

PETROHAWK ENERGY CORP

Form 10-Q

May 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2009

Commission file number 001-33334

PETROHAWK ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

86-0876964
(I.R.S. Employer

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incorporation or organization)

Identification Number)

1000 Louisiana, Suite 5600, Houston, Texas 77002

(Address of principal executive offices including ZIP code)

(832) 204-2700

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.001 per share	New York Stock Exchange

Preferred Stock Purchase Rights

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes 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 (§ 229.405 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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of May 1, 2009 the Registrant had 275,589,581 shares of Common Stock, \$.001 par value, outstanding.

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Special note regarding forward-looking statements

This report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, concerning, among other things, planned capital expenditures, potential increases in oil and natural gas production, the number of anticipated wells to be drilled in the future, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as may, expect, estimate, project, plan, believe, intend, achievable, will, continue, potential, should, could and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. The actual results could differ materially from those anticipated in these forward-looking statements. One should consider carefully the statements under the Risk Factors section of this report and other sections of this report, as well as those described in our Form 10-K, as amended for the year ended December 31, 2008, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, including, but not limited to, the following factors:

our ability to successfully develop our large inventory of undeveloped acreage primarily held in resource-style areas in Louisiana, Arkansas and Texas, including our resource-style plays such as the Haynesville, Fayetteville and Eagle Ford Shales;

the volatility in commodity prices for oil and natural gas, including continued declines in prices;

the possibility that the industry may be subject to future regulatory or legislative actions (including any additional taxes and changes in environmental regulation);

the possibility that the United States economy remains in an extended recessionary period, which would negatively impact the price of commodities, including oil and natural gas;

the presence or recoverability of estimated oil and natural gas reserves and the actual future production rates and associated costs;

the possibility that production decline rates in some of our resource-style plays are greater than we expect;

our ability to generate sufficient cash flow from operations, borrowings or other sources to enable us to fully develop our undeveloped acreage positions;

our ability to replace oil and natural gas reserves;

environmental risks;

drilling and operating risks;

exploration and development risks;

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competition, including competition for acreage in resource-style areas;

management's ability to execute our plans to meet our goals;

our ability to retain key members of senior management and key technical employees;

our ability to obtain goods and services, such as drilling rigs and tubulars, and access to adequate gathering systems and pipeline take-away capacity, to support our drilling program;

our ability to secure firm transportation for natural gas we produce and to sell natural gas at market prices;

general economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business, may be less favorable than expected, including the possibility that the current economic recession and credit crisis in the United States will be severe and prolonged, which

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could adversely affect the demand for oil and natural gas and make it difficult to access financial markets;

continued hostilities in the Middle East and other sustained military campaigns or acts of terrorism or sabotage; and

other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our business, operations or pricing.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this document. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (unaudited)****PETROHAWK ENERGY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2009	2008
Operating revenues:		
Oil and natural gas	\$ 173,762	\$ 214,938
Marketing	89,693	
Total operating revenues	263,455	214,938
Operating expenses:		
Marketing	84,844	
Production:		
Lease operating	16,411	12,394
Workover and other	723	537
Taxes other than income	12,180	10,964
Gathering, transportation and other	20,494	9,523
General and administrative	19,639	16,154
Depletion, depreciation and amortization	114,256	83,127
Full cost ceiling impairment	1,732,486	
Total operating expenses	2,001,033	132,699
(Loss) income from operations	(1,737,578)	82,239
Other income (expenses):		
Net gain (loss) on derivative contracts	181,922	(142,741)
Interest expense and other	(56,068)	(27,537)
Total other income (expenses)	125,854	(170,278)
Loss before income taxes	(1,611,724)	(88,039)
Income tax benefit	611,971	32,427
Net loss available to common stockholders	\$ (999,753)	\$ (55,612)
Net loss per share of common stock:		
Basic	\$ (3.87)	\$ (0.30)
Diluted	\$ (3.87)	\$ (0.30)
Weighted average shares outstanding:		
Basic	258,055	183,629
Diluted	258,055	183,629

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The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PETROHAWK ENERGY CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In thousands, except share and per share amounts)

	March 31, 2009	December 31, 2008
Current assets:		
Cash	\$ 1,694	\$ 6,883
Marketable securities	283,038	123,009
Accounts receivable (Note 11)	195,770	277,349
Receivables from derivative contracts	280,380	201,128
Prepays and other (Note 11)	57,775	40,063
Total current assets	818,657	648,432
Oil and natural gas properties (full cost method):		
Evaluated	5,265,380	4,894,357
Unevaluated	2,244,932	2,287,968
Gross oil and natural gas properties	7,510,312	7,182,325
Less - accumulated depletion	(3,954,616)	(2,111,038)
Net oil and natural gas properties	3,555,696	5,071,287
Other operating property and equipment:		
Gas gathering system and equipment	288,216	190,054
Other operating assets	21,137	20,271
Gross other operating property and equipment	309,353	210,325
Less - accumulated depreciation	(13,925)	(11,106)
Net other operating property and equipment	295,428	199,219
Other noncurrent assets:		
Goodwill	932,802	933,058
Deferred income taxes	186,840	
Debt issuance costs, net of amortization	40,718	30,477
Receivables from derivative contracts	78,574	23,399
Other	2,185	1,457
Total assets	\$ 5,910,900	\$ 6,907,329
Current liabilities:		
Accounts payable and accrued liabilities (Note 11)	\$ 563,393	\$ 639,432
Deferred income taxes	107,621	77,454
Liabilities from derivative contracts	311	
Long-term debt (Note 4)	21,042	9,426
Total current liabilities	692,367	726,312
Long-term debt (Note 4)	2,402,940	2,283,874

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Other noncurrent liabilities:

Asset retirement obligations (Note 6)	29,259	28,644
Deferred income taxes		460,913
Other	3,291	2,676
Commitments and contingencies (Note 7)		

Stockholders equity:

Common stock: 300,000,000 shares of \$.001 par value authorized; 275,549,410 and 252,364,143 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	276	252
Additional paid-in capital	4,033,362	3,655,500
Accumulated deficit	(1,250,595)	(250,842)
Total stockholders equity	2,783,043	3,404,910

Total liabilities and stockholders equity \$ 5,910,900 \$ 6,907,329

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PETROHAWK ENERGY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)***(In thousands)*

	Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net loss	\$ (999,753)	\$ (55,612)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation and amortization	114,256	83,127
Full cost ceiling impairment	1,732,486	
Income tax benefit	(611,971)	(32,427)
Stock-based compensation	2,810	2,598
Net unrealized (gain) loss on derivative contracts	(100,765)	137,515
Other	4,921	(1,465)
Change in assets and liabilities:		
Accounts receivable	78,800	(38,769)
Prepaid expenses and other	(17,712)	(1,178)
Accounts payable and accrued liabilities	(46,603)	(33,081)
Other	(111)	477
Net cash provided by operating activities	156,358	61,185
Cash flows from investing activities:		
Oil and natural gas capital expenditures	(390,674)	(578,711)
Marketable securities purchased	(604,045)	
Marketable securities redeemed	444,016	
Decrease in restricted cash		269,837
Other operating property and equipment expenditures	(69,709)	(14,438)
Net cash used in investing activities	(620,412)	(323,312)
Cash flows from financing activities:		
Proceeds from exercise of options and warrants	657	6,307
Proceeds from issuance of common stock	385,000	310,500
Offering costs	(8,988)	(13,792)
Proceeds from borrowings	619,674	380,000
Repayment of borrowings	(524,324)	