

ISRAMCO INC
Form 10-Q
November 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

Check
One

- Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2014

or

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

Commission File Number 0-12500

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

Delaware
(State or other Jurisdiction of Incorporation or
Organization)

13-3145265
I.R.S. Employer Number

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company

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

As of November 10, 2014, Isramco, Inc, had 2,717,691 outstanding shares of common stock, par value \$0.01 per share.

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Forward Looking Statements

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

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PART I - Financial Information

ITEM 1. Financial Statements

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

	As of September 30, 2014	As of December 31, 2013
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,226	\$ 4,149
Accounts receivable, net of allowances for doubtful accounts of \$639 and \$536	19,516	14,755
Restricted cash	61	1,561
Inventories	897	428
Deferred tax assets	6,561	6,539
Prepaid expenses and other	2,228	911
Total Current Assets	36,489	28,343
Property and Equipment, at cost – successful efforts method:		
Oil and gas properties	241,355	236,399
Advanced payment for equipment	738	330
Production services equipment and other	52,479	36,836
Total Property and Equipment	294,572	273,565
Accumulated depreciation, depletion and amortization and impairment	(161,446)	(153,147)
Net Property and Equipment	133,126	120,418
Deferred tax assets and other	9,092	9,152
Total assets	\$ 178,707	\$ 157,913
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,883	\$ 13,906
Bank overdraft	40	791
Short term debt	1,763	601
Due to related party and accrued interest	26,346	15,275
Total current liabilities	44,032	30,573
Due to related party and accrued interest	84,848	96,035
Other Long-term Liabilities:		
Deferred tax liabilities	2,517	-
Asset retirement obligations	19,791	18,814
Total liabilities	151,188	145,422
Commitments and contingencies		

Shareholders' equity:			
Common stock \$0.01 par value; authorized 7,500,000 shares; issued 2,746,958 shares; outstanding 2,717,691 shares		27	27
Additional paid-in capital		23,853	23,268
Retained Earnings (Accumulated deficit)		3,024	(11,257)
Treasury stock, 29,267 shares at cost		(164)	(164)
Total Isramco, Inc. shareholders' equity		26,740	11,874
Non controlling interest		779	617
Total equity		27,519	12,491
Total liabilities and shareholders' equity	\$	178,707	\$ 157,913

See notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Revenues				
Oil and gas sales	\$ 18,602	\$ 14,444	\$ 48,477	\$ 36,716
Production services	8,886	4,833	22,782	10,530
Office services	141	195	464	522
Other	56	113	563	307
Total revenues	27,685	19,585	72,286	48,075
Operating expenses				
Lease operating expense, transportation and taxes	5,138	5,150	15,156	14,849
Depreciation, depletion and amortization	3,041	2,459	8,299	7,393
Accretion expense	225	224	647	664
Production services	6,872	3,059	17,704	6,981
Loss from plug and abandonment	23	3	22	226
General and administrative	1,086	885	3,341	2,914
Total operating expenses	16,385	11,780	45,169	33,027
Operating income	11,300	7,805	27,117	15,048
Other expenses				
Interest expense, net	1,720	1,659	5,075	4,847
Capital (gain) loss	(104)	89	(93)	83
Total other expenses	1,616	1,748	4,982	4,930
Income before income taxes	9,684	6,057	22,135	10,118
Income tax expense	(3,364)	(2,058)	(7,691)	(3,456)
Net income	\$ 6,320	\$ 3,999	\$ 14,444	\$ 6,662
Net income attributable to non-controlling interests	77	176	163	240
Net income attributable to Isramco	\$ 6,243	\$ 3,823	\$ 14,281	\$ 6,422
Earnings per share – basic:	\$ 2.30	\$ 1.41	\$ 5.25	\$ 2.36
Earnings per share – diluted:	\$ 2.30	\$ 1.41	\$ 5.25	\$ 2.36
Weighted average number of shares				
outstanding basic:	2,717,691	2,717,691	2,717,691	2,717,691
Weighted average number of shares outstanding				
diluted:	2,717,691	2,717,691	2,717,691	2,717,691

See notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended		Nine Months	
	September 30		Ended September 30	
	2014	2013	2014	2013
Net income	\$ 6,320	\$ 3,999	\$ 14,444	\$ 6,662
Other comprehensive income				
Comprehensive income	6,320	3,999	14,444	6,662
Comprehensive income (loss) attributable to non-controlling interests	77	176	163	240
Comprehensive Income attributable to Isramco	\$ 6,243	\$ 3,823	\$ 14,281	\$ 6,422

See notes to the unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2014	2013
Cash Flows From Operating Activities:		
Net income	\$ 14,444	\$ 6,662
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	8,299	7,393
Bad debt expense	103	-
Accretion expense	647	664
Changes in deferred taxes	2,555	936
Capital (gain) loss	(93)	83
Changes in components of working capital and other assets and liabilities		
Accounts receivable	(4,864)	(4,490)
Prepaid expenses, other receivables and other current assets	945	109
Due to related party	1,455	4,874
Inventories	(469)	(138)
Accounts payable and accrued expenses	(645)	(466)
Net cash provided by operating activities	22,377	15,627
Cash flows from investing activities:		
Addition to property and equipment, net	(19,005)	(13,844)
Restricted cash and deposit, net	1,500	(1,500)
Proceeds from sale of equipment and oil & gas properties	165	-
Net cash used in investing activities	(17,340)	(15,344)
Cash flows from financing activities:		
Proceeds (repayments) on loans – related parties, net	(108)	1,500
Borrowings (repayments) of bank overdraft, net	(752)	128
Repayments of short - term debt, net	(1,100)	-
Net cash provided by (used in) financing activities	(1,960)	1,628
Net increase in cash and cash equivalents	3,077	1,911
Cash and cash equivalents at beginning of period	4,149	615
Cash and cash equivalents at end of period	\$ 7,226	\$ 2,526

See notes to the unaudited condensed consolidated financial statements.

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

Note 1 - Financial Statement Presentation

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

The accompanying unaudited financial statements and notes of Isramco have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying financial statements and notes should be read in conjunction with the accompanying financial statements and notes included in Isramco’s Annual Report on Form 10-K for the year ended December 31, 2013.

The accompanying unaudited interim financial statements furnished in this report reflect all adjustments that are, in the opinion of management, necessary to fairly present Isramco’s results of operations and cash flows for the three-month and nine-month periods ended September 30, 2014 and 2013 and Isramco’s financial position as of September 30, 2014.

Use of Estimates

The preparation of the Company’s condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the respective reporting periods. The Company bases its estimates and judgments on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained, and as the Company’s operating environment changes. Actual results may differ from the estimates and assumptions used in the preparation of the Company’s condensed consolidated financial statements.

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

Concentrations of Credit Risk

Our production service subsidiary customers include major oil and natural gas production companies and independent oil and natural gas production companies. We perform credit evaluations of our customers and usually do not require collateral. We maintain reserves for potential credit losses when necessary.

During the nine months ended September 30, 2014, one individual customer accounted for 11% of the production services subsidiary revenues. No other customer accounted for more than 10% of the production services subsidiary's revenue in the nine month ended September 30, 2014. The Company believes the loss of one or more customers of our production service subsidiary would not have a significant effect on this Segment because the Company believes that it can employ its rigs with other existing customers or new customers to the extent it has in the past in such circumstances.

Consolidation

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

Asset Retirement Obligation

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

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Note 2 - Supplemental Cash Flow Information

The Israeli taxing authority withheld taxes of \$4,440,000 and 1,599,000 during the nine-months ended September 30, 2014 and 2013 respectively. There were no other cash payments for taxes during these periods.

Cash payments for interest were \$3,547,000 and \$0 for the periods ended September 30, 2014 and 2013 respectively.

The condensed consolidated statement of cash flows for the period ended September 30, 2014 excludes the following non-cash transactions:

Property and equipment of \$1,713,000 included in accounts payable.

Increase in property and equipment of \$378,000 due to additional asset retirement obligation.

Insurance premiums financed through issuance of short term debt of \$2,263,000.

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

Related-party accrued interest payment of \$753,000 was withholding tax included in accounts payable.

The condensed consolidated statement of cash flows for the nine-month period ended September 30, 2013 excludes the following non-cash transactions:

Property and equipment of \$886,000 included in accounts payable.

Accrued interest of \$1,840,000 included as part of the related-party loan amended on June 30, 2013.

Note 3 - Debt and Interest Expense

Long-Term Related Party Debt as of September 30, 2014 and December 31, 2013 consisted of the following (in thousands):

	As of September 30, 2014	As of December 31, 2013
Libor + 6% Related party Debt	\$ 12,000	\$ 12,000
Libor + 5.5% Related party Debt	3,500	3,500
Libor + 5.5% Related party Debt	10,000	10,000
Libor + 6% Related party Debt	11,391	11,500
Libor + 6% Related party Debt	6,000	6,000
Libor + 6% Related party Debt	43,701	43,701
Libor + 5.5% Related party Debt	6,456	6,456
Libor + 6% Related party Debt	1,500	1,500
Accrued interest	16,361	16,299
	110,909	110,956
Less: Current Portion of Long-Term Debt and Accrued Interest	(26,061)	(14,921)
Total	\$ 84,848	\$ 96,035

Related Party Debt

On February 13, 2013, the Company entered into a Loan Agreement with Israel Oil Company LTD (“IOC”), pursuant to which it borrowed \$1,500,000. The loan bears interest of Libor+6% per annum and matures on February 13, 2018,

when all accrued interest and principal is due and payable. The loan may be prepaid at any time without penalty or premium. The loan is unsecured. The purpose of the loan was to provide funds to back up a Letter of Credit.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2013 under Note 5. Long-Term Debt and Interest Expense, on March 1, 2013 Loan agreements and notes with an aggregated principal amount of \$49,456,000 were amended. The terms of all these loans and notes between the Company and related parties were amended extending the maturity to December 31, 2018. In addition the payment schedule was changed on all of the loans and notes to require interest only payments on December 31, 2014, December 31, 2015, December 31, 2016, December 31, 2017 and a final interest payment on December 31, 2018 along with all outstanding principal paid in four equal installments with the first payment on December 31, 2015 and a similar payment made December 31 in each of the following three years until the final payment on December 31, 2018. The other terms of these loan agreements and notes remained unchanged.

On June 30, 2013, the terms of an Amended and Restated Loan Agreement dated May 25, 2008, and note between the Company and Jerusalem Oil Exploration, Ltd. ("JOEL") were amended to extend the maturity date to June 30, 2017. The payment schedule of the loan agreement and note was amended to require principal and accrued interest to be paid in three (3) installments in the amounts reflected in Promissory Note due on June 30th of each year commencing June 30, 2015. The other terms of the loan agreement and note remained unchanged.

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The Company evaluated the application of ASC 470-50 “Debt Modification and Extinguishment” and ASC 470-60 “Troubled Debt Restructuring” and concluded that the revised terms constituted a debt modification, rather than a debt extinguishment or a troubled debt restructuring.

Isramco also had related party payables of \$285,000 and \$354,000 as of September 30, 2014, and December 31, 2013, respectively which are included in the Due to related party and accrued interest section of the condensed consolidated balance sheets.

Short-Term Debt

As of September 30, 2014 and December 31, 2013 outstanding debt from short-term insurance financing agreements totaled \$1,763,000 and \$601,000 respectively. During the nine-months ended September 30, 2014 the Company borrowed an additional \$2,262,000 and made cash payments totaling \$1,100,000. The Company also reduced the bank overdraft by \$752,000.

Interest expense

The following table summarizes the amounts included in interest expense for the nine months ended September 30, 2014 and 2013 (in thousands):

	Nine Months Ended September 30,	
	2014	2013
Current debt, long-term debt and other - banks corporation	\$ -	\$ -
Long-term debt – related parties	5,075	4,847
	\$ 5,075	\$ 4,847

Note 4 - Tamar Field Proceeds

We own an overriding royalty interest of 1.5375% in the Tamar Field, which will increase to 2.7375% after payout (collectively the “Tamar Royalty”). An overriding royalty interest is an ownership interest in the oil and gas leasehold estate equating to a certain percentage of production or production revenues, calculated free of the costs of production and development of the underlying lease(s), but subject to its proportionate share of certain post production costs. An overriding royalty interest is a non-possessory interest in the oil and gas leasehold estate and, accordingly, we have no control over the operations, drilling, expenses, timing, production, sales, or any other aspect of development or production of the Tamar Field. For additional information, please see the disclosure related to the Tamar Royalty set forth in the ITEM 1. BUSINESS section included in our Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference herein.

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

Since Isramco's interest in the Tamar Field is an overriding royalty interest, there are no amounts capitalized with respect to Tamar Field during the years 2012, 2013, or 2014.

During the nine months ended September 30, 2014, Tamar Field net sales attributable to Isramco amounted to 3,250,702 Mcf of natural gas and 4,030 Bbl of condensate with prices of \$5.83 per Mcf and \$97.59 per Bbl of condensate. Total revenues net of marketing and transportation expenses were \$19,254,000. Israeli Tax Authorities withheld \$5,102,000 of this revenue which is recognized as an asset on the Company's condensed consolidated balance sheets.

Note 5 - Segment Information

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

Oil and Gas Exploration and Production Segment

Our Oil and Gas segment is engaged in the exploration, development and production of oil and natural gas properties located onshore in the United States and ownership of various royalty interests in oil and gas concessions located offshore Israel. We own varying working interests in oil and gas wells in Louisiana, Texas, New Mexico, Oklahoma, Wyoming, Utah and Colorado and currently serve as operator of approximately 589 wells, most of which are located in Texas and New Mexico.

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Production Services Segment

Our rig-based services include the completion of newly drilled wells, workover and recompletion of existing oil and natural gas wells, well maintenance, and the plugging and abandonment of wells at the end of their useful lives.

Our completion and recompletion services prepare a newly drilled well, or alternative production zones in a well, for production. The completion process may involve selectively perforating the well casing to access production zones, stimulating and testing these zones, and installing tubular and downhole equipment. We typically provide a production services rig and also may provide other equipment to assist in the completion process. The completion process may take a few days to several weeks, depending on the nature of the completion.

Our workover services are designed to enhance the production of existing wells and, generally, are more complex and time consuming than normal maintenance services. Workover services can include sealing off depleted production zones and accessing previously bypassed production zones, converting former production wells into injection wells for enhanced recovery operations, and conducting major subsurface repairs due to equipment failures. Workover services may last from a few days to several weeks, depending on the complexity of the workover.

The maintenance services that we provide with our rig fleet are generally required throughout the life cycle of an oil or natural gas well. Examples of these maintenance services include routine mechanical repairs to the pumps, tubing and other equipment, removing debris and formation material from wellbores, and pulling the rods and other downhole equipment from wellbores to identify and resolve production problems. Maintenance services generally take less than 48 hours to complete. Our rig fleet is also used in the process of permanently shutting-in oil or natural gas wells that are at the end of their productive lives. These plugging and abandonment services generally require auxiliary equipment in addition to a well servicing rig. The demand for plugging and abandonment services is not significantly impacted by the demand for oil and natural gas because well operators are required by state and federal regulations to plug wells that are no longer productive.

thousands	Oil and Gas Exploration & Production	Production Services	Eliminations	Total
Three Months Ended September 30, 2014:				
Sales revenues				
United States	\$ 9,562	\$ 8,886	\$ -	\$ 18,448
Israel	9,040	-	-	9,040
Intersegment revenues	-	129	(129)	-
Office services and other	227	-	(30)	197
Total revenues and other	18,829	9,015	(159)	27,685
Operating costs and expenses				
Operating costs and expenses	8,568	7,976	(159)	16,385
Interest expenses, net	1,113	607	-	1,720
Capital (gain) loss	(152)	48	-	(104)
Total expenses and other	9,529	8,631	(159)	18,001
Income before income taxes	\$ 9,300	\$ 384	\$ -	\$ 9,684
Net Income	6,044	276	-	6,320
Net income attributable to noncontrolling interests	-	77	-	77
Net income attributable to Isramco	6,044	199	-	6,243

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Total Assets	\$	119,623	\$	59,084	\$	-	\$	178,707
Expenditures for Long-lived Assets	\$	2,352	\$	5,561	\$	-	\$	7,913

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thousands	Oil and Gas Exploration & Production	Production services	Eliminations	Total
Three Months Ended September 30, 2013:				
Sales revenues				
United States	\$ 9,007	\$ 4,833	\$ -	\$ 13,840
Israel	5,437	-	-	5,437
Intersegment revenues	-	612	(612)	-
Office services and other	338	-	(30)	308
Total revenues and other	14,782	5,445	(642)	19,585
Operating costs and expenses				
Operating costs and expenses	8,274	4,148	(642)	11,780
Interest expenses, net	1,245	414	-	1,659
Capital Loss	89	-	-	89
Total expenses and other	9,608	4,562	(642)	13,528
Income before income taxes	\$ 5,174	\$ 883	\$ -	\$ 6,057
Net Income	3,363	636	-	3,999
Net income attributable to noncontrolling interests	-	176	-	176
Net Income attributable to Isramco	3,363	460	-	3,823
Total Assets	\$ 135,455	\$ 33,946	\$ -	\$ 169,401
Expenditures for Long-lived Assets	\$ 1,807	\$ 5,504	\$ -	\$ 7,311
thousands	Oil and Gas Exploration & Production	Production services	Eliminations	Total
Nine Months Ended September 30, 2014:				
Sales revenues				
United States	\$ 29,223	\$ 22,782	\$ -	\$ 52,005
Israel	19,254	-	-	19,254
Intersegment revenues	-	598	(598)	-
Office services and other	1,117	-	(90)	1,027
Total revenues and other	49,594	23,380	(688)	72,286
Operating costs and expenses				
Operating costs and expenses	25,115	20,742	(688)	45,169
Interest expenses, net	3,299	1,776	-	5,075
Capital (gain) loss	(141)	48	-	(93)
Total expenses and other	28,273	22,566	(688)	50,151
Income before income taxes	\$ 21,321	\$ 814	\$ -	\$ 22,135
Net Income	13,858	586	-	14,444
Net income attributable to noncontrolling interests	-	163	-	163
Net income attributable to Isramco	13,858	423	-	14,281
Total Assets	\$ 119,623	\$ 59,084	\$ -	\$ 178,707
Expenditures for Long-lived Assets	\$ 4,963	\$ 15,755	\$ -	\$ 20,718

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thousands	Oil and Gas Exploration & Production	Production services	Eliminations	Total
Nine Months Ended September 30, 2013:				
Sales revenues				
United States	\$ 26,638	\$ 10,530	\$ -	\$ 37,168
Israel	10,078	-	-	10,078
Intersegment revenues	-	1,941	(1,941)	-
Office services and other	919	-	(90)	829
Total revenues and other	37,635	12,471	(2,031)	48,075
Operating costs and expenses				
Operating costs and expenses	24,891	10,167	(2,031)	33,027
Interest expenses, net	3,738	1,109	-	4,847
Capital gain (loss)	89	(6)	-	83
Total expenses and other	28,718	11,270	(2,031)	37,957
Income before income taxes	\$ 8,917	\$ 1,201	\$ -	\$ 10,118
Net Income	5,797	865	-	6,662
Net income attributable to noncontrolling interests	-	240	-	240
Net Income attributable to Isramco	5,797	625	-	6,422
Total Assets	\$ 135,455	\$ 33,946	\$ -	\$ 169,401
Expenditures for Long-lived Assets	\$ 4,121	\$ 10,654	\$ -	\$ 14,775

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

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

Overview

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

We own an overriding royalty interest of 1.5375% in the Tamar Field, which will increase to 2.7375% after payout (collectively the "Tamar Royalty"). An overriding royalty interest is an ownership interest in the oil and gas leasehold estate equating to a certain percentage of production or production revenues, calculated free of the costs of production and development of the underlying lease(s), but subject to its proportionate share of certain post production costs. An overriding royalty interest is a non-possessory interest in the oil and gas leasehold estate and, accordingly, we have no control over the operations, drilling, expenses, timing, production, sales, or any other aspect of development or production of the Tamar Field. For additional information, please see the disclosure related to the Tamar Royalty set forth in the ITEM 1. BUSINESS section included in our Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference herein.

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

During the nine months ended September 30, 2014, Tamar Field net sales attributable to Isramco amounted to 3,250,702 Mcf of natural gas and 4,030 Bbl of condensate with prices of \$5.83 per Mcf and \$97.59 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$19,254,000. Israeli Tax Authorities

withheld \$5,102,000 of this revenue which is recognized as an asset on the Company's condensed consolidated balance sheets.

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

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Concentrations of Credit Risk

Our production service subsidiary customers include major oil and natural gas production companies and independent oil and natural gas production companies. We perform credit evaluations of our customers and usually do not require collateral. We maintain reserves for potential credit losses when necessary.

During the nine months ended September 30, 2014, one individual customer accounted for 11% of the production services subsidiary revenues. No other customer accounted for more than 10% of the production services subsidiary's revenue in the nine month ended September 30, 2014. The Company believes the loss of one or more customers of our production service subsidiary would not have a significant effect on this Segment because the Company believes that it can employ its rigs with other existing customers or new customers to the extent it has in the past in such circumstances.

Liquidity and Capital Resources

Our primary source of cash during the nine months ended September 30, 2014 was cash flow from operating activities. We continuously monitor our liquidity and evaluate our development plans in light of a variety of factors, including, but not limited to, our cash flows, capital resources and drilling success.

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

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

During the nine months ended September 30, 2014, our cash increased by \$3.1 million. Specifically, the net cash provided by operating activities of \$22.4 million, a release of restricted cash in the amount of \$1.5 million, and proceeds from sale of equipment for \$0.2 million were offset by an investment of \$19.0 million in production services equipment and oil and gas properties, \$1.9 million in repayments of short-term debt and bank overdraft, and \$0.1 million in repayments of long-term related party debt.

Debt

As of	As of
September 30,	December 31,

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	2014	2013
Long – term debt – related party	\$ 94,548	\$ 94,657
Current maturities of long-term debt, short-term debt and bank overdraft	1,803	1,392
Total debt	\$ 96,351	\$ 96,049
Stockholders' equity	\$ 27,519	\$ 12,491
Debt to capital ratio	78%	88%

As of September 30, 2014, our total debt was \$96,351,000, compared to total debt of \$96,049,000 at December 31, 2013.

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Contractual Obligations

Aggregate maturities of contractual obligations at September 30, 2014 are due in future years as follows (in thousands):

	Total	2014	2015	2016	2017	2018
Long-term related party debt & accrued interest	\$ 110,909	12,865	25,451	29,364	29,364	13,865
Equipment Purchase Obligations	580	580	-	-	-	-
Total	\$ 111,489	13,445	25,451	29,364	29,364	13,865

Cash Flow

Our primary source of cash during the nine months ended September 30, 2014 was cash flow from operating activities. In 2014, cash received from operations and the release of restricted cash was primarily used for investments in production services equipment and oil and gas properties. In 2013, cash received from operations and proceeds from a related party loan was primarily used for investments in equipment for production services subsidiary, oil and gas properties and a restricted cash deposit.

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

	Nine months Ended September 30,	
	2014	2013
	(In thousands)	
Cash flows provided by operating activities	\$ 22,377	\$ 15,627
Cash flows used in investing activities	(17,340)	(15,344)
Cash flows provided by (used in) financing activities	(1,960)	1,628
Net increase in cash	\$ 3,077	\$ 1,911

Operating Activities, During the nine months ended September 30, 2014, compared to the same period in 2013, net cash flow provided by operating activities increased by \$6,750,000 to \$22,377,000. The increase was primarily attributable to proceeds from our overriding royalty interest in the Tamar Field offshore Israel, revenues from our production services segment, and an increase in revenues from our United States based production operations. This increase was partially offset by changes in the working capital.

The increase in revenues from crude oil, natural gas and natural gas liquids (“NGLs”) was caused by an increase in prices for natural gas and NGLs and an increase in sales volumes of crude oil, which were slightly offset by a decrease in sales volumes of natural gas and NGLs. The average crude oil price for the nine months ended September 30, 2014 was \$95.12/Bbl compared to \$96.43/Bbl, natural gas \$4.67/Mcf compared to \$3.94/Mcf, and NGLs \$33.38/Bbl compared to \$30.31/Bbl for the nine months ended September 30, 2013.

Investing Activities, Net cash flows used in investing activities for the nine months ended September 30, 2014 and 2013 were \$17,340,000 and \$15,344,000, respectively. During the first nine months of 2014, the Company invested \$19,005,000 in equipment for the production services subsidiary and oil and gas properties and decreased the restricted cash balance by \$1,500,000.

Financing Activities, Net cash flows provided by (used in) financing activities were (\$1,960,000) and \$1,628,000 for the nine months ended September 30, 2014 and 2013, respectively. During the first nine months of 2014 the Company made payments on related party debt of \$108,000, made payment on insurance premium financing in the amount of \$1,100,000 and reduced its bank overdraft by \$752,000.

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Results of Operations

Three Months Ended September 30, 2014 Compared to Three Months Ended September 30, 2013

Selected Data

	Three Months Ended September 30,	
	2014	2013
	(In thousands except per share and BOE amounts)	
Financial Results		
Oil and Gas sales		
United States	\$ 9,562	\$ 9,007
Israel	9,040	5,437
Production Services	8,886	4,833
Other	197	308
Total revenues and other	27,685	19,585
Cost and expenses		
Other expenses	1,616	1,748
Income tax expense	3,364	2,058
Net income attributable to common shareholders	6,320	3,999
Net income attributable to non-controlling interests	77	176
Net income attributable to Isramco	6,243	3,823
Earnings per common share – basic	\$ 2.30	\$ 1.41
Earnings per common share – diluted	\$ 2.30	\$ 1.41
Weighted average number of shares outstanding- basic	2,717,691	2,717,691
Weighted average number of shares outstanding- diluted	2,717,691	2,717,691
Operating Results		
Adjusted EBITDAX (1)	\$ 14,670	\$ 10,399
Sales volumes United States (MBOE)	179	164
Sales volumes Israel (MBOE)	258	159
Average cost per BOE United States: (2)		
Production (excluding transportation and taxes)	\$ 23.13	\$ 24.56
General and administrative	\$ 4.99	\$ 4.93
Depletion	\$ 11.64	\$ 12.57

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

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

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Financial Results

Net income in the third quarter of 2014 was \$6,243,000 or \$2.30 per share. This compares to net income of \$3,823,000 or \$1.41 per share for the same period in 2013.

This increase was primarily due to revenues from the Tamar Royalty, an increase in revenues from production services activities, and an increase in United States based production revenues. These increases were partially offset by increased operating and income tax expenses.

Revenues, Volumes and Average Prices (United States) Oil and Gas Segment

Sales Revenues

In thousands except percentages	Three Months Ended September 30,		
	2014	2013	D vs. 2013
Gas sales	\$ 1,894	\$ 1,617	17%
Oil sales	6,826	6,597	3
Natural gas liquid sales	842	793	6
Total	\$ 9,562	\$ 9,007	6%

The Company's sales revenues from U.S. based oil and gas operations for the third quarter of 2014 increased by 6% when compared to same period in 2013 due to higher prices received for natural gas, and NGLs and higher volumes produced of natural gas, NGLs, and crude oil. This increase was partially offset by a decrease in oil prices.

Revenues, Volumes and Average Prices (Israel)

During three months ended September 30, 2014 the Tamar Field net sales applicable to Isramco amounted to 1,535,389 Mcf of natural gas and 1,603 Bbl of condensate with prices of \$5.82 per Mcf and \$90.67 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$9,040,000.

During three months ended September 30, 2013 the Tamar Field net sales applicable to Isramco amounted to 941,681 Mcf of natural gas and 1,282 Bbl of condensate with prices of \$5.43 per Mcf and \$102.35 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$5,437,000.

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Volumes and Average Prices (United States)

	Three Months Ended September 30,		
	2014	2013	D vs. 2013
Natural Gas			
Sales volumes Mmcf	458.34	435.15	5%
Average Price per Mcf	\$ 4.13	\$ 3.72	11
Total gas sales revenues (thousands)	\$ 1,894	\$ 1,617	17%
Crude Oil			
Sales volumes MBbl	74.25	63.82	16%
Average Price per Bbl	\$ 91.93	\$ 103.37	(11)
Total oil sales revenues (thousands)	\$ 6,826	\$ 6,597	3%
Natural gas liquids			
Sales volumes MBbl	28.25	27.35	3%
Average Price per Bbl	\$ 29.80	\$ 29.00	3
Total natural gas liquids sales revenues (thousands)	\$ 842	\$ 793	6%

In the United States the Company's natural gas sales volumes increased by 5%, crude oil sales volumes increased by 16%, and natural gas liquids sales volumes increased by 3% for the third quarter of 2014 compared to the same period of 2013.

The Company's average natural gas price received for the third quarter of 2014 increased by 11%, or \$0.41 per Mcf, when compared to the same period of 2013. The Company's average crude oil price for the third quarter of 2014 decreased by 11%, or \$11.44 per Bbl, when compared to the same period of 2013. Our average natural gas liquids price for the third quarter of 2014 increased by 3%, or \$0.80 per Bbl, when compared to the same period of 2013.

Analysis of Oil and Gas Operations Sales Revenues (United States)

The following table provides a summary of the effects of changes in volumes and prices on Isramco's United States sales revenues for the three months ended September 30, 2014 compared to the same period of 2013.

In thousands	Natural Gas	Oil	Natural gas liquids
2013 sales revenues	\$ 1,617	\$ 6,597	\$ 793
Changes associated with sales volumes	86	1,078	26
Changes in prices	191	(849)	23
2014 sales revenues	\$ 1,894	\$ 6,826	\$ 842

Operating Expenses

In thousands except percentages	Three Months Ended September 30,		
	2014	2013	D vs. 2013

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Lease operating expense, transportation and taxes	\$	5,138	\$	5,150	0%
Depreciation, depletion and amortization of oil and gas properties		2,258		2,057	10
Accretion expense		225		224	0
Loss from plugging and abandonment of wells		23		3	667
General and administrative		924		840	10
	\$	8,568	\$	8,274	4%

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During three months ended September 30, 2014, our operating expenses increased by 4% when compared to the same period of 2013 due to the following factors:

· Depreciation, Depletion & Amortization (“DD&A”) of the cost of proved oil and gas properties is calculated using the unit-of-production method. Our DD&A rate and expense are the composite of numerous individual field calculations. There are several factors that can impact our composite DD&A rate and expense including, but not limited to, field production profiles, drilling or acquisition of new wells, disposition of existing wells, and reserve revisions (upward or downward) primarily related to well performance and commodity prices, and impairments. Changes in these factors may cause our composite DD&A rate and expense to fluctuate from period to period. DD&A increased by 10%, or \$201,000 in 2014 when compared to 2013.

· General and administrative expenses increased by 10%, or \$84,000 in 2014 when compared to 2013 primarily due to increase in legal fees.

Production Services Segment

In thousands except percentages	Three Months Ended September 30,		
	2014	2013	D vs. 2013
Production Services (1)	\$ 9,015	\$ 5,445	66%
Operating expenses	7,000	3,670	91
Depreciation	783	402	95
General and administrative	193	76	154
Operating Income	\$ 1,039	\$ 1,297	(20)%

(1) Production Services revenue includes intersegment revenues.

Our sales revenues from production services operations for the third quarter of 2014 increased by 66% or \$3,570,000 when compared to same period in 2013 due to an increase in the number of field offices, auxiliary vehicles, and deployed rigs.

Operating expenses from production services operations for the third quarter of 2014 increased by 91% or \$3,330,000 when compared to the same period in 2013 due to the related payroll, fuel, and other costs incurred as a result of the increase in the number of deployed rigs, auxiliary vehicles, and field offices.

Production service equipment depreciation – the amounts represent depreciation of production services rigs and auxiliary equipment for our production services subsidiary, the increase in depreciation expenses in the third quarter of 2014 of \$381,000 associated with increase in the number of rigs and the amount of auxiliary equipment.

General and administrative expenses from production services operations for the third quarter of 2014 increased by 154% or \$117,000 when compared to the same period in 2013 primarily due to an increase in the allowance for doubtful accounts.

Other expenses

In thousands except percentages	Three Months Ended September 30,		
	2014	2013	D vs. 2013

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Interest expense, net	\$	1,720	\$	1,659	4%
Capital (gain) loss		(104)		89	(217)
	\$	1,616	\$	1,748	(8)%

Interest expense. Isramco's interest expense increased by 4%, or \$61,000, for the three months ended September 30, 2014 compared to the same period of 2013. This increase was primarily due to higher average outstanding loans balance during the third quarter of 2014 compared to 2013.

Adjusted EBITDAX.

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

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

In thousands except percentages	Three Months Ended September 30,	
	2014	2013
Income from operations before income taxes	\$ 9,684	\$ 6,057
Depreciation, depletion and amortization expense	3,041	2,459
Interest expense	1,720	1,659
Accretion expense	225	224
Consolidated Adjusted EBITDAX	\$ 14,670	\$ 10,399

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Nine Months Ended September 30, 2014 Compared to Nine Months Ended September 30, 2013

Selected Data

	September 30,	
	2014	2013
	(In thousands except per share and MBOE amounts)	
Financial Results		
Oil and Gas sales		
United States	\$ 29,223	\$ 26,638
Israel	19,254	10,078
Production Services	22,782	10,530
Other	1,027	829
Total revenues and other	72,286	48,075
Cost and expenses		
Other expense	4,982	4,930
Income tax expense	7,691	3,456
Net income attributable to common shareholders	14,444	6,662
Net income attributable to non-controlling interests	163	240
Net income attributable to Isramco	14,281	6,422
Earnings per common share - basic	\$ 5.25	\$ 2.36
Earnings per common share - diluted	\$ 5.25	\$ 2.36
Weighted average number of shares outstanding-basic	2,717,691	2,717,691
Weighted average number of shares outstanding- diluted	2,717,691	2,717,691
Operating Results		
Adjusted EBITDAX (1)	\$ 36,156	\$ 23,022
Sales volumes United States (MMBOE)	521	511
Sales volumes Israel (MMBOE)	546	300
Average cost per MBOE - United States: (2)		
Production (excluding transportation and taxes)	\$ 23.34	\$ 22.79
General and administrative	\$ 5.68	\$ 5.23
Depletion	\$ 11.65	\$ 12.51

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

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

Financial Results

Net income, in the nine months ended September 30, 2014, was \$14,281,000 or \$5.25 per share. This compares to net income of \$6,422,000, or \$2.36 per share, for the same period of 2013.

This increase was primarily due to revenues from our Tamar Royalty, an increase in revenues from production services activities, and increase in United States based production revenues. These increases were partially offset by increased production services, lease operating and income tax expenses.

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Revenues, Volumes and Average Prices (United States) Oil and Gas Segment

Sales Revenues

Nine Months Ended September 30,

In thousands except percentages	2014	2013	D vs. 2013
Gas sales	\$ 6,376	\$ 5,447	17%
Oil sales	20,117	18,521	9
Natural gas liquid sales	2,730	2,670	2
Total	\$ 29,223	\$ 26,638	10%

The Company's sales revenues from U.S. based oil and gas operations for the nine months ended September 30, 2014 increased by 10% when compared to same period of 2013 due to higher prices received for natural gas, and NGLs and increased production volumes for crude oil which was slightly offset by lower production volumes for natural gas and NGLs.

Revenues, Volumes and Average Prices (Israel)

During the nine months ended September 30, 2014 the Tamar Field net sales applicable to Isramco amounted to 3,250,702 Mcf of natural gas and 4,030 Bbl of condensate with prices of \$5.83 per Mcf and \$97.59 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$19,254,000.

During nine months ended September 30, 2013 the Tamar Field net sales applicable to Isramco amounted to 1,783,180 Mcf of natural gas and 2,328 Bbl of condensate with prices of \$5.52 per Mcf and \$99.04 per Bbl of condensate. Total revenues net of marketing and transportations expenses were \$10,078,000.

Volumes and Average Prices

Nine Months Ended September 30,

	2014	2013	D vs. 2013
Natural Gas			
Sales volumes Mmcf	1,364.19	1,383.03	(1)%
Average Price per Mcf	\$ 4.67	\$ 3.94	19
Total gas sales revenues (thousands)	\$ 6,376	\$ 5,447	17%
Crude Oil			
Sales volumes MBbl	211.50	192.08	10%
Average Price per Bbl	\$ 95.12	\$ 96.43	(1)
Total oil sales revenues (thousands)	\$ 20,117	\$ 18,521	9%
Natural gas liquids			
Sales volumes MBbl	81.80	88.08	(7)%
Average Price per Bbl	\$ 33.38	\$ 30.31	10
Total natural gas liquids sales revenues (thousands)	\$ 2,730	\$ 2,670	2%

The Company's natural gas sales volumes decreased by 1%, crude oil sales volumes increased by 10%, and natural gas liquids sales volumes decreased by 7% for the nine months ended September 30, 2014 compared to the same period of 2013.

The Company's average natural gas price for the nine months ended September 30, 2014 increased by 19%, or \$0.73 per Mcf, when compared to the same period of 2013. The Company's average crude oil price for the nine months ended September 30, 2014 decreased by 1% or \$1.31 per Bbl, when compared to the same period of 2013. The Company's average natural gas liquids price for the nine months ended September 30, 2014 increased by 10%, or \$3.07 per Bbl, when compared to the same period of 2013.

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Analysis of Oil and Gas Operations Sales Revenues

The following table provides a summary of the effects of changes in volumes and prices on Isramco's sales revenues for the nine months ended September 30, 2014 compared to the same period of 2013.

In thousands	Natural Gas	Oil	Natural gas liquids
2013 sales revenues	\$ 5,447	\$ 18,521	\$ 2,670
Changes associated with sales volumes	(74)	1,873	(191)
Changes in prices	1,003	(277)	251
2014 sales revenues	\$ 6,376	\$ 20,117	\$ 2,730

Operating Expenses

In thousands except percentages	Nine Months Ended September 30,		
	2014	2013	D vs. 2013
Lease operating expense, transportation and taxes	\$ 15,156	\$ 14,849	2%
Depreciation, depletion and amortization of oil and gas properties	6,242	6,389	(2)
Accretion expense	647	664	(3)
Loss from plug and abandonment	22	226	(90)
General and administrative	3,048	2,763	10
	\$ 25,115	\$ 24,891	1%

During the nine months ended September 30, 2014, our total operating expenses from oil and gas operations had a slight increase when compared to the same period of 2013 as a result of various changes:

- Lease operating expense, transportation cost and taxes slightly increased by 2%, or \$307,000, in 2014 when compared to 2013. On a per unit basis, lease operating expenses (excluding transportation and taxes) increased by \$0.55 per MBOE to \$23.34 per MBOE in 2014 from \$22.79 per MBOE in 2013.
- Depreciation, Depletion & Amortization ("DD&A") of the cost of proved oil and gas properties is calculated using the unit-of-production method. Our DD&A rate and expense are the composite of numerous individual field calculations. There are several factors that can impact our composite DD&A rate and expense, including but not limited to field production profiles, drilling or acquisition of new wells, disposition of existing wells, and reserve revisions (upward or downward) primarily related to well performance and commodity prices, and impairments. Changes in these factors may cause our composite DD&A rate and expense to fluctuate from period to period. DD&A decreased by 3%, or \$(147,000), in 2014 when compared to 2013, primarily due to a 2013 impairment of \$23,161,000 on the depletable base used to calculate DD&A. On a per unit basis, depletion expense decreased by \$0.86 per MBOE to \$11.65 per MBOE in 2014 from \$12.51 per MBOE in 2013.

·Loss from plugging and abandonment expenses decreased by 90%, or \$(204,000) in 2014 when compared to 2013, primarily due to fewer plugging operations required by state and federal regulations applicable to our wells.

·General and administrative expenses increased by 10%, or \$285,000 in 2014 when compared to 2013 primarily due to increase in legal fees, payroll expenses, and slight increase in bad debt allowance.

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Production Services Segment

In thousands except percentages	Nine Months Ended September 30,		
	2014	2013	D vs. 2013
Production Services (1)	\$ 23,380	\$ 12,471	87%
Operating expenses	18,301	8,922	105
Depreciation	2,057	1,004	105
General and administrative	384	241	59
Operating income	\$ 2,638	\$ 2,304	14%

(1) Production Services revenue includes intersegment revenues.

The Company's sales revenues from production services operations for the nine months ended September 30, 2014 increased by 87% or \$10,909,000 when compared to same period in 2013 due to an increase in the number of field offices, auxiliary vehicles, and deployed rigs.

Operating expenses from production services operations for the nine months ended September 30, 2014 increased by 105% or \$9,379,000 when compared to the same period in 2013 due to the related payroll, fuel, and other costs incurred as a result of the increase in the number of deployed rigs, auxiliary vehicles and field offices.

Production service equipment depreciation – the amounts represent depreciation of production services rigs and auxiliary equipment for our production services subsidiary, the increase in depreciation expenses for the nine months ended September 30, 2014 of \$1,053,000 associated with increase in the number of rigs and the amount of auxiliary equipment.

General and administrative expenses from production services operations for the nine months ended September 30, 2014 increased by 59% or \$143,000 when compared to the same period in 2013 primarily due to an increase in the allowance for doubtful accounts.

Other expenses (income)

In thousands except percentages	Nine Months Ended September 30,		
	2014	2013	D vs. 2013
Interest expense, net	\$ 5,075	\$ 4,847	5%
Capital (gain) loss	(93)	83	(212)
	\$ 4,982	\$ 4,930	1%

Interest expense. Isramco's interest expense increased by 5%, or \$228,000, for the nine months ended September 30, 2014 compared to the same period of 2013. This increase was primarily due to higher average outstanding loans balance during the nine month ended September 30, 2014 compared to same period in 2013.

Adjusted EBITDAX.

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

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

In thousands	Nine Months Ended September 30,	
	2014	2013
Income from operations before income taxes	\$ 22,135	\$ 10,118
Depreciation, depletion and amortization expense	8,299	7,393
Interest expense	5,075	4,847
Accretion Expenses	647	664
Consolidated Adjusted EBITDAX	\$ 36,156	\$ 23,022

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ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Derivative Instruments and Hedging Activity

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

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

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

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

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

In accordance with Exchange Act Rule 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer as appropriate, to allow timely decisions regarding required disclosure.

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

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PART II - Other Information

ITEM 1. Legal Proceedings

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

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

The Company has previously disclosed information in the Company’s Quarterly Report on Form 10-Q for the three months ended September 30, 2011 filed by the Company on November 9, 2011, relating to an additional putative shareholder derivative complaint that was filed by an individual shareholder, Yuval Lapiner, on July 7, 2011, in the Delaware Chancery Court in Wilmington, Delaware, naming certain of our officers and directors as defendants. The claims asserted in this case are essentially the same damage claims as asserted in the lawsuit filed in April 2011 by Yuval Ran and described above. The Company filed motions in the Chancery Court to dismiss or stay the lawsuit and, by order dated October 20, 2011, the case was dismissed. The plaintiff did not appeal. Yuval Lapiner then filed a motion to intervene in the Derivative Litigation and that motion was denied. Mr. Lapiner then filed a motion for attorney’s fees that was also denied. On December 12, 2011, the court approved the terms of the mediated settlement and entered final order and judgment in the case. The Company paid plaintiff attorney’s fees of \$1,000,000, replaced its bylaws, amended various committee charters, and adopted other corporate governance changes as set out in the stipulation of settlement. After the judgment was rendered, Mr. Lapiner filed a motion for new trial and on February 12, 2012, filed a Notice of Appeal to the Fourteenth Court of Appeals in Houston, Texas. A Motion to Dismiss the appeal was filed. Oral arguments were presented to the Court of Appeals on January 9, 2013. On April 22, 2014, the Fourteenth Court of Appeals dismissed Mr. Lapiner’s appeal. On June 6, 2014, Mr. Lapiner filed a Petition for review to the Supreme Court of Texas and said action is Case Number 14-0451 in the Supreme Court of Texas. On August 1, 2014, the Supreme Court of Texas requested the respondents in the matter, including the Company, to respond to the Petition for Review. The Company filed said response on or before its September 2, 2014 due date. On October 24,

2014, the Supreme Court of Texas requested the parties in the matter, including the Company, file briefs on the merits in the case. The Company's brief is due December 15, 2014.

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

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

In addition, Mr. Holifield has sought whistleblower status from the United States Department of Labor. After an initial determination by the Department of Labor that there was no reasonable basis for whistleblower status, Mr. Holifield initiated Cause No. 2014-SOX-00017 in the U. S. Department of Labor, Office of Administrative Law Judges, styled In Re: Dennis J. Holifield v. Isramco, Inc. wherein he alleges whistleblower status under the Sarbanes-Oxley Act, the Dodd Frank Act, and the Exchange Act, and seeks back pay together with other unspecified relief. A two-day hearing in the matter commenced on June 10, 2014. The Company's brief based on the evidence admitted in the hearing was submitted on August 26, 2014. The Company expects a ruling in the matter in the coming months.

From time to time, we are involved in disputes and other legal actions arising in the ordinary course of business. In management's opinion, none of these other disputes and legal actions is expected to have a material impact on our consolidated financial position or results of operations.

ITEM 1A. Risk Factors

None

ITEM 2. Change in Securities & Use of Proceeds

None

ITEM 3. Default Upon Senior Securities

None

ITEM 4. Removed and Reserved

None

ITEM 5. Other Information

None

ITEM 6. Exhibits

Exhibits

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

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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.

ISRAMCO, INC

Date: November 10, 2014	By:	/s/ HAIM TSUFF HAIM TSUFF CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)
Date: November 10, 2014	By:	/s/ EDY FRANCIS EDY FRANCIS CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL OFFICER)
Date: November 10, 2014	By:	/s/ ZEEV KOLTOVSKOY ZEEV KOLTOVSKOY CHIEF ACCOUNTING OFFICER (PRINCIPAL ACCOUNTING OFFICER)

