 23, 2002, Meridian filed an answer denying the relief sought by Veritas and asserting a counterclaim against Veritas (1) declaring that (i) Meridian is not in breach of the parties' seismic contract, (ii) Meridian owes no amounts to Veritas under the parties' seismic contract or otherwise, (iii) Veritas materially breached the parties' contract, and (iv) Veritas Land is solidarily liable to Meridian for all liability of Veritas DGC Inc., and (2) seeking an award to Meridian of all attorneys' fees, court costs and other expenses, amounts and damages incurred or suffered (or to be incurred or suffered) by Meridian. On January 27, 2003, Veritas Land filed an answer to Meridian's counterclaim, generally denying the counterclaim and asserting various affirmative defenses thereto. Veritas DGC Inc. has not yet answered the counterclaim.

No scheduling order has yet been issued. The parties have not yet issued discovery to each other. Meridian intends to vigorously defend the claims against it and to vigorously prosecute its counterclaim.

There are no other material legal proceedings to which Meridian or any of its subsidiaries or partnerships is a party or to which any of its property is subject, other than ordinary and routine litigation incidental to the business of producing and exploring for crude oil and natural gas.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

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(a) Exhibits

- 99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.2 Certification of President pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.3 Certification of Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- (b) The Company filed no reports on Form 8-K during the first quarter of 2003.

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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.

THE MERIDIAN RESOURCE CORPORATION AND SUBSIDIARIES
(Registrant)

Date: May 15, 2003

By: LLOYD V. DELANO

Lloyd V. DeLano
Senior Vice President
Chief Accounting Officer

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CERTIFICATIONS

I, Joseph A. Reeves, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Meridian

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Resource Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

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/s/ Joseph A. Reeves, Jr.

Joseph A. Reeves, Jr.
Chief Executive Officer

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CERTIFICATIONS

I, Michael J. Mayell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Meridian Resource Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Michael J. Mayell

Michael J. Mayell
President

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CERTIFICATIONS

I, Lloyd V. DeLano, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Meridian Resource Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - (c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

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6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Lloyd V. DeLano

Lloyd V. DeLano
Chief Accounting Officer

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INDEX TO EXHIBIT

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