

HALCON RESOURCES CORP
Form 10-Q
August 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2012

OR

- o 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: 001-35467

Halcón Resources Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)

20-0700684
(I.R.S. Employer
Identification Number)

1000 Louisiana Street, Suite 6700, Houston, TX 77002

(Address of principal executive offices)

(832) 538-0300

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 twelve 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 (232.405 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 the definitions 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 a smaller reporting company)

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

At August 1, 2012, 211,836,319 shares of the Registrant's Common Stock were outstanding.

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Second Quarter 2012 Form 10-Q Report

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Special note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains, and we may from time to time otherwise make in other public filings, press releases and presentations, 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 and location of 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. 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 the previously filed Annual Report on Form 10-K for the year ended December 31, 2011, and the other disclosures contained herein and therein, which describe factors that could cause our actual results to differ from those anticipated in the forward-looking statements, including, but not limited to, the following factors:

- volatility in commodity prices for oil and natural gas;

- our ability to successfully identify and acquire oil and natural gas properties, prospects and leaseholds, including undeveloped acreage in new and emerging resource plays;

- our ability to successfully integrate acquired oil and natural gas businesses and operations, including our recently closed acquisition of GeoResources, Inc. (GeoResources) and the East Texas Assets;

- our ability to profitably deploy our capital;

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

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

- the potential for production decline rates on our wells to be greater than we expect;

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- our ability to generate sufficient cash flow from operations, borrowings or other sources to enable us to develop our undeveloped acreage positions;
- our ability to economically replace oil and natural gas reserves;
- environmental risks;
- drilling and operating risks;
- exploration and development risks;
- competition, including competition for acreage in resource play areas;
- management's ability to execute our plans to meet our goals;
- our ability to attract and retain key members of senior management and key technical employees;
- the cost and availability of goods and services, such as drilling rigs, fracture stimulation services and tubulars;
- access to and availability of water and other treatment materials to carry out planned fracture stimulations of our wells;
- access to adequate gathering systems and transportation take-away capacity to handle our expected production;
- our ability to secure firm transportation and other marketing outlets for the natural gas, natural gas liquids and crude oil and condensate we produce and to sell these products 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 economic conditions in the United States will worsen and that capital markets are disrupted, which could adversely affect demand for oil and natural gas and/or make it difficult to access financial markets;

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- our merger with GeoResources not achieving its intended results or benefits, such as cost savings and operating efficiencies, or failure of effective integration resulting in increased costs, decreases in the amount of expected revenues generated by the combined company and diversion of management's time and energy and could have an adverse effect on the combined company's financial position, results of operations or cash flows;
- difficulty attracting, motivating and retaining key employees in light of the GeoResources merger, as employees may feel uncertain about their future roles with the combined company, and resulting potential departure of certain employees could reduce the anticipated benefits of the merger;
- our stockholders were diluted by the merger with GeoResources as we have incurred substantial transaction and merger-related costs in connection with the merger, and the net benefit of the elimination of certain duplicative costs, as well as the realization of efficiencies related to the integration of the two businesses offsetting the incremental merger-related costs over time, may not be achieved in the near-term or at all;
- social unrest, political instability, armed conflict, or acts of terrorism or sabotage in oil and natural gas producing regions, such as the Middle East and Africa, or our markets; 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. Financial Statements (Unaudited)****HALCÓN RESOURCES CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****(In thousands, except per share amounts)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Operating revenues:				
Oil and natural gas sales				
Oil	\$ 20,383	\$ 22,783	\$ 43,380	\$ 43,195
Natural gas	1,240	2,812	2,908	5,704
NGLs	1,623	2,523	3,792	4,938
Total oil and natural gas sales	23,246	28,118	50,080	53,837
Other	35	34	71	85
Total operating revenues	23,281	28,152	50,151	53,922
Operating expenses:				
Production:				
Lease operating	8,663	7,812	16,610	15,653
Workover	540	362	1,261	896
Taxes	1,352	1,478	2,922	2,889
Restructuring	903		1,007	
General and administrative	13,087	4,621	33,421	9,168
Depletion, depreciation and accretion	5,956	5,608	11,935	11,283
Total operating expenses	30,501	19,881	67,156	39,889
Income (loss) from operations	(7,220)	8,271	(17,005)	14,033
Other income (expenses):				
Net gain (loss) on derivative contracts	13,671	8,268	8,726	(5,982)
Interest expense and other, net	(4,179)	(4,361)	(17,176)	(10,863)
Total other income (expenses)	9,492	3,907	(8,450)	