

HARKEN ENERGY CORP
Form 10-Q/A
June 23, 2005
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended March 31, 2005

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

For the transition period from _____ to _____

Commission file number 1-10262

HARKEN ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

95-2841597
(I.R.S. Employer

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incorporation or organization)

Identification No.)

180 State Street, Suite 200

Southlake, Texas
(Address of principal executive offices)

76092
(Zip Code)

Registrant's telephone number, including area code (817) 424-2424

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The number of shares of Common Stock, par value \$0.01 per share, outstanding as of May 1, 2005 was 219,072,865.

Table of Contents

EXPLANATORY NOTE

Harken Energy Corporation filed its original Quarterly Report on Form 10-Q for the period ended March 31, 2005 with the Securities and Exchange Commission (SEC) on May 10, 2005. The following items of that Quarterly Report are hereby amended:

- (i) Item 4 (Controls and Procedures); and

- (ii) the principal executive officer and principal financial officer certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and the certifications by the principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

In order to preserve the nature and character of the disclosures as of May 10, 2005, except as specifically discussed in this Amendment No. 1 to the Quarterly Report on Form 10-Q/A, no attempt has been made in this amendment to modify or update such disclosures for events which occurred subsequent to the original filing on May 10, 2005. Accordingly, this Amendment No.1 to the Quarterly Report on Form 10-Q/A does not otherwise alter the disclosures set forth in the original Quarterly Report for the period ended March 31, 2005.

Table of Contents

HARKEN ENERGY CORPORATION

INDEX TO QUARTERLY REPORT

March 31, 2005

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 4. <u>Controls and Procedures</u>	5
<u>PART II. OTHER INFORMATION</u>	
Item 6. <u>Exhibits</u>	7
<u>SIGNATURES</u>	8

Table of Contents

PART I FINANCIAL INFORMATION

4

Table of Contents

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its filings with the Securities and Exchange Commission (SEC) are recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including its chief executive and chief financial officers, as appropriate, to allow timely decisions regarding required disclosure based on the definition of disclosure controls and procedures as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act).

As of the end of the period covered by this report, and under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of these disclosure controls and procedures. Based on this evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

On March 16, 2005, immediately after completion of the audit and filing of the Annual Report on Form 10-K, the Company was advised by its independent registered public accounting firm, Hein & Associates LLP (Hein), of the discovery of an error in the 2004 financial statements relating to the July 2004 modification of the share option plan by the board of directors of Global. Harken, after consultation with the audit committee of the board of directors, determined that the error was material and required restatement of the previously issued Annual Report on Form 10-K for the year ended December 31, 2004 and selected quarterly financial information for the quarter ended September 30, 2004.

Based on its evaluation as of December 31, 2004, management concluded that, because its consolidated financial statements required restatement as a result of the discovery of an error in the 2004 financial statements relating to the July 2004 modification of the share option plan by the board of directors of the Company's subsidiary, Global, a material weakness existed in the Company's internal control over financial reporting as of December 31, 2004.

Also based on the Company's assessment, the Company identified significant deficiencies in the Company's internal control over financial reporting that could have resulted in errors in the accounting and/or the disclosures associated with:

1. Accounting for the Company's initial investment in IBA and a subsequent derivative contract of IBA, and
2. Income tax disclosures

The Company concluded that, in the aggregate, these significant deficiencies, along with the previous restatement associated with Global's July 2004 modification of its share option plan as described above,

Table of Contents

constituted a material weakness in internal control over financial reporting as of December 31, 2004 which was associated with the Company's level of complex transactions and the lack of adequate accounting personnel to ensure ongoing compliance with relevant accounting and financial reporting requirements. A material weakness is a significant deficiency, as defined in Public Company Accounting Oversight Board Audit Standard No.2 or a combination of significant deficiencies, that results in more than a remote likelihood that material misstatements of the Company's annual or interim financial statements would not be prevented or detected by company personnel in the normal course of performing their assigned functions.

During the quarter ended March 31, 2005, the Company hired additional experienced accounting personnel, specifically the Global Controller, the Global Assistant Controller and the GEM Vice President - Finance and Chief Financial Officer, as part of our efforts to remediate the material weakness that existed in the Company's internal control over financial reporting. We are continuing to evaluate our need for additional experienced accounting personnel to ensure that we have appropriate staffing in our financial reporting function with qualifications for evaluating ongoing compliance with relevant accounting and financial reporting requirements.

The personnel additions described above represent changes in the Company's internal control over financial reporting during the quarter ended March 31, 2005 that materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

Item 6. Exhibits

EXHIBIT INDEX

Exhibit

- 3.1 Certificate of Incorporation of Harken Energy Corporation (filed as Exhibit 3.1 to Harken's Current Report on Form 8-K dated February 13, 2003, File No. 1-10262, and incorporated by reference herein).
- 3.2 Certificate of Amendment to Certificate of Incorporation of Harken Energy Corporation (filed as Exhibit 3.2 to Harken's Current Report on Form 8-K dated February 13, 2003, File No. 1-10262, and incorporated by reference herein).
- 3.3 Certificate of Amendment to Certificate of Incorporation of Harken Energy Corporation (filed as Exhibit 3.3 to Harken's Current Report on Form 8-K dated February 13, 2003, File No. 1-10262, and incorporated by reference herein).
- 3.4 Certificate of Amendment to Certificate of Incorporation of Harken Energy Corporation (filed as Exhibit 3.4 to Harken's Current Report on Form 8-K dated February 13, 2003, File No. 1-10262, and incorporated by reference herein).
- 3.5 Certificate of Amendment to Certificate of Incorporation of Harken Energy Corporation (filed as Exhibit 3.5 to Harken's Current Report on Form 8-K dated February 13, 2003, File No. 1-10262, and incorporated by reference herein).
- 3.6 Certificate of Amendment to Certificate of Incorporation of Harken Energy Corporation (filed as Exhibit 3.6 to Harken's Current Report on Form 8-K dated February 13, 2003, File No. 1-10262, and incorporated by reference herein).
- 3.7 Amended and Restated Bylaws of Harken Energy Corporation (filed as Exhibit 3.7 to Harken's Annual Report on Form 10-K for fiscal year ended December 31, 2002, File No. 1-10262, and incorporated by reference herein).
- *31.1 Certificate of the Chief Executive Officer of Harken Energy Corporation pursuant to section 302 of the Sarbanes-Oxley Act of 2002 (S.O. Act)
- *31.2 Certificate of the Chief Financial Officer of Harken Energy Corporation pursuant to section 302 of the S.O. Act
- *32.1 Certificate of the Chief Executive Officer of Harken Energy Corporation pursuant to section 906 of the S.O. Act
- *32.2 Certificate of the Chief Financial Officer of Harken Energy Corporation pursuant to section 906 of the S.O. Act

* Filed herewith

Table of Contents

HARKEN ENERGY CORPORATION

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.

Harken Energy Corporation
(Registrant)

Date: June 23, 2005

By: /s/ Anna Williams

Vice President-Finance and
Chief Financial Officer