PHILIPPINE LONG DISTANCE TELEPHONE CO
Form 6-K
March 02, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of March 2010

Commission File Number 1-03006

Philippine Long Distance Telephone Company

(Exact Name of Registrant as Specified in Its Charter)

Ramon Cojuangco Building

Makati Avenue

Makati City

Philippines

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.)

Form 20-F Ö Form 40-F

(Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No Ö

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82- ________)

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some information in this report may contain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as believe, plan, anticipate, continue, estimate, expect, may, will or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in Item 3. Key Information Risk Factors in our annual report on Form 20-F for the fiscal year ended December 31, 2008. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as at the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the statements in this report after the date hereof. In light of these risks and uncertainties, you should keep in mind that actual results may differ materially from any forward-looking statement made in this report or elsewhere.

EXHIBITS

Exhibit Number	-	Page
	Copies of the disclosure letters that we filed today with the Securities and Exchange Commission and the Philippine Stock Exchange regarding the following matters:	
	a. press release regarding the unaudited financial statements of the Company as at and for the year ended December 31, 2009;	
1	b. record date for the Annual Meeting of Stockholders of the Company; and	15
	c. cash dividend declaration on the Company s Common Stock.	
2		5

Exhibit 1

March 2, 2010

Philippine Stock Exchange

4/F Philippine Stock Exchange Center

Exchange Road, Ortigas Center

Pasig City

Attention: Ms. Janet A. Encarnacion

Head - Disclosure Department

Gentlemen:

In accordance with Section 17.1 (b) and Section 17.3 of the Securities Regulation Code, we submit herewith a copy of SEC Form 17-C with a press release attached thereto regarding the unaudited financial statements of the Company as at and for the year ended December 31, 2009.

This shall also serve as the disclosure letter for the purpose of complying with PSE Revised Disclosure Rules.

Very truly yours,

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

/s/ Ma. Lourdes C. Rausa-Chan

MA. LOURDES C. RAUSA-CHAN

Corporate Secretary

Exhibit 1

March 2, 2010

Securities & Exchange Commission

Corporation Finance Department

SEC Building, EDSA

Mandaluyong City

Attention: Director Justina F. Callangan

Corporation Finance Department

Gentlemen:

In accordance with Section 17.1 (b) of Securities Regulation Code and SRC Rule 17.1, we submit herewith three (3) copies of SEC Form 17-C with a press release attached thereto regarding the unaudited financial statements of the Company as at and for the year ended December 31, 2009.

Very truly yours,

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

/s/ Ma. Lourdes C. Rausa-Chan

MA. LOURDES C. RAUSA-CHAN

Corporate Secretary

Exhibit 1

COVER SHEET

P	W	-	5	5

S.E.C. Registration No.

P	H	I	L	I	P	P	I	N	E		L	O	N	G		D	I	S	T	A	N	C	E

T	E	L	E	P	H	O	N	E		C	O	M	P	A	N	Y					

(Company s Full Name)

R	A	M	O	N		C		O	J	U	A	N	G	C	O		B	L	D	G	.			

M	A	K	A	T	I		A	V	E	.		M	A	K	A	T	I		C	I	T	Y

(Business Address: No. Street City/Town/Province)

MS. JUNE CHERYL A. CABAL	816-8534
Contact Person	Company Telephone Number

1 2	3 1	SEC FORM 17-C	0	6	Every 2nd Tuesday
Month	Day	FORM TYPE	Month		Day

Fiscal Year		Annual Meeting	

C F D		N/A	
Dept. Requiring this Doc.		Amended Articles Number/Section	
		Total Amount of Borrowings	
2,183,134 As of January 31, 2010	N/A		N/A
	Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

	______________________________	
File Number		LCU

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STAMPS		

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Exhibit 1

SECURITIES AND EXCHANGE COMMISSION

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.1

1. 2 March 2010

Date of Report (Date of earliest event reported)

2. SEC Identification Number PW-55

3. BIR Tax Identification No. 000-488-793

4. PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

Exact name of issuer as specified in its charter

5. PHILIPPINES 6.____________ (SEC Use Only)

Province, country or other jurisdiction Industry Classification Code of Incorporation

7. Ramon Cojuangco Building, Makati Avenue, Makati City 1200

Address of principal office Postal Code

8. (632) 816-8405

Issuer's telephone number, including area code

9. Not Applicable

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding

Exhibit 1

PLDT press release

2009 CONSOLIDATED NET INCOME UP 15% TO P39.8 BILLION

CORE NET INCOME UP 8% TO P41.1 BILLION

EBITDA AT P86.2 BILLION; FREE CASH FLOW AT P44.0 BILLION

TOTAL DIVIDEND OF P218 PER SHARE WITH DECLARATION OF FINAL AND SPECIAL DIVIDENDS 100% EARNINGS PAYOUT

CELLULAR SUBSCRIBER BASE REACHES 41.3 MILLION, UP 17%

TOTAL BROADBAND SUBSCRIBERS AT 1.6 MILLION, UP 62%

- Consolidated net income of P39.8 billion for 2009, 15% higher than the P34.6 billion net income in 2008
- Consolidated core net income for 2009 at P41.1 billion, an increase of 8% from the P38.1 billion recorded in 2008
- Consolidated service revenues grew 2% year-on-year to P145.6 billion. Wireless service revenues increase 2% to P95.8 billion; fixed line service revenues up 4% to P51.1 billion; and ePLDT service revenues improve 5% to P10.9 billion
- Consolidated EBITDA lower at P86.2 billion; consolidated EBITDA margin at 59% of service revenues
- Consolidated free cash flow was P44.0 billion for 2009
- Final dividend of P76 per share declared; in addition, special dividend of P65 per share declared bringing total dividend payout for 2009 to P218 per share representing 100% of core earnings per share
- Cellular subscriber base reaches 41.3 million; net subscriber additions of 6.1 million for the year; growth year-on-year of 17%
- Total broadband subscribers at 1.6 million, with wireless alone surpassing 1 million; aggregate revenue contribution from broadband and internet services of P13.8 billion for the 2009, 25% higher than last year

MANILA, Philippines, 2nd March 2010 Philippine Long Distance Telephone Company (PLDT) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial results for 2009 with consolidated Reported Net Income increasing by 15% to P39.8 billion, from the P34.6 billion recorded last year. Core Net Income, net of exceptional items, rose 8% to P41.1 billion, from P38.1 billion in 2008. This year s results reflect higher recurring net income, net gain from foreign exchange revaluation of our financial assets and liabilities and derivatives compared to a net loss last year, and the lower statutory tax rate. This year s results also recognize the equity share of Pilipino Telephone Corporation (Piltel) in the earnings of the Manila Electric Company (Meralco). Consolidated service revenues increased by 2% to P145.6 billion, fueled mainly by the 3% growth in data and broadband revenues. Consolidated EBITDA was lower at P86.2 billion while EBITDA margin was 59%.

Consolidated free cash flow remained strong aat P44.0 billion in 2009. Consolidated capital expenditures stood at P28.1 billion for the year, higher than our guidance of P27.0 billion as the Group accelerated its broadband rollout while continuing to invest in additional cellular coverage and capacity.

Exhibit 1

The Group s consolidated debt balance as at year-end 2009 was US$2.2 billion with net debt at approximately U. S. $1.3 billion. Net debt to EBITDA increased to 0.7x. The Company s debt maturities continue to be well spread out, with more than 50% due in and after 2013. The percentage of U. S. dollar-denominated debt to the Group s total debt portfolio further declined to 48%, down from 79% at the end of 2008. Taking into account our peso borrowings, our hedges and our U. S. Dollar cash holdings, only 22% of total debt remains unhedged. This year s additional debt, mainly denominated in Pesos, was used to fund capital expenditures and support various investments, including the 20% stake in Meralco. The Group s cash and short-term securities are invested primarily in bank placements and Government securities.

Earlier today, the Company s Board of Directors declared a final dividend of P76 per share, fulfilling the Company s commitment to payout a minimum ratio of 70% of core earnings. In addition, the Board, consistent with its year-end look back approach, approved a special dividend of P65 per share. Added to the previously paid interim dividend of P77 per share paid in September 2009, total dividends for the year will amount to P218 per share, representing a payout of 100% of 2009 core earnings, similar to the payout ratio of the last two years. Total dividend payments for 2009 will total P40.7 billion.

We are immensely pleased to have been able to fulfill our regular dividend commitment but more so, to have been able to declare a special dividend despite higher capex and the Meralco investment. This 100% dividend payout of Core EPS for the third year in a row was made possible by our continued record earnings and robust cashflows, stated Manuel V. Pangilinan, PLDT Chairman.

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Wireless: Leading with Broadband

Wireless service revenues rose to P95.8 billion for 2009, 2% higher than the P93.6 billion recognized last year. Cellular subsidiary Smart Communications, Inc. (Smart) continues to lead the industry in terms of both revenues and subscribers.

Wireless EBITDA was lower at P59.4 billion in 2009. As expected, EBITDA margin decreased to 62% due primarily to higher compensation and benefits expense as well as higher rent expenses for international leased circuits associated with the growth of the wireless broadband business.

The PLDT Group s total cellular subscriber base for 2009 grew to 41.3 million subscribers, a 17% growth year-on-year. For 2009, Smart added 6.1 million subscribers, as compared with 5.2 million in 2008. Smart Buddy recorded net additions of over 1.6 million subscribers in the fourth quarter of 2009 to end the year with 24.2 million subscribers while *Talk N Text* added approximately 500,000 subscribers to end 2009 with 17.1 million subscribers.

Cellular voice revenues improved by 4% to P38.9 billion while cellular data revenues fell 2% to P47.1 billion. Wireless broadband revenues grew 24% to P5.4 billion, compared with the P4.3 billion recorded in 2008.

Exhibit

SmartBro, Smart s wireless broadband service through its wholly-owned subsidiary Smart Broadband, Inc. (SBI) - continued to expand as its wireless broadband subscriber base grew 90% to exceed 1 million at the end of 2009, over 600,000 of which were on *SmartBro s* prepaid service.

On 24th February 2010, Smart widened its Internet service portfolio with the introduction of *SmartBro SurfTV*, a world-first service from SBI that allows Internet access through the television set. *SmartBro SurfTV* is a device that connects to a television set through a quick and easy procedure, to provide Internet access using Smart Bro s nationwide coverage. When plugged into the RCA port of a color TV set, *SmartBro SurfTV* provides users a ready-to-run Internet experience, and users can surf, chat, and email -- through a multi-tasking TV -- at home.

Smart Bro SurfTV comes in a boxed set complete with a keyboard, a mouse, a remote control, and a *SmartBro* USB stick-type modem with a prepaid SIM, pre-loaded with P100 worth of load. The entire kit costs only P4,500, and Internet access costs only P10 for every 30 minutes. Load for the prepaid *SmartBro* SIM is available through any of Smart s network of over a million *Smart Load* sellers all over the country.

Over the last few years, we have been steadily advancing our Internet for All advocacy and investing our energies in making wireless Internet more affordable and widely available whether via mobile phone, PC, or laptop so that Filipinos may benefit from it. SmartBro SurfTV is a natural progression of that strategy as what could be more ubiquitous in a Filipino household than a television set? added Orlando B. Vea, Chief Wireless Adviser of Smart.

Earlier in June, Smart had launched *Smartalk*, an unlimited voice offering available to *Smart Buddy* and *Smart Gold* subscribers nationwide. The new service enables *Smart Buddy* and *Smart Gold* subscribers to make unlimited calls to the mobile phone users on the SMART network. Buoyed by the widespread acceptance of the service, Smart has since launched a variant - *Smartalk Plus,* which offers unlimited calling and on-net texting during off-peak hours and reduced rates during peak hours. As a result, voice revenues increased its contribution to total cellular revenues from 42% in 2008 to 44% in 2009.

The sustained popularity of our unlimited voice packages indicates that there is a consumer appetite for voice at the right price point. We will therefore continue to offer value-driven services that could expand our footprint in the voice space even further," stated Napoleon L. Nazareno, President and CEO of PLDT and Smart.

Smart continues to invest in its cellular and multi-platform broadband networks while upgrading its existing transmission, core and access facilities. Smart s 3G and HSPA networks now cover 50% and 44% of the country s population, respectively.

The residual effect of the third quarter s calamitous events somewhat dampened the normal holiday boost of the fourth quarter, resulting in softer financial results. With the cellular market maturing, we are bracing ourselves for a challenging year but one that we will face with the same innovative and competitive spirit that Smart is renowned for, added Nazareno.

Exhibit 1

PLDT Fixed Line: Growing steadily

Fixed line service revenues increased by 4% to P51.1 billion in 2009 from P49.3 billion in 2008 as the 16% increase in data revenues, both from corporate data and residential DSL services, was somewhat attenuated by declines in other segments of the business. National long distance revenues decreased while international long distance revenues continued to weaken due to the shifting of traffic to cellular and other means of communications. Local exchange revenues further declined due to the bundling of voice and data services, though somewhat mitigated by the increase in postpaid billed lines. Data service revenues contributed 42% of the fixed line s service revenues as compared with 37% in 2008.

The Fixed line business continues to pursue initiatives aimed at tapping new markets and generating new and higher ARPUs. These were enabled by leveraging both the fixed and wireless networks and creating new products for different market segments.

PLDT DSL continued its strong performance as broadband subscribers grew by 127,000 to 560,000 at the end of 2009 from 433,000 at the end of 2008. PLDT DSL generated P7.1 billion in revenues in 2009, up 29% from P5.5 billion in 2008.

Fixed line EBITDA margin was lower at 49% for 2009 as compared with 52% in the same period last year. The decline was the result of a 7% increase in cash operating expenses, including increased rental expenses for international leased circuits in support of broadband/data growth.

"The Fixed line business continues to produce growth by augmenting its offerings both in breadth and scope. We are looking beyond being just a telco and becoming a communications solutions provider," declared Nazareno.

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ePLDT: Moving forward

ePLDT, the Group s information and communications technology arm, reported service revenues of P10.9 billion in 2009, an increase of 5% from P10.4 billon in 2008. ePLDT s EBITDA increased to P1.3 billion in 2009 as compared with P1.1 billion in 2008, mainly due to the favorable impact of the depreciation of the peso offset by a 1% increase in cash operating expenses. EBITDA margin at 12% was higher than the 10% recorded in 2008. ePLDT s revenues account for 8% of PLDT s consolidated revenues.

The Company s data center, *Vitro*, continued its strong showing, with revenues growing 67% to P1.3 billion as a result of increased number of contracts for co-location, server hosting, disaster recovery and business continuity services.

Both ePLDT Ventus, which handles customer interaction services (more commonly known as call center) and SPi Technologies, Inc. (SPi), the knowledge processing arm (also known as business process outsourcing or BPO), experienced revenue declines of 2% and 1%, respectively. ePLDT Ventus recorded revenues of P3.3 billion in 2009, slightly under last year s level, while SPi generated revenues of P5.2 billion compared with P5.3 billion in 2008.

Exhibit 1

We are also pleased to note that our EBITDA is now showing consistent improvement as we continue to work on various operating metrics. The data center business remains strong and looks to grow even further. In the meantime, we are looking at ways to realize synergies between the call center and BPO businesses, said Ray C. Espinosa, ePLDT President and CEO.

Meralco: Improving Prospects

Meralco s consolidated Reported Net Income increased to 6.0 billion, 114% higher than the 2.8 billion realized in 2008 while its Consolidated Core Net Income, which excludes one-time, exceptional charges, stood at 7.0 billion, which is 169% better than the Core Net Income in 2008 of 2.6 billion. The improvement is attributable mainly to a slightly higher volume of energy sold and to an adjustment in distribution rates, which took effect in May 2009.

Meralco s earnings for the period 15th July to 31st December 2009 approximated 2.5 billion. Having acquired the Meralco shares on 15th July 2009, Piltel s 20% equity share in that period s earnings, net of acquisition-related adjustments aggregating 100.2 million, amounted to 398.1 million. Piltel received dividends from Meralco amounting to 334.5 million, accounted for as a reduction of Piltel s investment in Meralco.

Meralco s consolidated revenues, in which electricity accounts for 97% of the total, decreased slightly by 3.6% due primarily to a 0.69 per kWh decrease in average generation and transmission charges, partially offset by the increase in kilowatt hour-consumption for the year and the implementation of the PBR (Performance-Based Regulation)-based rate of 0.257 per kWh-adjustment starting May 2009, Meralco s first distribution rate adjustment after almost six (6) years.

Total cost and expenses amounted to 175.6 billion in 2009 or 5.6% lower, compared with 186.6 billion in 2008.

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Consolidation of Meralco stake in Beacon Electric

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In a separate but related disclosure, Piltel also announced that it has executed an Omnibus Agreement with Metro Pacific Investments Corporation (MPIC) and Rightlight Holdings, Inc (RHI), a newly organized special purpose company with the sole purpose of holding Piltel and MPIC s shares in Meralco, and which will be renamed Beacon Electric Asset Holdings, Inc (Beacon Electric), pursuant to which Piltel and MPIC have agreed to restructure their current shareholdings in Meralco. Please see the attached joint announcement of MPIC and Piltel for more details.

Exhibit 1

Outlook

For 2010, we forecast service revenues to reach P150 billion, a 3% or P 4 billion growth over 2009. Growth is expected to come from broadband, fixed line revenues from the corporate and SME markets, and improvements in the BPO business. The cellular business faces challenges given high market penetration, the market s increasing preference for unlimited offers and multiple SIM ownership, as well as competition from social networking and broadband.

We expect EBITDA to grow to P 88 billion, with EBITDA margin slightly lower than 59% with the increased contribution from the broadband business, where margins are lower than our traditional businesses due to marketing subsidies and the added cost of international bandwidth. Increased subsidies planned to further seed and grow the broadband business will result in increased operating expenses this year.

Notwithstanding the growth in service revenues and EBITDA, we expect core net income for 2010 to be slightly higher than P41 billion, due to projected higher net financing charges by P3bn. This is on account of higher debt levels and lower cash balances.

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Conclusion

As we put 2009 behind us, we can take pride in producing revenue and profit growth in a year beset with challenges, be it the lagged effect of the global recession or the swine flu outbreak and the successive natural calamities that battered the country. Moreover, our third successive dividend payout of 100 percent of our core earnings speaks volumes of the strength of this company.

We see 2010 as another year fraught with challenges competition shows no signs of abating, consumer wallets are tightening, elections notwithstanding, and alternative means of communications such as social networking are real threats to our mainstream businesses. Furthermore, 2010 is somewhat of a bridge year for the Group. We will be investing heavily, 28.6 billion in capex, in further expanding and improving our infrastructure, both operationally and strategically; and undertaking subsidies to seed broadband take-up and growth. With the expected softness in revenues, we are looking to control cash operating expenses in order to maintain profit growth. Our guidance numbers reflect this guarded optimism - revenues and EBITDA of 150 billion and 88 billion, respectively, and profit guidance of just over 41 billion.

That said, I have every confidence in the men and women of the PLDT Group that they will find a way, as they have in the past, to beat expectations, concluded Manuel V. Pangilinan, PLDT Chairman.

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Exhibit 1

This press release may contain some statements which constitute forward-looking statements that are subject to a number of risks and uncertainties that could affect PLDT s business and results of operations. Although PLDT believes that expectations reflected in any forward-looking statements are reasonable, it can give no guarantee of future performance, action or events.

For further information, please contact:

Anabelle L. Chua Melissa V. Vergel de Dios Ramon R. Isberto

Tel No: 816-8213 Tel No: 816-8024 Tel No: 511-3101

Fax No: 844-9099 Fax No: 810-7138 Fax No: 893-5174

About PLDT

PLDT is the leading telecommunications provider in the Philippines. Through its three principal business groups fixed line, wireless, and information and communications technology PLDT offers a wide range of telecommunications services across the Philippines most extensive fiber optic backbone and fixed line, cellular and satellite network.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). PLDT has one of the largest market capitalizations among Philippine listed companies.

Further information can be obtained by visiting the web at www.pldt.com.

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Exhibit 1

PILTEL press release

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FY09 Core Net Income at 8.7 Billion

Reported Net Income Up to 17.9 Billion

Cash Dividend of 0.85/share declared

Meralco shareholding to be consolidated with MPIC s in new holding company

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- Reported Net Income increases to 17.9 billion, 57% higher than 11.3 billion in 2008 primarily as a result of:
  - Gain on sale of the GSM business of 7.6 billion (net of tax)
  - Gain on derivative asset of 1.2 billion
- Core Net Income down 23% to 8.7 billion versus 11.3 billion last year
  - Core Earnings from Continuing Operations at 975 million, up 138% from 409 million in 2008
  - Core Earnings from Discontinued Operations at 7.7 billion, down 29% from 10.9 billion in 2008

***Manila, Philippines, 1st March 2010* -** Pilipino Telephone Corporation (Piltel) (PSE: PLTL) today announced that Core Net Income, before exceptional items, declined by 23% to 8.7 billion in 2009 from 11.3 billion recorded in 2008, before the effect of the gains arising from the sale of the GSM business and derivative transactions. The decline in Core Net Income is attributable to the GSM business having been sold in August 2009 and resulting in only 7.5 months of operations reflected in 2009 s financial results versus the full year take-up in 2008.

Reported Net Income improved by 57% to 17.9 billion compared with a Reported Net Income of 11.3 billion in 2008, due to the one-time net gain of 7.6 billion from the sale of the GSM business and the mark-to-market gain of 1.2 billion recognized on the derivative asset linked to the Exchangeable Note related to Piltel s acquisition of Meralco.

Reported Net Income benefited as well from the reduction in the statutory tax rate from 35% in 2008 to 30% in 2009 and the application of the optional standard deduction method in computing Piltel s net taxable income.

Core Earnings per Share was at 0.74 compared with 0.96 in 2008.

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Earlier today, the Company s Board of Directors declared a cash dividend of 0.85 per share to common shareholders of record as of 15th March 2010. Payment date is set for 30th March 2009.

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Exhibit 1

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Meralco

Meralco s consolidated Reported Net Income for 2009 increased to 6.0 billion, 114% higher than the 2.8 billion realized in 2008 while its Consolidated Core Net Income, which excludes one-time, exceptional charges, stood at 7.0 billion, which is 169% better than the Core Net Income in 2008 of 2.6 billion. The improvement is attributable mainly to a slightly higher volume of energy sold and to an adjustment in distribution rates, which took effect in May 2009.

Meralco s earnings for the period 15th July to 31st December 2009 approximated 2.5 billion. Having acquired the Meralco shares on 15th July 2009, Piltel s 20% equity share in that period s earnings, net of acquisition-related adjustments aggregating 100.2 million, amounted to 398.1 million. Piltel received dividends from Meralco amounting to 334.5 million, accounted for as a reduction of Piltel s investment in Meralco.

Meralco s consolidated revenues, in which electricity accounts for 97% of the total, decreased slightly by 3.6% due primarily to a 0.69 per kWh decrease in average generation and transmission charges, partially offset by the increase in kilowatthour-consumption for the year and the implementation of the PBR (Performance-Based Regulation)-based rate of 0.257 per kWh-adjustment starting May 2009, Meralco s first distribution rate adjustment after almost six (6) years.

Total cost and expenses amounted to 175.6 billion in 2009 or 5.9% lower, compared with 186.6 billion in 2008.

Discontinued Operations

Piltel s financial report for 2009 reflects the results of its GSM cellular business only until 16th August 2009 as the sale and transfer of that business to Smart was finalized on that date. Accordingly, net income from that business is reported as Net income from discontinued operations .

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Balance Sheet

Total stockholders equity rose to 32.4 billion compared with 21.0 billion at the end of 2008. Piltel is now 99.5% owned by Smart.

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Consolidation of Meralco stake in Beacon Electric

-

In a separate but related disclosure, Piltel also announced that it has executed an Omnibus Agreement with Metro Pacific Investments Corporation (MPIC) and Rightlight Holdings, Inc (RHI), a newly organized special purpose company with

Exhibit 1

the sole purpose of holding Piltel and MPIC s shares in Meralco, and which will be renamed Beacon Electric Asset Holdings, Inc (Beacon Electric), pursuant to which Piltel and MPIC have agreed to restructure their current shareholdings in Meralco. Please see the attached joint announcement of MPIC and Piltel for more details.

<u>Conclusion</u>

As disclosed in a separate document, we have undertaken to strengthen our ownership in Meralco by joining forces with Metro Pacific Investment Corporation in consolidating our Meralco holdings in Beacon Electric. The combined holdings will make Beacon Electric one of Meralco s largest shareholders and ensure that we have a stronger voice in the strategic and operational decisions of Meralco, stated **Napoleon L Nazareno**, President and CEO of Piltel.

Pilipino Telephone Corporation

Financial Highlights for the Year Ended December 31,
Increase / (Decrease) % Change

(In million pesos except EPS) **2009** **2008**
Oil and gas sales

$
9,955

$
6,583

Office services to affiliate and other

202

182

Other

8

242

Total revenues

10,165

7,007

Operating expenses

Lease operating expense, transportation and taxes

4,900

3,665

Depreciation, depletion and amortization

3,170

4,507

Accretion expense

204

210

Loss from plug and abandonment

346

-

General and administrative

899

879

Total operating expenses

9,519

9,261

Operating income (loss)

646

	(2,254)	
Other expenses (income)		
Interest expense, net	1,962	2,447
Net gain on derivative contracts	(3,373)	(7,414)
Total other income	(1,411)	(4,967)
Income before income taxes	2,057	2,713
Income tax expense	(700)	(923)
Net income	$ 1,357	$ 1,790
Earnings per share – basic and diluted:		

$	0.50
$	0.66
Weighted average number of shares outstanding-basic and diluted	
	2,717,691
	2,717,691

See notes to the condensed consolidated financial statements.

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

	Three Months Ended March 31, 2010	2009
Cash Flows From Operating Activities:		
Net income	$ 1,357	$ 1,790
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, amortization and impairment	3,170	4,507
Accretion expense	204	210
Unrealized and realized gain on marketable securities	-	(169)
Changes in deferred taxes	700	923
Net unrealized loss (gain) on derivative contracts	(1,985)	(2,833)
Amortization of debt cost	63	63
Changes in components of working capital and other assets and liabilities		
Accounts receivable	1,825	1,196
Prepaid expenses and other current assets	(225)	(28)
Related party	173	74
Accrued interest - related party	(232)	160
Accounts payable and accrued liabilities	(2,232)	(341)
Net cash provided by operating activities	2,818	5,552
Cash flows from investing activities:		
Addition to property and equipment, net	(374)	(47)
Restricted cash and deposit, net	-	(25)
Proceeds from sale of marketable securities	-	427
Net cash provided by (used in) investing activities	(374)	355
Cash flows from financing activities:		
Repayment of long-term debt	(1,950)	(4,950)
Borrowings (repayments) of short - term debt, net	576	(926)
Net cash used in financing activities	(1,374)	(5,876)
Net increase in cash and cash equivalents	1,070	31
Cash and cash equivalents at beginning of period	2,907	3,141
Cash and cash equivalents at end of period	$ 3,977	$ 3,172

See notes to the condensed consolidated financial statements.

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

Note 1 - Financial Statement Presentation

As used in these financial statements, the terms “Company” and “Isramco” refer to Isramco, Inc. and its subsidiaries, Jay Petroleum, L.L.C. (“Jay Petroleum”), Jay Management Company L.L.C. (“Jay Management”), IsramTec Inc. (“IsramTec”), Isramco Resources LLC, Isramco Energy LLC and Field Trucking and Services, LLC (”FTS”).

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the SEC instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Results for the three-month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in Isramco’s Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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.

Risk Management Activities

The Company follows Accounting Standards Codification (ASC) 815, Derivatives and Hedging. From time to time, the Company may hedge a portion of its forecasted oil and natural gas production. Derivative contracts entered into by the Company have consisted of transactions in which the Company hedges the variability of cash flow related to a forecasted transaction. The Company has elected to not designate any of its positions for hedge accounting. Accordingly, the Company records the net change in the mark-to-market valuation of these positions, as well as payments and receipts on settled contracts, in “Net gain on derivative contracts” on the consolidated statements of operations.

Consolidation

The condensed consolidated financial statements include the accounts of Isramco and its wholly-owned subsidiaries: Jay Petroleum, Jay Management, IsramTec, Isramco Resources LLC and Isramco Energy LLC and FTS. Inter-company balances and transactions have been eliminated in consolidation.

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Reclassifications

Certain prior year amounts in the condensed consolidated financial statements have been reclassified to conform to current year presentations

Recently Issued Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, Improving Disclosures about Fair Value Measurements (ASU 2010-06). This update provides amendments to Subtopic 820-10 and requires new disclosures for 1) significant transfers in and out of Level 1 and Level 2 and the reasons for such transfers and 2) activity in Level 3 fair value measurements to show separate information about purchases, sales, issuances and settlements. In addition, this update amends Subtopic 820-10 to clarify existing disclosures around the disaggregation level of fair value measurements and disclosures for the valuation techniques and inputs utilized (for Level 2 and Level 3 fair value measurements). The provisions in ASU 2010-06 are applicable to interim and annual reporting periods beginning subsequent to December 15, 2009, with the exception of Level 3 disclosures of purchases, sales, issuances and settlements, which will be required in reporting periods beginning after December 15, 2010. The adoption of ASU 2010-06 did not impact the Company's operating results, financial position or cash flows, but did impact the Company's disclosures on fair value measurements. See Note 6, "Fair Value Measurements."

In February 2010, FASB issued ASU No. 2010-09, Amendments to Certain Recognition and Disclosure Requirements (ASU 2010-09). This update amends Subtopic 855-10 and gives a definition to SEC filer, and requires SEC filers to assess for subsequent events through the issuance date of the financial statements. This amendment states that an SEC filer is not required to disclose the date through which subsequent events have been evaluated for a reporting period. ASU 2010-09 becomes effective upon issuance of the final update. The Company adopted the provisions of ASU 2010-09 for the period ended March 31, 2010.

In April 2010, the FASB issued ASU No. 2010-12, Accounting for Certain Tax Effects of the 2010 Health Care Reform Acts (ASU 2010-12). This update clarifies questions surrounding the accounting implications of the different signing dates of the Health Care and Education Reconciliation Act (signed March 30, 2010) and the Patient Protection and Affordable Care Act (signed March 23, 2010). ASU 2010-12 states that the FASB and the Office of the Chief Accountant at the SEC would not be opposed to view the two Acts together for accounting purposes. The Company is currently assessing the impact, if any, the adoption of ASU 2010-12 will have on the Company's disclosures, operating results, financial position and cash flows.

Note 2 - Supplemental Cash Flow Information

Cash paid for interest and income taxes was as follows for the period ended March 31 (in thousands):

	2010	2009
Interest	$ 2,122	$ 2,209
Income taxes	$ —	$ —

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Note 3 - Derivative Contracts

At March 31, 2010, the Company had a $6.7 million commodity derivative asset, of which $4.4 million was classified as current, and a $1 million non-current derivative liability. For the three months ended March 31, 2010, the Company recorded a net derivative gain of $3.4 million ($2 million unrealized gain and a $1.4 million gain from net cash received on settled contracts).

At March 31, 2009, the Company had a $25.9 million commodity derivative asset, of which $13.9 million was classified as current. For the three months ended March 31, 2009, the Company recorded a net derivative gain of $7.4 million ($2.8 million unrealized gain and a $4.6 million gain from net cash proceeds on settled contracts).

Natural Gas

At March 31, 2010, the Company had the following natural gas swap positions:

Period	Volume in MMbtu's	Swaps Price / Price Range	Weighted Average Price
April 2010 – December 2010	1,339,236	7.49-8.32	7.88
January 2011 – December 2011	764,820	8.22	8.22
January 2012 – March 2012	174,222	8.65	8.65

Crude Oil

At March 31, 2010, the Company had the following crude oil swap positions:

Period	Volume in Bbls	Swaps Price / Price Range	Weighted Average Price
April 2010 – December 2010	191,151	63.30-101.70	79.59
January 2011 – December 2011	240,336	79.50-91.05	86.55
January 2012 – December 2012	127,473	80.20-88.20	82.37
January 2013 – December 2013	89,400	85.15	85.15
January 2014 – December 2014	66,000	86.95	86.95

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During the second quarter of 2008, the Company decided to mitigate a portion of it interest rate risk with interest rate swaps. These swap instruments reduce the Company's exposure to market rate fluctuations by converting variable interest rates to fixed interest rates.

Under these swaps, the Company makes payments to, or receives payments from, the counterparties based upon the differential between a specified fixed price and a price related to the one-month London Interbank Offered Rate ("LIBOR"). These interest rate swaps convert a portion of our variable rate interest applicable to our "Scotia" debt (as defined in Note 8, "Long-term Debt" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009) to a fixed rate obligation, thereby reducing the exposure to market rate fluctuations. We have elected to designate these positions for hedge accounting and therefore the unrealized gains and losses are recorded in accumulated other comprehensive loss. The Company measures hedge effectiveness by assessing the changes in the fair value or expected future cash flows of the hedged item.

The Company's open interest rate swap positions, as described above, are as follows:

National amount (in thousands):	Start Date	Maturity Date	Weighted-Average Interest Rate	
15,500	April 2009	February 2011	3.63	%
6,000	April 2009	February 2011	2.90	%

Note 4 - Long-Term Debt and Interest Expense

Long-Term Debt as of March 31, 2010 and December 31, 2009 consisted of the following (in thousands):

	As of March 31, 2010	As of December 31, 2009
Libor + 2% Bank Revolving Credit Facility due 2011	13,950	14,950
Libor + 2% Bank Revolving Credit Facility due 2012	29,050	30,000
Libor + 6% Related party Debt	12,000	12,000
Libor + 5.5% Related party Debt	954	954
Libor + 6% Related party Debt	11,500	11,500
Libor + 6% Related party Debt	6,000	6,000
Libor + 6% Related party Debt	48,900	48,900
	122,354	124,304
Less: Current Portion of Long-Term Debt	(17,950)	(12,000)
Total	104,404	112,304

Senior Secured Revolving Credit Agreements

At March 31, 2010, the Company was in compliance with all of its debt covenants under its existing Credit Agreements.

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Interest expense

The following table summarizes the amounts included in interest expense for the three month ended March 31, 2010 and 2009 (in thousands):

	Three Months Ended March 31	
	2010	2009
Current debt, long-term debt and other - banks corporation	$ 497	$ 787
Long-term debt – related parties	1,465	1,660
	$ 1,962	$ 2,447

Note 5 - Comprehensive Income

Our comprehensive income for the three month period ended March 31, 2010 and 2009 was as follows:

	Three Months Ended March 31	
	2010	2009
Net income	$ 1,357	$ 1,790
Other comprehensive gain		
Available-for-sale securities, net of taxes	388	323
Change in unrealized gains (loss) on hedging instruments, net of taxes	103	(52)
Comprehensive income	$ 1,848	$ 2,061

Note 6 - Fair Value of Financial Instruments

Pursuant to ASC 820, Fair Value Measurements and Disclosures (ASC 820) the Company's determination of fair value incorporates not only the credit standing of the counterparties involved in transactions with the Company resulting in receivables on the Company's consolidated balance sheets, but also the impact of the Company's nonperformance risk on its liabilities. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs.

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The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as of March 31, 2010 and December 31, 2009. As required by ASC 820, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There were no transfers between fair value hierarchy levels for the three months ended March 31, 2010.

	March 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	$ 5,301	$ —	$ —	$ 5,301
Commodity derivatives	—	6,742	—	6,742
Total	$ 5,301	$ 6,742	$ —	$ 12,043
Liabilities				
Commodity derivatives	$ —	1,031	$ —	$ 1,031
Interest rate derivatives	—	382	—	382
Total	$ —	$ 1,413	$ —	$ 1,413

	December 31, 2009			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable securities	$ 4,713	$ —	$ —	$ 4,713
Commodity derivatives	—	5,579	—	5,579
Total	$ 4,713	$ 5,579	$ —	$ 10,292
Liabilities				
Commodity derivatives	$ —	1,852	$ —	$ 1,852
Interest rate derivatives	—	538	—	538
Total	$ —	$ 2,390	$ —	$ 2,390

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Marketable securities listed above are carried at fair value. The Company is able to value its marketable securities based on quoted fair values for identical instruments, which resulted in the Company reporting its marketable securities as Level 1.

Derivatives listed above include swaps that are carried at fair value. The Company records the net change in the fair value of these positions in "Net gain on derivative contracts" in the Company's consolidated statements of operations, in case of commodity derivatives, and in "Other comprehensive income", in case of interest rate derivatives. The Company is able to value these assets and liabilities based on observable market data for similar instruments, which resulted in the Company reporting its derivatives as Level 2. This observable data includes the forward curve for commodity prices based on quoted market prices and prospective volatility factors related to changes in the forward curves.

As of March 31, 2010 and December 31, 2009, the Company's derivative contracts were with major financial institutions with investment grade credit ratings which are believed to have a minimal credit risk. As such, the Company is exposed to credit risk to the extent of nonperformance by the counterparties in the derivative contracts discussed above; however, the Company does not anticipate such nonperformance. Each of the counterparties to the Company's derivative contracts is a lender in the Company's Senior Credit Agreement. The Company did not post collateral under any of these contracts as they are secured under the Senior Credit Agreements.

Note 7 - Subsequent Events

The Company has evaluated subsequent events through May 10, 2010, which is the date the consolidated financial statements were issued.

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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," "ANTICIPA "BELIEVE," "ESTIMATE," "PREDICT," "POTENTIAL," "INTEND," OR "CONTINUE," AND SIMILAR EXPRESSIO 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, Inc. (""Isramco" or "we") is 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. Our properties are primarily located in Texas, New Mexico and Oklahoma. We also act as the operator of certain 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.

Our financial results depend upon many factors, but are largely driven by the volume of our oil and natural gas production and the price that we receive 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, political issues, 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 and development plans are subject to change based upon various factors, some of which are beyond our control, including results of operations, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling and other services and equipment, gathering system and pipeline transportation constraints and regulatory approvals. To the extent these factors lead to reductions in our operating plans and associated capital budgets in future periods, our financial position, cash flows and operating results could be adversely impacted.

Liquidity and Capital Resources

Our primary source of cash during the three months ended March 31, 2010 was cash flow from operating activities. The capital markets, as they relate to us, have been adversely impacted by the current financial crisis and concerns about the economic recession and its effect on commodity prices. Continued volatility in the capital markets could adversely impact our ability to replace our reserves, and eventually, our production levels.

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. We expect to fund our future capital requirements through internally generated cash flows and borrowings under our Senior Credit Agreements. Long-term cash flows are subject to a number of variables, including the level of production and prices and our commodity price hedging activities, as well as various economic conditions that have historically affected the oil and natural gas industry.

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Debt

	As of March 31, 2010	As of December 31, 2009
Revolving Credit Facility	$ 25,050	$ 32,950
Long – term debt – related party	79,354	79,354
Current maturities of long-term debt, short-term debt and bank overdraft	18,862	12,366
Total debt	123,266	124,670
Stockholders' equity	15,581	13,733
Debt to capital ratio	88.8%	90%

Under the credit facility available, we can borrow up to a maximum of $52,400 thousand, of which approximately $13,950 thousand is currently outstanding. Management currently believes that this availability is sufficient to provide the liquidity required to satisfy our anticipated working capital needs for 2010.

As of March 31, 2010, our total debt was $123,266 thousand, compared to total debt of $124,670 thousand at December 31, 2009. As of March 31, 2010, current debt included $17,950 thousand as current maturities of the Revolving Credit Facilities, of which $4,000 thousand was the result of management's decision to continue payments to reduce debt below the borrowing base. As of December 31, 2009, current debt included $12,000 thousand as current maturities, of which $12,000 thousand was the result of management's decision to continue payments to reduce debt below the borrowing base.

Cash Flow

Our primary sources of cash in the three months ended March 31, 2010 and 2009 were our operating activities. In the 2010 and 2009 period, cash received from operations were mainly offset by repayments made under our revolving credit facilities.

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 and could influence our ability to reduce our long-term loans. Prices for oil and natural gas have historically been subject to seasonal influences characterized by peak demand and higher prices in the winter heating season; however, the impact of other risks and uncertainties have also influenced prices throughout recent years.

	Three months Ended March 31,	
	2010	2009
	(In thousands)	
Cash flows provided by operating activities	$ 2,818	$ 5,552
Cash flows provided by (used in) investing activities	(374)	355
	(1,374)	(5,876)

Cash flows used in financing activities		
Net increase in cash	$ 1,070	$ 31

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Operating Activities, During the first three months of 2010, compared to the first three months of 2009, net cash flow provided by operating activities decreased by $2,734 thousand to $2,818 thousand. This decrease was primarily attributable to a reduction in working capital of $1,752 thousand, net cash proceeds from commodity price hedging activities of $3,193 thousand and higher lease operating expenses all of which were partially offset by increased oil and natural gas revenues. The increase in revenues was primarily attributable to higher average oil and gas prices for the quarter ended March 31, 2010 of $77.75/bbl and $5.81/mcf, compared to $37.75/bbl and $3.92/mcf for the quarter ended March 31, 2009.

Investing Activities, Net cash flows provided by (used in) investing activities for the three months ended March 31, 2010 and 2009 were $(374) thousand and $355 thousand, respectively.

Financing Activities, Net cash flows used in financing activities were $(1,374) thousand and $(5,876) thousand for the three months ended March 31, 2010 and 2009, respectively.

Results of Operations

Selected Data

	Three Months Ended March 31, 2010	2009
	(In thousands except per share and MBOE amounts)	
Financial Results		
Oil and Gas sales	$ 9,955	$ 6,583
Other	210	424
Total revenues and other	10,165	7,007
Cost and expenses	9,519	9,261
Other income	(1,411)	(4,967)
Income tax expense	700	923
Net Income	1,357	1,790
Earnings per common share – basic and diluted	$ 0.50	$ 0.66
Weighted average number of shares outstanding-basic and diluted	2,717,691	2,717,691
Operating Results		
Adjusted EBITDAX (1)	$ 5,408	$ 7,044
Sales volumes (MMBOE)	199	232
Average cost per MBOE:		
Production (including transportation and taxes)	$ 24.65	$ 15.80
General and administrative	$ 4.52	$ 3.79
Depletion	$ 15.95	$ 19.44

(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.

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Financial Results

Net Income, in the first quarter of 2010, our net income was $1,357 thousand, or $0.50 per share. This compares to net income of $1,790 thousand, or $0.66 per share, for the first quarter of 2009.

This decrease was primarily due to the impact of derivatives, a decrease in sales volumes of natural gas, oil and natural gas liquids (“NGLs”) caused by adverse weather conditions in Texas that restricted our ability to access, repair and maintain our wells, along with the natural decline in production and higher lease operating expenses which were partially offset by higher natural gas, oil and NGLs sales revenues due to higher prices, lower depreciation, depletion and amortization expenses and lower interest expense.

Revenues, Volumes and Average Prices

Sales Revenues

In thousands except percentages	Three Months Ended March 31, 2010	2009	D vs. 2009
Gas sales	$ 3,382	$ 2,663	27 %
Oil sales	5,078	2,963	71
Natural gas liquid sales	1,495	957	56
Total	$ 9,955	$ 6,583	51 %

Our sales revenues for the first quarter of 2010 increased by 51% when compared to same period in 2009, due to higher prices received for natural gas, oil and condensate and NGLs. This increase in revenue was partially offset by a decrease in our sales volumes caused by adverse weather conditions in Texas that restricted our ability to access, repair and maintain our wells, along with the natural decline in production.

Volumes and Average Prices

	Three Months Ended March 31, 2010	2009	D vs. 2009
Natural Gas			
Sales volumes Mmcf	582.6	679.4	(14)%
Average Price per Mcf (1)	$ 5.81	$ 3.92	48
Total gas sales revenues (thousands)	$ 3,382	$ 2,663	27%
Crude Oil			
Sales volumes MBbl	65.3	78.5	(17)%
Average Price per Bbl (1)	$ 77.75	$ 37.75	106
Total oil sales revenues (thousands)	$ 5,078	$ 2,963	71%
Natural gas liquids			
Sales volumes MBbl	36.4	40.2	(9)%

Average Price per Bbl (1)	$	41.08	$	23.82	72
Total natural gas liquids sales revenues (thousands)	$	1,495	$	957	56%

(1) Amounts exclude the impact of cash paid/received on settled contracts, as we did not elect to apply hedge accounting

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The company's natural gas sales volumes decreased by 14%, crude oil sales volumes by 17% and natural gas liquids sales volumes by 9% for the first quarter of 2010 compared to the same period of 2009. This decrease was primarily caused by adverse weather conditions in Texas that restricted our ability to access, repair and maintain our wells, along with the natural decline in production.

Our average natural gas price for the first quarter of 2010 increased by 48%, or $1.89 per Mcf, when compared to the same period of 2009. Our average crude oil price for the first quarter of 2010 increased by 106%, or $40 per Bbl, when compared to the same period of 2009. Our average natural gas liquids price for the first quarter of 2010 increased by 72%, or $17.26 per Bbl, when compared to the same period of 2009.

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 three months ended March 31, 2010 compared to the same period of 2009.

In thousands	Natural Gas	Oil	Natural gas liquids
2009 sales revenues	2,663	2,963	957
Changes associated with sales volumes	(379)	(498)	(90)
Changes in prices	1,098	2,613	628
2010 sales revenues	$ 3,382	$ 5,078	$ 1,495

Operating Expenses

	Three Months Ended March 31,		
In thousands except percentages	2010	2009	D vs. 2009
Lease operating expense, transportation and taxes	$ 4,900	$ 3,665	34%
Depreciation, depletion and amortization	3,170	4,507	(30)
Accretion expense	204	210	(3)
Loss from plug and abandonment	346	-	-
General and administrative	899	879	2
	$ 9,519	$ 9,261	3%

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During the first quarter of 2010, our operating expenses increased by 3% when compared to the first quarter of 2009, due to the following factors:

- Lease operating expense, transportation cost and taxes increased by 34%, or $1,235 thousand, in 2010 when compared to 2009. This increase was the result of the costs associated with a plan we initiated in January 2010 to workover a number of our wells, along with the incremental costs involved in operating older, more mature fields that require additional repair and maintenance. Finally, the higher oil and gas sale prices we received increased the taxes paid during 2010. On a per unit basis, lease operating expenses (including transportation and taxes) increased by $8.85 per MBOE to $24.65 per MBOE in 2010 from $15.80 per MBOE in 2009.

- 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 30%, or $1,337 thousand, in 2010 when compared to 2009, primarily due to higher prices (per MBOE) that impacted our estimated total reserves, which are the basis for the depletion calculation, lower oil and gas production, and the impact of a 2009 impairment of $5,751 thousand on the depletable base used to calculate DD&A. On a per unit basis, depletion expense decreased by $3.49 per MBOE to $15.95 per MBOE in 2010 from $19.44 per MBOE in 2009

- Accretion expense for asset retirement obligations slightly decreased by 3%, or $6 thousand, in 2010 when compared to 2009. The decrease reflects the impact of the plugging and abandonment of several of our wells.

- General and administrative expenses increased slightly by 2%, or $20 thousand, in 2010 when compared to 2009.

Other income

	Three Months Ended March 31,		
In thousands except percentages	2010	2009	D vs. 2009
Interest expense, net	$ 1,962	$ 2,447	(20)%
Net gain on derivative contracts	(3,373)	(7,414)	(55)
	$ (1,411)	$ (4,967)	(72)

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Interest expense. Isramco's interest expense decreased by 20%, or $485 thousand, for the first quarter of 2010 compared to the same period of 2009. This decrease is primarily due to the lower average outstanding balance of the loans which we obtained to fund the Five States acquisition in 2007 and the GFB acquisition in 2008, and to decreases in average LIBOR rates during 2009. The decrease was partially offset by the payments on interest rate swaps

Net loss (gain) on derivative contracts. We enter into derivative commodity instruments to economically hedge our exposure to price fluctuations on our anticipated oil and natural gas production. Consistent with the prior year, we have elected not to designate any positions as cash flow hedges for accounting purposes. Accordingly, we recorded the net change in the mark-to-market value of these derivative contracts in our consolidated statement of operations.

At March 31, 2010, the Company had a $6.7 million commodity derivative asset, of which $4.4 million was classified as current and a $1 million non-current derivative liability. For the three months ended March 31, 2009, the Company recorded a net derivative gain of $3.4 million ($2 million unrealized gain and a $1.4 million gain from net cash received on settled contracts).

At March 31, 2009, the Company had a $25.9 million derivative asset, of which $13.9 million was classified as current. For the three month ended March 31, 2009, the Company recorded a net derivative gain of $7.4 million ($2.8 million unrealized gain and a $4.6 million gain from net cash proceeds on settled contracts).

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.

	Three Months Ended March 31,	
In thousands except percentages	2010	2009
Income from operations before income taxes	$ 2,057	$ 2,713

Depreciation, depletion, amortization and impairment expense	3,170	4,507
Interest expense	1,962	2,447
Unrealized gain on derivative contract	(1,985)	(2,833)
Accretion Expenses	204	210
Consolidated Adjusted EBITDAX	$ 5,408	$ 7,044

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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 energy commodity price risk. 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 provides 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 varies from period to period,

We are exposed to market risk on our open derivative contracts of non-performance by our counterparties. However, we do not expect such non-performance because our contracts are with major financial institutions with investment grade credit ratings. Each of the counterparties to our derivative contracts is a lender in our Senior Credit Agreement. We did not post collateral under any of these contracts as they are secured under the Senior Credit Agreement.

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. 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. At March 31, 2010, we had two open positions that convert a portion of our variable rate interest of our Scotia debt (as defined in Note 8, "Long-term Debt" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009) to a fixed rate obligation, thereby reducing the exposure to market rate fluctuations. 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.

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—Note 3, "Derivative contracts" for more details.

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 March 31, 2010 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 and Chief Financial 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

None

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

On May 4, 2010, we and our Chief Financial Officer, Edy Francis, entered into an Amended and Restated Employment Agreement ("Agreement"), effective April 1, 2010, pursuant to which Mr. Francis will continue to be employed as our Chief Financial Officer and will be paid an annual base salary $84,600. He was paid a signing bonus of $50,000 as of execution of the Agreement. In addition, Mr. Francis is eligible for additional bonus and to participate in any profit sharing, option or similar plan to the extent and on the same basis as is awarded to other officers and executives of the Company. The Agreement has a specified term that extends through April 1, 2013. We can terminate the Agreement for any reason, for "Cause" or death or permanent disability (as such terms are defined in the Agreement). Mr. Francis can terminate only for "Good Reason" (as defined in the Agreement). If during the term we were to terminate the Agreement for any reason other than "Cause" or if Mr. Francis were to terminate for "Good Reason", then the Company is to pay to Mr. Francis a severance payment equal to his base salary plus the value of all other benefits for six months. The Agreement also includes certain customary confidentiality provisions.

ITEM 6. Exhibits

Exhibits

10.1	Amended and Restated Employment Agreement of Edy Francis
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
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

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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: MAY 10, 2010	By:	/s/ HAIM TSUFF
		HAIM TSUFF CHIEF EXECUTIVE OFFICER (PRINCIPAL EXECUTIVE OFFICER)
Date: MAY 10, 2010	By:	/s/ EDY FRANCIS
		EDY FRANCIS CHIEF FINANCIAL OFFICER (PRINCIPAL FINANCIAL AND ACCOUNTING OFFICER)