

PRIMEENERGY CORP
Form 10-Q
May 13, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2011

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 0-7406

PrimeEnergy Corporation

(Exact name of registrant as specified in its charter)

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Delaware **84-0637348**
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) Identification No.)
One Landmark Square, Stamford, Connecticut 06901
(Address of principal executive offices)
(203) 358-5700
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

The number of shares outstanding of each class of the registrant's Common Stock as of May 11, 2011 was: Common Stock, \$0.10 par value, 2,554,073 shares.

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

PrimeEnergy Corporation

Consolidated Balance Sheet

March 31, 2011 and December 31, 2010

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)*
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 21,600,000	\$ 32,792,000
Restricted cash and cash equivalents	6,267,000	6,131,000
Accounts receivable, net	15,184,000	12,748,000
Due from related parties	240,000	140,000
Prepaid expenses	1,258,000	1,609,000
Derivative contracts	2,212,000	3,038,000
Inventory, at cost	994,000	700,000
Deferred income taxes	595,000	595,000
Total current assets	48,350,000	57,753,000
Property and equipment, at cost:		
Oil and gas properties (successful efforts method), net	141,423,000	143,034,000
Field service equipment and other, net	6,650,000	6,794,000
Total net property and equipment	148,073,000	149,828,000
Other assets	573,000	579,000
Total assets	\$ 196,996,000	\$ 208,160,000

* Derived from audited financial statements.

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Balance Sheet

March 31, 2011 and December 31, 2010

	March 31, 2011 (Unaudited)	December 31, 2010 (Audited)*
LIABILITIES and STOCKHOLDERS EQUITY:		
Current liabilities:		
Accounts payable	\$ 30,080,000	\$ 34,376,000
Current portion of asset retirement and other long-term obligations	1,862,000	2,206,000
Derivative liability short term	6,076,000	3,048,000
Accrued liabilities	4,614,000	7,676,000
Due to related parties	1,042,000	350,000
Total current liabilities	43,674,000	47,656,000
Long-term bank debt	68,500,000	73,100,000
Indebtedness to related parties	16,000,000	20,000,000
Asset retirement obligations	15,509,000	15,285,000
Derivative liability long term	8,238,000	2,587,000
Deferred income taxes	15,050,000	16,445,000
Total liabilities	166,971,000	175,073,000
Stockholders equity PrimeEnergy:		
Common stock, \$.10 par value; 2011 and 2010: Authorized: 4,000,000 shares, issued: 3,836,397 shares; outstanding 2011: 2,760,226 shares; outstanding 2010: 2,802,053 shares	383,000	383,000
Paid in capital	6,194,000	5,955,000
Retained earnings	44,096,000	46,478,000
	50,673,000	52,816,000
Treasury stock, at cost; 2011: 1,076,171 shares; 2010: 1,034,344 shares	(29,855,000)	(28,896,000)
Total stockholders equity PrimeEnergy	20,818,000	23,920,000
Non-controlling interest	9,207,000	9,167,000
Total stockholders equity	30,025,000	33,087,000
Total liabilities and stockholders equity	\$ 196,996,000	\$ 208,160,000

* Derived from audited financial statements

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Statement of Operations

Three Months Ended March 31, 2011 and 2010

(Unaudited)

	2011	2010
Revenue:		
Oil and gas sales	\$ 21,445,000	\$ 22,305,000
Field service income	4,605,000	4,035,000
Administrative overhead fees	2,217,000	2,048,000
Unrealized gain (loss) on derivative instruments	(9,509,000)	3,884,000
Other income	13,000	75,000
Total revenue	18,771,000	32,347,000
Costs and expenses:		
Lease operating expense	7,906,000	8,869,000
Field service expense	3,905,000	3,268,000
Depreciation, depletion, amortization and accretion on discounted liabilities	6,036,000	9,638,000
General and administrative expense	3,037,000	3,032,000
Exploration costs	1,000	1,000
Total costs and expenses	20,885,000	24,808,000
Gain on sale and exchange of assets	222,000	34,000
Income (loss) from operations	(1,892,000)	7,573,000
Other income and expenses:		
Less: Interest expense	1,211,000	1,993,000
Add: Interest income	81,000	11,000
Income (loss) before provision for (benefit from) income taxes	(3,022,000)	5,591,000
Provision for (benefit from) income taxes	(1,113,000)	1,709,000
Net income (loss)	(1,909,000)	3,882,000
Less: Net income attributable to non-controlling interest	473,000	442,000
Net income (loss) attributable to PrimeEnergy	\$ (2,382,000)	\$ 3,440,000
Basic income (loss) per common share	\$ (0.86)	\$ 1.14
Diluted income (loss) per common share	\$ (0.86)	\$.91

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Statement of Stockholders' Equity

Three Months Ended March 31, 2011

(Unaudited)

	Common Stock		Additional Paid in Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity		Non-Controlling Interest	Total Stockholders Equity
	Shares	Amount				PrimeEnergy			
Balance at January 1, 2011	3,836,397	\$ 383,000	\$ 5,955,000	\$ 46,478,000	\$ (28,896,000)	\$ 23,920,000	\$ 9,167,000	\$ 33,087,000	
Purchase 41,287 shares of common stock					(959,000)	(959,000)		(959,000)	
Net (income) loss				(2,382,000)		(2,382,000)	473,000	(1,909,000)	
Purchase of non-controlling interest			239,000			239,000	(363,000)	(124,000)	
Distributions to non-controlling interest							(70,000)	(70,000)	
Balance at March 31, 2011	3,836,397	\$ 383,000	\$ 6,194,000	\$ 44,096,000	\$ (29,855,000)	\$ 20,818,000	\$ 9,207,000	\$ 30,025,000	

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation
 Consolidated Statement of Comprehensive Income
 Three Months Ended March 31, 2011 and 2010
 (Unaudited)

	2011	2010
Net income (loss)	\$ (1,909,000)	\$ 3,882,000
Other comprehensive income, net of taxes:		
Reclassification adjustment for settled contracts, net of taxes of \$0 and \$115,000, respectively		203,000
Changes in fair value of hedge positions, net of taxes of \$0 and \$28,000, respectively		(49,000)
Total other comprehensive income		154,000
Comprehensive income (loss)	(1,909,000)	4,036,000
Less: Comprehensive income attributable to non-controlling interest	473,000	442,000
Comprehensive income (loss) attributable to PrimeEnergy	\$ (2,382,000)	\$ 3,594,000

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Consolidated Statements of Cash Flows

Three Months Ended March 31, 2011 and 2010

(Unaudited)

	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ (2,382,000)	\$ 3,440,000
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Non-controlling interest in earnings of partnerships	473,000	442,000
Depreciation, depletion, amortization and accretion on discounted liabilities	6,036,000	9,638,000
Gain on sale of properties	(222,000)	(34,000)
Unrealized gain (loss) on derivative instruments	9,509,000	(3,884,000)
Provision for deferred income taxes	(1,395,000)	1,706,000
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(2,436,000)	69,000
(Increase) decrease in due from related parties	(100,000)	(35,000)
(Increase) decrease in inventories	(294,000)	245,000
(Increase) decrease in prepaid expenses and other assets	353,000	170,000
Increase (decrease) in accounts payable	(4,432,000)	(1,786,000)
Increase (decrease) in accrued liabilities	(1,083,000)	677,000
Increase (decrease) in due to related parties	692,000	22,000
Net cash provided by operating activities	4,719,000	10,670,000
Cash flows from investing activities		
Capital expenditures, including exploration expense	(5,873,000)	(3,468,000)
Proceeds from sale of properties and equipment	222,000	34,000
Net cash used in investing activities	(5,651,000)	(3,434,000)
Cash flows from financing activities		
Purchase of stock for treasury	(959,000)	(169,000)
Purchase of non-controlling interests	(124,000)	(1,000)
Increase in long-term bank debt and other long-term obligations	19,000,000	15,422,000
Repayment of long-term bank debt and other long-term obligations	(24,107,000)	(23,262,000)
Repayment indebtedness to related party	(4,000,000)	
Distribution to non-controlling interest	(70,000)	(59,000)
Net cash used in financing activities	(10,260,000)	(8,069,000)
Net decrease in cash and cash equivalents	(11,192,000)	(833,000)
Cash and cash equivalents at the beginning of the period	32,792,000	11,779,000
Cash and cash equivalents at the end of the period	\$ 21,600,000	\$ 10,946,000
Supplemental disclosures:		
Income taxes paid	\$ 946,000	\$ 2,000
Net income tax refunds received during the year	\$ 4,000	\$

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Interest paid	\$ 1,211,000	\$ 1,993,000
Change in accrued expenses relating to property	\$ 1,979,000	\$ 1,315,000

See accompanying notes to the consolidated financial statements.

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PrimeEnergy Corporation

Notes to Consolidated Financial Statements

March 31, 2011

(1) Interim Financial Statements:

The accompanying consolidated financial statements of PrimeEnergy Corporation ("PEC"), with the exception of the consolidated balance sheet at December 31, 2010, have not been audited by independent public accountants. In accordance with applicable SEC rules and regulations, the accompanying interim financial statements do not include all disclosures presented in annual financial statements and the reader should refer to the Company's Form 10-K for the year ended December 31, 2010 filed April 7, 2011. In the opinion of management, the accompanying interim consolidated financial statements reflect all adjustments necessary to present fairly the financial position as of, and the results of operations and cash flows for, the periods presented. All such adjustments are of a normal recurring nature. Certain amounts presented in prior period financial statements have been reclassified for consistency with current period presentation. The results for interim periods are not necessarily indicative of annual results. For purposes of disclosure in the consolidated financial statements, subsequent events have been evaluated through the date the statements were issued.

Recently Adopted Accounting Standards

There are no new significant accounting standards applicable to the Company that have been issued but not yet adopted as of the quarter ended March 31, 2011.

(2) Acquisitions and Dispositions

Historically the Company has repurchased the interests of the partners and trust unit holders in certain of the Partnerships, which consist primarily of oil and gas interests. The Company purchased such interests in an amount totaling \$124,000 and \$1,000 for the three months ended March 31, 2011 and 2010, respectively.

(3) Restricted Cash and Cash Equivalents:

Restricted cash and cash equivalents include \$6,267,000 and \$6,131,000 at March 31, 2011 and December 31, 2010, respectively, of cash primarily pertaining to oil and gas revenue payments. There were corresponding accounts payable recorded at March 31, 2011 and December 31, 2010 for these liabilities. Both the restricted cash and the accounts payable are classified as current on the accompanying balance sheet.

(4) Additional Balance Sheet Information

Certain balance sheet amounts are comprised of the following:

	March 31, 2011	December 31, 2010
Accounts Receivable:		
Joint interest billing	\$ 4,972,000	\$ 2,538,000
Trade receivables	1,445,000	1,688,000
Oil and gas sales	9,001,000	8,139,000
Other	160,000	724,000
	15,578,000	13,089,000
Less: Allowance for doubtful accounts	394,000	341,000
Total	\$ 15,184,000	\$ 12,748,000

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<u>Accounts Payable:</u>		
Trade	\$ 3,530,000	\$ 3,421,000
Royalty and other owners	10,156,000	10,395,000
Prepaid drilling deposits	9,239,000	12,871,000
Other	7,155,000	7,689,000
Total	\$ 30,080,000	\$ 34,376,000

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	March 31, 2011	December 31, 2010
Accrued Liabilities:		
Compensation and related expenses	\$ 2,061,000	\$ 2,010,000
Property costs	766,000	3,282,000
Income tax	225,000	930,000
Other	1,562,000	1,454,000
 Total	 \$ 4,614,000	 \$ 7,676,000

(5) Property and Equipment:

Property and equipment at March 31, 2011 and December 31, 2010 consisted of the following:

	March 31, 2011	December 31, 2010
Proved oil and gas properties, at cost	\$ 456,748,000	\$ 453,145,000
Unproved oil and gas properties, at cost	698,000	698,000
Less: Accumulated depletion and depreciation	316,023,000	310,809,000
	\$ 141,423,000	\$ 143,034,000
Field service equipment and other	19,406,000	19,499,000
Less: Accumulated depreciation	12,756,000	12,705,000
	\$ 6,650,000	\$ 6,794,000
 Total net property and equipment	 \$ 148,073,000	 \$ 149,828,000

(6) Long-Term Debt:

Bank Debt:

Effective December 15, 2010, the Company obtained a consent from its lenders to allow the Company the ability to repurchase up to an additional \$1 million of the capital stock from the effective date through January 31, 2011. This amount is in addition to the amounts available for repurchases of shares under the original provisions of a loan agreement dated July 30, 2010. As part of the consent the lenders also agreed that as of the effective date the borrowing base is \$100 million and the monthly reduction amount is \$2 million with the first reduction of such borrowing base to begin on June 15, 2011.

A first amendment to the credit facility with an effective date of September 30, 2010 was ratified in November 2010. This amendment further defined the limitations on loans or advances and investments made in the Company's limited partnerships.

The Company's long-term debt associated with the offshore credit facility with its principal lender was closed, and a final payment of \$3,500,000 was made on July 28, 2010.

Effective July 30, 2010 the Company entered into a second amended and restated credit agreement between Compass Bank as agent and a syndicated group of lenders. The Company is party to a revolving line of credit and letter of credit facility of up to \$250 million. This facility has a maturity date of July 30, 2014. The borrowing base as of the closing date was \$100 million. The determination of the borrowing base is made by the lenders taking into consideration the estimated value of PEC's oil and gas properties in accordance with the lenders' customary practices for oil and gas loans. This process involves reviewing PEC's estimated proved reserves and their valuation. The borrowing base is re-determined semi-annually, and the available borrowing amount could be increased or decreased as a result of such redetermination. In addition, PEC and the lenders each have at their discretion the right to request the borrowing base be re-determined with a maximum of one such request each year. A revision to PEC's reserves may prompt such a request on the part of the lenders, which could possibly result in a reduction in the borrowing base and availability under the credit facility. At any time if the sum of the outstanding borrowings and letter of credit exposures exceed the applicable portion of the borrowing base, PEC would be required to repay the excess amount within a prescribed period.

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The credit facilities include terms and covenants that require the Company to maintain a minimum current ratio, total indebtedness to EBITDAX (earnings before depreciation, depletion, amortization, taxes, interest expense and exploration costs) ratio and interest coverage ratio, as defined, and restrictions are placed on the payment of dividends,

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the amount of treasury stock the Company may purchase, commodity hedge agreements, and loans and investments in its consolidated subsidiaries and limited partnerships. The credit facility is collateralized by the mortgaged properties and any other property, including interests of the Company's limited partnerships, that was considered in determining the borrowing base in effect. The Company is required to mortgage, and grant a security interest in, consolidated proved oil and gas properties.

The borrowings made within the credit facility may be placed in a base rate loan or LIBO rate loan. The rates applied may be a combination of the agent defined base rate, a flat rate of 2% to 3%, federal fund rates, or LIBO rates and are adjusted by applicable margins, between 1.25% and 3.25%, tied to the Company's borrowing base utilization.

As of March 31, 2011, the credit facility borrowing base was \$100 million. The Company's borrowing rates in the credit facility at March 31, 2011 include a floor of 2% to 3% plus the current applicable margin utilization rates that range from 1.75% to 2.0%, depending on the type of active loan. The Company had in place two LIBO rate loans and one base rate loan at March 31, 2011 with effective rates of 4.75% to 5%.

At March 31, 2011, the outstanding balance of the Company's bank debt was \$68.5 million under the credit facility, with an additional availability of \$31.5 million. The combined weighted average interest rates paid on outstanding bank borrowings subject to interest were 5.67% during the first quarter of 2011 as compared to 6.09% during the same period in 2010.

Indebtedness to related parties - non-current:

During the second quarter 2008, the Company's offshore subsidiary entered into a subordinated credit facility with a private lender with an availability of \$50 million. The private lender has specific collateral pledged under a separate credit agreement. The private lender is controlled by a Director of the Company. Effective June 30, 2009, the private lender agreed to release the pledged collateral under this credit facility in favor of the offshore credit facility in exchange for a second lien position on all of the assets of the offshore subsidiary and a pledge from PEC to pay the outstanding balance under the facility in full after PEC's bank debt is paid off. PEC further agreed it will not secure debt in excess of \$112 million under such credit facility without prior consent of the private lender. This facility was amended on July 21, 2010 and will mature on November 1, 2014. The facility termination will be accelerated if there is a change in control or management of PEC; borrowings bear interest at a rate of 10% per annum. The private lender is entitled to additional consideration of Company stock based upon a percentage of the outstanding balance if by the last day of each calendar year commencing with December 30, 2011 the loan is outstanding.

As of March 31, 2011 advances from this facility amounted to \$16 million.

This loan was modified on January 10, 2011 with an effective date of January 3, 2011. The modifications included a payment from the borrower's offshore subsidiary to the private lender of \$4 million which was made on January 18, 2011. The second modification entitles the private lender to additional consideration of Company stock based upon a percentage of the outstanding loan balance if by June 30th of each calendar year commencing with June 30, 2012 the loan has not been paid in full and the commitment of the private lender to make further advances to the borrower has been terminated.

(7) Other Long-Term Obligations and Commitments:**Operating Leases:**

The Company has several non-cancelable operating leases, primarily for rental of office space, that have a term of more than one year. The future minimum lease payments for the rest of the fiscal 2011 and thereafter for the operating leases are as follows:

	<i>Operating Leases</i>
2011	593,000
2012	555,000
2013	434,000
2014	16,000
Total minimum payments	\$ 1,598,000

Rent expense for office space for the three months ended March 31, 2011 and 2010 was \$182,000 and \$214,000, respectively.

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Asset Retirement Obligation:

A reconciliation of the liability for plugging and abandonment costs for the three months ended March 31, 2011 is as follows:

Asset retirement obligation	January 1, 2011	\$ 17,147,000
Liabilities incurred		40,000
Liabilities settled		(163,000)
Accretion expense		347,000
Asset retirement obligation	March 31, 2011	\$ 17,371,000

The Company's liability is determined using significant assumptions, including current estimates of plugging and abandonment costs, annual inflation of these costs, the productive life of wells and a risk-adjusted interest rate. Changes in any of these assumptions can result in significant revisions to the estimated asset retirement obligation. Revisions to the asset retirement obligation are recorded with an offsetting charge to producing properties, resulting in prospective changes to depreciation, depletion and amortization expense and accretion of discount. Because of the subjectivity of assumptions and the relatively long life of most of the Company's wells, the costs to ultimately retire the wells may vary significantly from previous estimates.

(8) Contingent Liabilities:

The Company, as managing general partner of the affiliated Partnerships, is responsible for all Partnership activities, including the drilling of development wells and the production and sale of oil and gas from productive wells. The Company also provides the administration, accounting and tax preparation work for the Partnerships, and is liable for all debts and liabilities of the affiliated Partnerships, to the extent that the assets of a given limited Partnership are not sufficient to satisfy its obligations. As of March 31, 2011, the affiliated Partnerships have established cash reserves in excess of their debts and liabilities and the Company believes these reserves will be sufficient to satisfy Partnership obligations.

The Company is subject to environmental laws and regulations. Management believes that future expenses, before recoveries from third parties, if any, will not have a material effect on the Company's financial condition. This opinion is based on expenses incurred to date for remediation and compliance with laws and regulations, which have not been material to the Company's results of operations.

From time to time, the Company is party to certain legal actions arising in the ordinary course of business. While the outcome of these events cannot be predicted with certainty, management does not expect these matters to have a materially adverse effect on the financial position or results of operations of the Company.

(9) Stock Options and Other Compensation:

In May 1989, non-statutory stock options were granted by the Company to four key executive officers for the purchase of shares of common stock. At March 31, 2011 and 2010, options on 767,500 shares were outstanding and exercisable at prices ranging from \$1.00 to \$1.25. According to their terms, the options have no expiration date.

(10) Related Party Transactions:

The Company, as managing general partner or managing trustee, makes an annual offer to repurchase the interests of the partners and trust unit holders in certain of the Partnerships or Trusts. The Company purchased such interests in an amount totaling \$124,000 and \$1,000 for the three months ended March 31, 2011 and 2010, respectively.

Receivables from related parties consist of reimbursable general and administrative costs, lease operating expenses and reimbursement for property development and related costs. These receivables are due from joint venture partners, which may include members of the Company's Board of Directors.

Payables owed to related parties primarily represent receipts collected by the Company as agent for the joint venture partners, which may include members of the Company's Board of Directors, for oil and gas sales net of expenses. Also included in due to related parties is the amount of accrued interest owed to a related party, a company controlled by a director of the Company, with whom the Company's offshore subsidiary

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entered into a credit agreement. The agreement provides for a loan of \$20, of which 16 million is outstanding as of March 31, 2011, at a rate of 10% per annum and is secured by a second lien position of all the assets of the offshore subsidiary. Included at March 31, 2011 and December 31, 2010 was \$136,000 and \$170,000, respectively, of accrued interest on the related party loan.

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(11) Financial Instruments

Fair Value measurements:

Authoritative guidance on fair value measurements defines fair value, establishes a framework for measuring fair value and stipulates the related disclosure requirements. The Company follows a three-level hierarchy, prioritizing and defining the types of inputs used to measure fair value. The fair values of the Company's interest rate swaps, natural gas and crude oil price collars and swaps are designated as Level 3. The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010:

	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of March 31, 2011
Assets				
Commodity derivative contracts			\$ 2,212,000	\$ 2,212,000
Total assets			\$ 2,212,000	\$ 2,212,000
Liabilities				
Commodity derivative contracts			\$ (14,314,000)	\$ (14,314,000)
Total liability			\$ (14,314,000)	\$ (14,314,000)
	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2010
Assets				
Commodity derivative contracts			\$ 3,042,000	\$ 3,042,000
Total assets			\$ 3,042,000	\$ 3,042,000
Liabilities				
Commodity derivative contracts			\$ (5,635,000)	\$ (5,635,000)
Total liability			\$ (5,635,000)	\$ (5,635,000)

The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy for the three months ended March 31, 2011.

Net assets (liabilities) January 1, 2011	\$ (2,593,000)
Total realized and unrealized gains or losses:	
Included in earnings (a)	(9,187,000)
Included in other comprehensive income	
Purchases, sales, issuances and settlements	(322,000)

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Net assets (liabilities) March 31, 2011

\$ (12,102,000)

- (a) Derivative instruments are reported in oil and gas sales as realized gain/loss and on a separately reported line item captioned unrealized gain/loss on derivative instruments.

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The Company is exposed to commodity price and interest rate risk, and management considers periodically the Company's exposure to cash flow variability resulting from the commodity price changes and interest rate fluctuations. Futures, swaps and options are used to manage the Company's exposure to commodity price risk inherent in the Company's oil and gas production operations. The Company does not apply hedge accounting to any of its commodity based derivatives. Both realized and unrealized gains and losses associated with derivative instruments are recognized in earnings.

Effect of derivative instruments on the consolidated balance sheet:

	Balance Sheet Location	Fair Value	
		March 31, 2011	December 31, 2010
Asset Derivatives:			
<i>Derivatives not designated as hedging instruments:</i>			
Natural gas commodity contracts	Current derivative contracts	\$ 2,212,000	\$ 3,038,000
Crude oil commodity contracts	Other assets		4,000
Total		\$ 2,212,000	\$ 3,042,000

Liability Derivatives:

Derivatives not designated as hedging instruments:

	Balance Sheet Location	Fair Value	
		March 31, 2011	December 31, 2010
Crude oil commodity contracts	Derivative liability short term	\$ (6,076,000)	\$ (3,048,000)
Natural gas commodity contracts	Derivative liability long term	(93,000)	
Total		\$ (14,314,000)	\$ (5,635,000)
Total derivative instruments		\$ (12,102,000)	\$ (2,593,000)

Effect of derivative instruments on the consolidated statement of operations for the three-month periods ended March 31, 2011 and 2010:

	Location of gain/loss reclassified from OCI into income	Amount of gain/loss reclassified from accumulated OCI into income	
		2011	2010
<i>Derivatives designated as cash-flow hedges</i>			
Interest rate swap derivatives	Interest expense	\$	\$ (318,000)
		\$	\$ (318,000)

	Location of gain/loss recognized in income	Amount of gain/loss recognized in income	
		2011	2010
<i>Derivatives not designated as cash-flow hedge instruments</i>			
Natural gas commodity contracts	Unrealized gain (loss) on derivative instruments	\$ (918,000)	\$ 3,064,000
Crude oil commodity contracts	Unrealized gain (loss) on derivative instruments	(8,591,000)	821,000
Natural gas commodity contracts	Oil and gas sales	1,054,000	460,000

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Crude oil commodity contracts	Oil and gas sales	(732,000)	(7,000)
		\$ (9,187,000)	\$ 4,338,000

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(12) Earnings (Loss) Per Share:

Basic earnings (loss) per share are computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if dilutive potential common stock had been converted to common stock in gain periods. The following reconciles amounts reported in the financial statements:

	Three Months Ended March 31, 2011			Three Months Ended March 31, 2010		
	Net Loss	Weighted Average Number of Shares Outstanding	Per Share Amount	Net Income	Weighted Average Number of Shares Outstanding	Per Share Amount
Basic	\$ (2,382,000)	2,779,348	\$ (0.86)	\$ 3,440,000	3,028,993	\$ 1.14
Effect of dilutive securities:						
Options					739,725	
Diluted	\$ (2,382,000)	2,779,348	\$ (0.86)	\$ 3,440,000	3,768,718	\$ 0.91

- a) The dilutive effect of 767,500 outstanding stock purchase options is not considered for the three months ended March 31, 2011, due to the loss incurred for the period.

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

This discussion should be read in conjunction with the consolidated financial statements of the Company and notes thereto.

OVERVIEW

The Company presently owns producing and non-producing properties located primarily in Texas, Oklahoma, West Virginia, the Gulf of Mexico, New Mexico, Colorado and Louisiana, and owns a substantial amount of well servicing equipment. All of the Company's oil and gas properties and interests are located in the United States. Assets in our principal focus areas include mature properties with long-lived reserves and significant development opportunities as well as newer properties with development and exploration potential. We believe our balanced portfolio of assets and our ongoing hedging program position us well for both the current commodity price environment and future potential upside as we develop our attractive resource opportunities. Our primary sources of liquidity are cash generated from our operations and our credit facility.

The Company attempts to assume the position of operator in all acquisitions of producing properties. The Company will continue to evaluate prospects for leasehold acquisitions and for exploration and development operations in areas in which it owns interests and is actively pursuing the acquisition of producing properties. In order to diversify and broaden its asset base, the Company will consider acquiring the assets or stock in other entities and companies in the oil and gas business. The main objective of the Company in making any such acquisitions will be to acquire income producing assets so as to increase the Company's net worth and increase the Company's oil and gas reserve base.

Our cash flows depend on many factors, including the price of oil and gas, the success of our acquisition and drilling activities and the operational performance of our producing properties. We use derivative instruments to manage our commodity price risk. This practice may prevent us from receiving the full advantage of increases in oil and gas prices above the maximum fixed amount specified in the derivative agreements and subjects us to the credit risk of the counterparties to such agreements. Since all of our derivative contracts are accounted for under mark-to-market accounting, we expect continued volatility in gains and losses on mark-to-market derivative contracts in our consolidated income statement as changes occur in the NYMEX price indices.

RECENT ACTIVITIES

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During the first quarter of 2011, the Company continued its drilling program in our West Texas district, drilling a total of 7 gross (4.5 net) wells, all of which were successful completions. The Company intends to drill approximately 40 wells this year in West Texas.

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LIQUIDITY AND CAPITAL RESOURCES

Cash flow provided by operations for the three month period ended March 31, 2011 was \$4.7 million. Excluding the effects of significant unforeseen expenses or other income, our cash flow from operations fluctuates primarily because of variations in oil and gas production and prices or changes in working capital accounts. Our oil and gas production will vary based on actual well performance but may be curtailed due to factors beyond our control. Hurricanes in the Gulf of Mexico may shut down our production for the duration of the storm's presence in the Gulf or damage production facilities so that we cannot produce from a particular property for an extended amount of time. In addition, downstream activities on major pipelines in the Gulf of Mexico can also cause us to shut-in production for various lengths of time.

Our realized oil and gas prices vary due to world political events, supply and demand of products, product storage levels, and weather patterns. We sell the vast majority of our production at spot market prices. Accordingly, product price volatility will affect our cash flow from operations. To mitigate price volatility we sometimes lock in prices for some portion of our production through the use of financial instruments.

The Company's activities include development and exploratory drilling. The Company's strategy is to develop a balanced portfolio of drilling prospects that includes lower risk wells with a high probability of success and higher risk wells with greater economic potential. The Company plans on drilling approximately 40 wells (20 net), mainly in the Permian Basin in West Texas.

The Company's strategy in 2011 is to develop a balanced portfolio of drilling prospects that includes lower risk wells with a high probability of success and higher risk wells with greater economic potential.

The Company has in place both a stock repurchase program and a limited partnership interest repurchase program. Spending under these programs for the first quarter of 2010 was \$170,000. The Company expects to continue spending under the programs in 2011. During the first quarter of 2011 the Company spent \$1,083,000 under these programs.

As of May 12, 2011, the Company maintains a credit facility totaling \$250 million, with a current borrowing base of \$100 million. The bank reviews the borrowing base semi-annually and, at their discretion, may decrease or propose an increase to the borrowing base relative to a redetermined estimate of proved oil and gas reserves. Our oil and gas properties are pledged as collateral for the line of credit and we are subject to certain financial covenants defined in the agreement. We are currently in compliance with these financial covenants. If we do not comply with these covenants on a continuing basis, the lenders

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have the right to refuse to advance additional funds under the facility and/or declare all principal and interest immediately due and payable.

The Company's offshore subsidiary maintains a subordinated credit facility with a private lender controlled by a Director of the Company. The facility provides availability of \$50 million and is secured by properties released by the bank and pledged under this agreement. As of May 12, 2011, the advances under this credit facility are \$16 million due November 2014.

It is the goal of the Company to increase its oil and gas reserves and production through the acquisition and development of oil and gas properties. The Company also continues to explore and consider opportunities to further expand its oilfield servicing revenues through additional investment in field service equipment. However, the majority of the Company's capital spending is discretionary, and the ultimate level of expenditures will be dependent on the Company's assessment of the oil and gas business environment, the number and quality of oil and gas prospects available, the market for oilfield services, and oil and gas business opportunities in general.

RESULTS OF OPERATIONS

Revenues and net income during the three month periods ended March 31, 2011, as compared to the same period in 2010 reflect the increased oil and gas sales, presented below, offset by depreciation and depletion of oil and gas properties. The table summarizes production volumes and average sales prices realized (including realized gains and losses from derivatives).

	Three Months Ended March 31,		
	2011	2010	Increase (Decrease)
Barrels of Oil Produced	156,000	160,000	(4,000)
Average Price Received (rounded, including the impact of derivatives)	\$ 85.92	\$ 75.06	\$ 10.86
Oil Revenue	\$ 13,404,000	\$ 12,010,000	\$ 1,394,000
Mcf of Gas Produced	1,166,000	1,538,000	(372,000)
Average Price Received (rounded, including the impact of derivatives)	\$ 6.90	\$ 6.69	\$ 0.21
Gas Revenue	\$ 8,041,000	\$ 10,295,000	\$ (2,254,000)
Total Oil & Gas Revenue	\$ 21,445,000	\$ 22,305,000	\$ (860,000)

Oil and gas prices received excluding the impact of derivatives were:

	Three Months Ended March 31,		
	2011	2010	Increase (Decrease)
Oil Price	\$ 90.62	\$ 75.11	\$ 15.51
Gas Price	\$ 5.99	\$ 6.39	\$ (0.40)

The decrease in oil production reflects the natural decline of existing properties offset by properties added during 2010 from our West Texas drilling program. The decrease in gas production is primarily due to the natural decline of the offshore properties.

Lease operating expense for the three months of 2011 decreased by \$963,000 or 11% compared to 2010. The offshore properties natural decline in gas production resulted in decreased costs, primarily in the area of marketing and transportation and workover expense. The onshore properties decrease was primarily due to a decrease in workover expenses offset by increased production taxes related to higher commodity prices.

General and administrative expenses remained flat comparing the three months of 2011 to 2010.

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Field service income for the three months of 2011 increased \$570,000 or 14% compared to 2010. Field service expense for the three months of 2011 increased \$637,000 or 19% compared to 2010. The changes in field service income are a direct result of changes in utilization of equipment and rates charged to customers. Workover rig services represent the bulk of our operation, and those rates all increased in our most active districts. Utilization in South Texas and West Texas increased and

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was offset by a decrease in Oklahoma. The most significant costs included in field service expense are salaries and employee-related expenses. These costs increased relative to our increased utilization and rates.

Depreciation, depletion, amortization and accretion on discounted liabilities expense decreased to \$6,036,000 in 2011 from \$9,638,000 in 2010, or 37%. This decrease is primarily related to the decrease in offshore production during the first three months of 2011.

This Report contains forward-looking statements that are based on management's current expectations, estimates and projections. Words such as expects, anticipates, intends, plans, believes, projects and estimates, and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and are subject to the safe harbors created thereby. These statements are not guarantees of future performance and involve risks and uncertainties and are based on a number of assumptions that could ultimately prove inaccurate and, therefore, there can be no assurance that they will prove to be accurate. Actual results and outcomes may vary materially from what is expressed or forecast in such statements due to various risks and uncertainties. These risks and uncertainties include, among other things, the possibility of drilling cost overruns and technical difficulties, volatility of oil and gas prices, competition, risks inherent in the Company's oil and gas operations, the inexact nature of interpretation of seismic and other geological and geophysical data, imprecision of reserve estimates, and the Company's ability to replace and expand oil and gas reserves. Accordingly, stockholders and potential investors are cautioned that certain events or circumstances could cause actual results to differ materially from those projected.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company and no response is required pursuant to this Item.

Item 4. CONTROLS AND PROCEDURES

As of the end of the current reported period covered by this Report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective with respect to the recording, processing, summarizing and reporting, within the time periods specified in the Commission's rules and forms, of information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

There were no changes in the Company's internal control over financial reporting that occurred during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Not applicable.

Item 1A. RISK FACTORS

The Company is a smaller reporting company and no response is required pursuant to this Item.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no sales of equity securities by the Company during the period covered by this Report.

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During the three months ended March 31, 2011, the Company purchased the following shares of common stock as treasury shares.

2011 Month	Number of Shares	Average Price Paid per share	Maximum Number of Shares that May Yet Be Purchased Under The Program at Month - End (1)
January	17,225	\$ 19.44	238,372
February	12,110	\$ 24.08	226,262
March	12,492	\$ 26.61	213,770
Total/Average	41,827	\$ 22.93	

- (1) In December 1993, the Company announced that our Board of Directors authorized a stock repurchase program whereby the Company may purchase outstanding shares of the common stock from time-to-time, in open market transactions or negotiated sales. The Board of Directors of the Company approved an additional 300,000 shares of the Company's stock to be included in the stock repurchase program effective May 20, 2010. A total of 3,000,000 shares have been authorized, to date, under this program. Through March 31, 2011 we repurchased a total of 2,786,230 shares under this program for \$38,512,000 at an average price of \$13.82 per share. Additional purchases may occur as market conditions warrant. We expect future purchases will be funded with internally generated cash flow or from working capital.

Item 3. DEFAULTS UPON SENIOR SECURITIES
None

Item 4. RESERVED

Item 5. OTHER INFORMATION
None

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Item 6. EXHIBITS

The following exhibits are filed as a part of this Report:

Exhibit No.

- 3.1 Restated Certificate of Incorporation of PrimeEnergy Corporation (effective July 1, 2009) (Incorporated by reference to Exhibit 3.1 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2009)
- 3.2 Bylaws of PrimeEnergy Corporation (Incorporated by reference to Exhibit 3.2 of PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)
- 10.3.1 Adoption Agreement #003 dated 4/23/2002, MassMutual Life Insurance Company Flexinvest Prototype Non-Standardized 401(k) Profit-Sharing Plan; EGTRRA Amendment to the PrimeEnergy employees 401(k) Savings Plan; MassMutual Retirement Services Flexinvest Defined Contribution Prototype Plan; Protected Benefit Addendum; Addendum to the Administrative Services Agreement Loan Agreement; Addendum to Administrative Services Agreement GUST Restatement Provisions; General Trust Agreement (Incorporated by reference to Exhibit 10.3.1 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2002) (1).
- 10.3.2 First Amendment to the PrimeEnergy Corporation Employees 401(k) Savings Plan (Incorporated by reference to Exhibit 10.3.2 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006) (1)
- 10.4 Amended and Restated Agreement of Limited Partnership, FWOE Partners L.P., dated as of August 22, 2005 (Incorporated by reference to Exhibit 10.3 of PrimeEnergy Corporation Form 8-K for events of August 22, 2005)
- 10.4.1 Contribution Agreement between F-W Oil Exploration L.L.C. and FWOE Partners L.P. dated as of August 22, 2005 (Incorporated by reference to exhibit 10.4 of PrimeEnergy Corporation Form 8-K for events of August 22, 2005)
- 10.18 Composite copy of Non-Statutory Option Agreements (Incorporated by reference to Exhibit 10.18 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2004) (1)
- 10.22.5.9 Second Amended and Restated Credit Agreement dated July 30, 2010, by and among PrimeEnergy Corporation, the Guarantors Party Hereto (PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, and EOWS Midland Company), Compass Bank (successor in interest to Guaranty Bank, FSB) As Administrative Agent and Letter of Credit Issuer, BBVA Compass, As Sole Lead Arranger and Sole Bookrunner and The Lenders Signatory Hereto (BNP Paribas, JPMorgan Chase Bank, N.A. and Amegy Bank National Association) (Incorporated by reference to Exhibit 10.22.5.9 of PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)
- 10.22.5.10 Security Agreement (Pledge) effective July 30, 2010 by PrimeEnergy Corporation, in favor of Compass Bank (Incorporated by reference to Exhibit 10.22.5.10 of PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)

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10.22.5.11 Guaranty effective July 30, 2010, by PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, and EOWS Midland Company, in favor of Compass Bank (Incorporated by reference to Exhibit 10.22.5.11 of PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)

10.23.2 Amended and Restated Security Agreement between PrimeEnergy Corporation, PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, EOWS Midland Company, (debtor) and Guaranty Bank, FSB as Agent (secured party) December 28, 2006 (Incorporated by reference to Exhibit 10.23.2 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.3 Amended and Restated Security Agreement (Membership Pledge) by PrimeEnergy Corporation in favor of Guaranty Bank, FSB as Agent December 28, 2006 (Incorporated by reference to Exhibit 10.23.3 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.4 Amended and Restated Security Agreement between PrimeEnergy Corporation, PrimeEnergy Management Corporation, Prime Operating Company, Eastern Oil Well Service Company, Southwest Oilfield Construction Company, EOWS Midland Company, (debtor) and Guaranty Bank, FSB as Agent (secured party) December 28, 2006 (Incorporated by reference to Exhibit 10.23.4 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.5 Amended and Restated Security Agreement between Eastern Oil Well Service Company, EOWS Midland Company, (debtor) and Guaranty Bank, FSB as Agent (secured party) December 28, 2006 (Incorporated by reference to Exhibit 10.23.5 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.6 Security Agreement between Eastern Oil Well Service Company, EOWS Midland Company, (debtor) and Guaranty Bank, FSB as Agent (secured party) December 28, 2006 (Incorporated by reference to Exhibit 10.23.6 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.7 Amended and Restated Security Agreement between Southwest Oilfield Construction Company, (debtor) and Guaranty Bank, FSB as Agent (secured party) December 28, 2006 (Incorporated by reference to Exhibit 10.23.7 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.8 Amended and Restated Security Agreement effective between EOWS Midland Company, (debtor) and Guaranty Bank, FSB as Agent (secured party) December 28, 2006 (Incorporated by reference to Exhibit 10.23.8 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.23.9 Ratification of and Amendment to Mortgage, Deed of Trust, Security Agreement, Financing Statement and Assignment of Production, dated effective February 24, 2010, by and between PrimeEnergy Corporation and PrimeEnergy Management Corporation and Compass Bank (successor in interest to Guaranty Bank, FSB) (Incorporated by reference to Exhibit 10.23.9 to PrimeEnergy Corporation Form 10-K for the year ended December 31, 2009)

10.25 Credit Agreement dated as of June 1, 2006 (but effective for all purposes as of August 22, 2005), between Prime Offshore L.L.C. as Borrower and PrimeEnergy Corporation as Lender (Incorporated by reference to Exhibit 10.25 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

10.27.3 Subordinated Promissory Note dated effective March 31, 2008 in the face principal amount of up to \$50,000,000 executed by Prime Offshore L.L.C. and payable to Artic Management Corporation. (Incorporated by reference to Exhibit 10.27.3 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2008)

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10.27.3.1 Loan Modification effective 30th day of June, 2009 by and between Artic Management Corporation, Prime Offshore L.L.C. and PrimeEnergy Corporation. (Incorporated by reference to Exhibit 10.27.3.1 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2009)

10.27.3.2 Amended and Restated Loan Modification dated July 21, 2010, effective June 30, 2009, by and among Artic Management Corporation, Prime Offshore L.L.C and PrimeEnergy Corporation (Incorporated by reference to Exhibit 10.27.3.2 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2010)

10.27.3.3 Loan Modification dated January 10, 2011, effective January 3, 2010, by and among Artic Management Corporation, Prime Offshore L.L.C. and PrimeEnergy Corporation. (Incorporated by reference to Exhibit 10.27.3.3 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2010)

10.27.4 Mortgage, Deed of Trust, Security Agreement, Financing Statement and Assignment of Production Dated effective as of March 31, 2008 from Prime Offshore L.L.C. to Mathias Eckenstein TTEE for Artic Management Corporation (first lien). (Incorporated by reference to Exhibit 10.27.4 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2008)

10.27.5 Mortgage, Deed of Trust, Security Agreement, Financing Statement and Assignment of Production Dated effective as of March 31, 2008 from Prime Offshore L.L.C. to Mathias Eckenstein TTEE for Artic Management Corporation (second lien). (Incorporated by reference to Exhibit 10.27.5 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2008)

10.27.6 Pledge Agreement dated as effective March 31, 2008 between Prime Offshore L.L.C. and Artic Management Corporation (General Partner Interest in FWOE Partners L.P.) (Incorporated by reference to Exhibit 10.27.6 to PrimeEnergy Corporation Form 10-Q for the quarter ended June 30, 2008)

10.29 Put Right Agreement effective as of June 29, 2006, by and among PrimeEnergy Corporation and Prime Offshore L.L.C. (Incorporated by reference to Exhibit 10.29 of PrimeEnergy Corporation Form 10-K for the year ended December 31, 2006)

31.1 Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).

31.2 Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

(1) Management contract or compensatory plan or arrangement required to be filed as an Exhibit to this Report

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2011
(Date)

PrimeEnergy Corporation
(Registrant)

/s/ Charles E. Drimal, Jr.
Charles E. Drimal, Jr.
Chairman, Chief Executive Officer and President;
The Principal Executive Officer

May 12, 2011
(Date)

/s/ Beverly A. Cummings
Beverly A. Cummings
Director, Executive Vice President and Treasurer;
The Principal Financial Officer