

PETROHAWK ENERGY CORP
Form 10-Q
August 08, 2007
Table of Contents

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 June 30, 2007

Commission file number 000-25717

PETROHAWK ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

incorporation or organization)

1000 Louisiana, Suite 5600, Houston, Texas 77002

(Address of principal executive offices including ZIP code)

(832) 204-2700

(Registrant's telephone number)

86-0876964
(I.R.S. Employer

Identification Number)

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

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

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Title of each class
Common Stock, par value \$.001 per share

Name of each exchange on which registered
New York Stock Exchange

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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 August 3, 2007 the Registrant had 169,638,298 shares of Common Stock, \$.001 par value, outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
ITEM 1. <u>Condensed consolidated financial statements (unaudited)</u>	4
<u>Consolidated statements of operations for the three and six months ended June 30, 2007 and 2006</u>	4
<u>Consolidated balance sheets as of June 30, 2007 and December 31, 2006</u>	5
<u>Consolidated statements of cash flows for the six months ended June 30, 2007 and 2006</u>	6
<u>Notes to condensed consolidated financial statements</u>	7
ITEM 2. <u>Management's discussion and analysis of financial condition and results of operations</u>	20
ITEM 3. <u>Quantitative and qualitative disclosures about market risk</u>	28
ITEM 4. <u>Controls and procedures</u>	29
<u>PART II. OTHER INFORMATION</u>	
ITEM 1. <u>Legal proceedings</u>	29
ITEM 1A. <u>Risk factors</u>	29
ITEM 2. <u>Unregistered sales of equity securities and use of proceeds</u>	29
ITEM 3. <u>Defaults upon senior securities</u>	29
ITEM 4. <u>Submission of matters to a vote of security holders</u>	29
ITEM 5. <u>Other information</u>	29
ITEM 6. <u>Exhibits</u>	30

Table of Contents

Special note regarding forward-looking statements

This report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. These forward-looking statements may include, among others, statements reflecting the following:

our growth strategies;

anticipated trends in our business;

our future results of operations;

our ability to make or integrate acquisitions;

our liquidity and ability to finance our exploration, acquisition and development activities;

our ability to successfully and economically explore for and develop oil and natural gas resources;

market conditions in the oil and natural gas industry;

the impact of government regulation;

planned capital expenditures;

increases in oil and natural gas production;

our financial position, business strategy and other plans and objectives for future operations;

reserve and production estimates;

future financial performance; and

other matters that are discussed in our filings with the United States Securities and Exchange Commission.

We identify forward-looking statements by use of terms such as expect, anticipate, estimate, plan, believe, intend, will, continue, should, could and similar words and expressions, although some forward-looking statements may be expressed differently. You should be aware that our actual results could differ materially from those contained in the forward-looking statements. You 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 the 2006 Form 10-K, as amended, which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements, including,

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but not limited to, the following factors:

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

the volatility in commodity prices, supply of, and demand for, oil and natural gas;

risks associated with derivative positions;

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

the need for us to continually replace oil and natural gas reserves;

environmental risks;

drilling and operating risks and expense cost escalations;

exploration and development risks;

the ability of the our management to execute its plans to meet its goals;

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

general economic conditions, whether internationally, nationally or in the regional and local market areas in which we are doing business, may be less favorable than expected;

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 businesses, operations or pricing.

All forward-looking statements attributable to us or persons acting on our behalf 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****CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****(In thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Operating revenues:				
Oil and gas	\$ 233,482	\$ 86,414	\$ 442,725	\$ 189,420
Operating expenses:				
Production:				
Lease operating	17,416	11,317	33,292	22,866
Workover and other	1,845	1,771	4,022	2,490
Taxes other than income	16,628	6,309	30,278	14,607
Gathering, transportation and other	7,599	2,264	15,023	4,136
General and administrative	16,980	8,931	32,581	15,619
Depletion, depreciation and amortization	100,210	37,458	196,048	74,908
Total operating expenses	160,678	68,050	311,244	134,626
Income from operations	72,804	18,364	131,481	54,794
Other (expenses) income:				
Net gain (loss) on derivative contracts	31,591	1,644	(27,342)	26,447
Interest expense and other	(31,789)	(10,923)	(62,539)	(19,995)
Total other (expenses) income	(198)	(9,279)	(89,881)	6,452
Income before income taxes	72,606	9,085	41,600	61,246
Income tax provision	(26,975)	(4,232)	(15,384)	(23,454)
Net income	45,631	4,853	26,216	37,792
Preferred dividends		(109)		(217)
Net income available to common stockholders	\$ 45,631	\$ 4,744	\$ 26,216	\$ 37,575
Earnings per share of common stock:				
Basic	\$ 0.27	\$ 0.06	\$ 0.16	\$ 0.45
Diluted	\$ 0.27	\$ 0.06	\$ 0.15	\$ 0.45
Weighted average shares outstanding:				
Basic	167,783	83,613	167,546	82,886
Diluted	172,113	85,383	171,490	84,755

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

Table of Contents

PETROHAWK ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except share and per share amounts)

	June 30,	December 31,
	2007	2006
Current assets:		
Cash	\$ 6,097	\$ 5,593
Accounts receivable	151,177	155,582
Receivables from derivative contracts	31,521	68,234
Prepaid expenses and other	17,107	17,303
Total current assets	205,902	246,712
Oil and gas properties (full cost method):		
Evaluated	3,430,506	2,901,649
Unevaluated	453,756	537,611
Gross oil and gas properties	3,884,262	3,439,260
Less accumulated depletion	(572,725)	(379,017)
Net oil and gas properties	3,311,537	3,060,243
Other operating property and equipment:		
Gross other operating property and equipment	11,528	9,542
Less accumulated depreciation	(5,187)	(3,742)
Net other operating property and equipment	6,341	5,800
Other noncurrent assets:		
Goodwill	935,246	938,584
Debt issuance costs, net of amortization	13,675	14,987
Receivables from derivative contracts	653	6,995
Other	5,893	6,335
Total assets	\$ 4,479,247	\$ 4,279,656
Current liabilities:		
Accounts payable and accrued liabilities	\$ 299,121	\$ 295,951
Current portion of deferred income taxes	7,066	22,382
Liabilities from derivative contracts	12,407	7,986
Current portion of long-term debt	2,863	5,700
Total current liabilities	321,457	332,019
Long-term debt	1,474,583	1,326,239
Liabilities from derivative contracts	9,365	11,803
Asset retirement obligations	47,051	45,326
Deferred income taxes	661,445	633,883
Other noncurrent liabilities	2,230	2,042

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Commitments and contingencies (Note 6)

Stockholders' equity:

Common stock: 300,000,000 shares of \$.001 par value value authorized; 169,628,996 and 168,486,732 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	170	169
Additional paid-in capital	1,852,417	1,843,862
Retained earnings	110,529	84,313
Total stockholders' equity	1,963,116	1,928,344
Total liabilities and stockholders' equity	\$ 4,479,247	\$ 4,279,656

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

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

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 26,216	\$ 37,792
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation and amortization	196,048	74,908
Income tax provision	15,384	23,454
Stock-based compensation	6,285	1,868
Net unrealized loss (gain) on derivative contracts	45,038	(37,591)
Net realized (gain) loss on derivative contracts acquired	(2,429)	9,934
Other	2,738	(375)
Change in assets and liabilities, net of acquisitions:		
Accounts receivable	2,670	