

CRIMSON EXPLORATION INC.  
Form 10-Q  
August 12, 2008  
**FORM 10-Q**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended June 30, 2008

OR

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

for the transition period from to \_\_\_\_\_

Commission file number 000-21644

**CRIMSON EXPLORATION INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**717 Texas Avenue, Suite 2900**

**Houston, Texas**

**20-3037840**

(IRS Employer Identification No.)

**77002**

(zip code)

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

(Address of principal executive offices)

**(713) 236-7400**

(Registrant's telephone number, including area code)

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, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if 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

On August 8, 2008, there were 5,212,644 shares outstanding of the Registrant's Common Stock, par value \$0.001.

---

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

FORM 10-Q

CRIMSON EXPLORATION INC.

FOR THE QUARTER ENDED JUNE 30, 2008

	Page
Part I: Financial Statements	
Item 1. Financial Statements	
Consolidated Balance Sheets as of June 30, 2008 and December 31, 2007	3
Consolidated Statements of Operations for the Three Months and Six Months Ended June 30, 2008 and 2007	4
Consolidated Statement of Stockholders' Equity for the Six Months Ended June 30, 2008	5
Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2008 and 2007	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures about Market Risk	25
Item 4T. Controls and Procedures	25
Part II: Other Information	
Item 1A. Risk Factors	26
Item 4. Submission of Matters to a Vote of Security Holders	26
Item 6. Exhibits	28
Signatures	29



**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS.****CRIMSON EXPLORATION INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****ASSETS**

	June 30, 2008 (unaudited)	December 31, 2007
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 15,814,513	\$ 4,882,511
Accounts receivable – trade, net of allowance for doubtful accounts of \$215,015 in 2008 and 2007	38,718,052	30,034,558
Prepaid expenses	262,352	230,870
Deferred tax asset, net	18,770,024	1,134,918
Total current assets	73,564,941	36,282,857
<b>PROPERTY AND EQUIPMENT</b>		
Oil and gas properties, using the successful efforts method of accounting	486,347,354	407,905,609
Other property and equipment	2,975,377	2,710,995
Accumulated depreciation, depletion and amortization	(75,021,515)	(54,128,002)
Total property and equipment, net	414,301,216	356,488,602
<b>NONCURRENT ASSETS</b>		
Deposits	100,497	94,591
Debt issuance cost, net	3,411,329	3,982,023
Deferred charges	2,282,500	1,400,000
Deferred tax asset, net	2,694,806	488,293
Total other assets	8,489,132	5,964,907
<b>TOTAL ASSETS</b>	<b>\$ 496,355,289</b>	<b>\$ 398,736,366</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 98,038	\$ 100,609
Accounts payable – trade	43,393,913	41,432,777
Income tax payable	6,299,731	—
Accrued liabilities	13,632,896	3,234,553
Asset retirement obligations	1,374,565	1,407,347
Derivative instruments	50,402,888	2,505,251
Total current liabilities	115,202,031	48,680,537
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	272,040,395	260,064,226
Asset retirement obligations	8,465,254	6,148,144
Derivative instruments	52,086,179	12,747,019
Other noncurrent liabilities	752,990	1,443,359
Total noncurrent liabilities	333,344,818	280,402,748

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

Total liabilities	448,546,849	329,083,285
-------------------	-------------	-------------

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Preferred stock (see Note 6)	827	832
Common stock (see Note 6)	5,184	5,128
Additional paid-in capital	92,645,673	89,507,073
Retained deficit	(44,843,244	) (19,859,952
Total stockholders' equity	47,808,440	69,653,081

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 496,355,289	\$ 398,736,366
--------------------------------------------	----------------	----------------

The Notes to Consolidated Financial Statements are an integral part of these statements.

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

CRIMSON EXPLORATION INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
<b>OPERATING REVENUES</b>				
Oil, gas and natural gas liquids sales	\$52,866,342	\$26,607,257	\$97,794,538	\$31,128,046
Operating overhead and other income	146,999	51,293	254,894	77,629
Total operating revenues	53,013,341	26,658,550	98,049,432	31,205,675
<b>OPERATING EXPENSES</b>				
Lease operating expenses	10,543,863	5,213,567	19,244,197	7,025,775
Exploration expenses	498,478	516,832	584,320	652,443
Depreciation, depletion and amortization	11,425,683	8,247,127	22,582,506	9,018,893
Asset retirement obligations	403,811	108,832	535,782	183,551
General and administrative	5,481,410	2,674,920	10,228,117	4,985,146
Gain on sale of assets	(85,783 )	—	(15,271,712)	—
Total operating expenses	28,267,462	16,761,278	37,903,210	21,865,808
<b>INCOME FROM OPERATIONS</b>	<b>24,745,879</b>	<b>9,897,272</b>	<b>60,146,222</b>	<b>9,339,867</b>
<b>OTHER EXPENSE</b>				
Interest expense	(5,123,907 )	(3,405,472 )	(10,330,777)	(3,423,440 )
Other financing cost	(457,278 )	(572,805 )	(834,533 )	(650,064 )
Unrealized gain (loss) on derivative instruments	(58,754,278)	985,273	(87,236,797)	(876,840 )
Total other expense	(64,335,463)	(2,993,004 )	(98,402,107)	(4,950,344 )
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(39,589,584)</b>	<b>6,904,268</b>	<b>(38,255,885)</b>	<b>4,389,523</b>
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<b>14,026,944</b>	<b>(2,648,915 )</b>	<b>13,356,888</b>	<b>(1,696,764 )</b>
<b>NET INCOME (LOSS)</b>	<b>(25,562,640)</b>	<b>4,255,353</b>	<b>(24,898,997)</b>	<b>2,692,759</b>
<b>DIVIDENDS ON PREFERRED STOCK</b>				
(Paid 2008 — \$84,295; 2007 — \$662,706)	(1,055,801 )	(862,206 )	(2,080,783 )	(1,757,700 )
<b>NET INCOME (LOSS) AVAILABLE TO</b>				
<b>COMMON SHAREHOLDERS</b>	<b>\$(26,618,441)</b>	<b>\$3,393,147</b>	<b>\$(26,979,780)</b>	<b>\$935,059</b>
<b>NET INCOME (LOSS) PER SHARE</b>				
<b>BASIC</b>	<b>\$(5.15 )</b>	<b>\$0.84</b>	<b>\$(5.23 )</b>	<b>\$0.25</b>
<b>DILUTED</b>	<b>\$(5.15 )</b>	<b>\$0.45</b>	<b>\$(5.23 )</b>	<b>\$0.25</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>				
<b>BASIC</b>	<b>5,173,463</b>	<b>4,046,510</b>	<b>5,161,400</b>	<b>3,690,158</b>

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

DILUTED

5,173,463

9,369,974

5,161,400

9,129,732

The Notes to Consolidated Financial Statements are an integral part of these statements

4

---



Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

CRIMSON EXPLORATION INC. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
 FOR THE SIX MONTHS ENDED JUNE 30, 2008  
 (UNAUDITED)

	NUMBER OF SHARES				ADDITIONAL PAID-IN CAPITAL	RETAINED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	PREFERRED STOCK	COMMON STOCK	PREFERRED STOCK	COMMON STOCK			
BALANCE DECEMBER 31, 2007	83,200	5,127,937	\$ 832	\$ 5,128	\$ 89,507,073	\$ (19,859,952 )	\$ 69,653,081
Share based compensation	—	—	—	—	2,923,856	—	2,923,856
Stock options exercised	—	19,000	—	19	130,481		