

Resolute Energy Corp
Form 10-Q
August 06, 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

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

Commission File No. 001-34464

RESOLUTE ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

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Delaware (State or other Jurisdiction of Incorporation or Organization)	27-0659371 (I.R.S. Employer Identification Number)
1675 Broadway, Suite 1950 Denver, CO (Address of Principal Executive Offices)	80202 (Zip Code)
(303) 534-4600 (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 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 (Do not check if a smaller reporting company) 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 July 31, 2012, 61,891,096 shares of the Registrant's \$0.0001 par value Common Stock were outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. The use of any statements containing the words anticipate, intend, believe, estimate, project, expect, plan, should or similar are intended to identify such statements. Forward-looking statements included in this report relate to, among other things, expected future production, expenses and cash flows in 2012 and beyond, the nature, timing and results of capital expenditure projects, amounts of future capital expenditures, the results of exploration and development activities, our plans with respect to future acquisitions, our future debt levels and liquidity and future derivative activities. Although we believe that the expectations reflected in such forward-looking statements are reasonable, those expectations may prove to be incorrect. Disclosure of important factors that could cause actual results to differ materially from our expectations, or cautionary statements, are included under the heading Risk Factors. All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement. Factors that could cause actual results to differ materially from our expectations include, among others, those factors referenced in the Risk Factors section of this report, in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and our Annual Report on Form 10-K for the year ended December 31, 2011, and such things as:

volatility of oil and gas prices, including reductions in prices that would adversely affect our revenue, income, cash flow from operations, liquidity and reserves, discovery, estimation and development of, and our ability to replace oil and gas reserves;

our future cash flow, liquidity and financial position;

the success of our business and financial strategy, derivative strategies and plans;

the amount, nature and timing of our capital expenditures, including future development costs;

our relationship with the Navajo Nation, the local community in the area where we operate, and Navajo Nation Oil and Gas Company, as well as the timing of when certain purchase rights held by Navajo Nation Oil and Gas Company become exercisable;

the effectiveness and results of our CO₂ flood program;

the impact of U.S. and global economic recession;

anticipated CO₂ supply, which is currently sourced exclusively from Kinder Morgan CO₂ Company, L.P.;

the success of the development plan and production from our oil and gas properties, particularly our Aneth Field Properties;

the timing and amount of future production of oil and gas;

the completion, timing and success of exploratory drilling;

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availability of, or delays related to, drilling, completion and production, personnel, supplies and equipment;

the effect of third party activities on our oil and gas operations, including our dependence on gas gathering and processing systems;

inaccuracy in reserve estimates and expected production rates;

our operating costs and other expenses;

our success in marketing oil and gas;

competition in the oil and gas industry;

the concentration of our producing properties in a limited number of geographic areas;

operational problems, or uninsured or underinsured losses affecting our operations or financial results;

the impact and costs related to compliance with, or changes in, laws or regulations governing our oil and gas operations, including the potential for increased regulation of underground injection operations;

the availability of water and our ability to adequately treat and dispose of water after drilling and completing wells;

potential changes to regulations affecting derivatives instruments;

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the success of our hedging program;

the impact of weather and the occurrence of disasters, such as fires, explosions, floods and other events and natural disasters;

environmental liabilities under existing or future laws and regulations;

developments in oil and gas producing countries;

loss of senior management or key technical personnel;

timing of issuance of permits and rights of way;

timing of installation of gathering infrastructure in areas of new exploration and development;

potential breakdown of equipment and machinery relating to the Aneth compression facility;

acquisitions and other business opportunities (or the lack thereof) that may be presented to and pursued by us;

risks related to our level of indebtedness;

a lack of available capital and financing on acceptable terms, including as a result of a reduction in the borrowing base under our credit facility;

constraints imposed on our business and operations by our credit agreement and our 8.50% senior notes due 2020 and our ability to generate sufficient cash flow to repay our debt obligations;

risk factors discussed or referenced in this report; and

other factors, many of which are beyond our control.

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(in thousands, except share and per share amounts)

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,852	\$ 1,135
Accounts receivable	73,532	61,930
Deferred income taxes	7,173	13,694
Derivative instruments	4,015	3,170
Prepaid expenses and other current assets	1,840	1,829
Total current assets	89,412	81,758
Property and equipment, at cost:		
Oil and gas properties, full cost method of accounting		
Unproved	85,646	64,357
Proved	1,002,973	885,503
Other property and equipment	5,170	4,070
Accumulated depletion, depreciation and amortization	(149,742)	(114,214)
Net property and equipment	944,047	839,716
Other assets:		
Restricted cash	18,421	16,601
Derivative instruments	2,064	2,291
Deferred financing costs	10,465	2,433
Other assets	8,273	4,761
Total assets	\$ 1,072,682	\$ 947,560
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 105,859	\$ 87,585
Asset retirement obligations	2,978	3,953
Derivative instruments	16,576	33,910
Total current liabilities	125,413	125,448
Long term liabilities:		
Credit facility	27,000	170,000
Senior notes	250,000	
Asset retirement obligations	13,178	12,600
Derivative instruments	15,229	30,701

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Deferred income taxes	99,658	92,986
Other long term liabilities	10,000	
Total liabilities	540,478	431,735
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued or outstanding		
Common stock, \$0.0001 par value; 225,000,000 shares authorized; issued and outstanding 61,893,009 and 60,947,329 shares at June 30, 2012 and December 31, 2011, respectively	6	6
Additional paid-in capital	512,566	518,267
Retained earnings (accumulated deficit)	19,632	(2,448)
Total stockholders' equity	532,204	515,825
Total liabilities and stockholders' equity	\$ 1,072,682	\$ 947,560

See notes to condensed consolidated financial statements

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(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Revenue:				
Oil	\$ 59,778	\$ 53,892	\$ 119,456	\$ 102,438
Gas	4,410	5,238	8,272	10,043
Other	291	778	291	1,483
Total revenue	64,479	59,908	128,019	113,964
Operating expenses:				
Lease operating	19,564	13,526	36,748	27,912
Production and ad valorem taxes	9,642	8,233	19,868	16,025
Depletion, depreciation, amortization, and asset retirement obligation accretion	18,958	13,692	36,016	26,660
General and administrative	5,692	4,753	10,908	9,106
Total operating expenses	53,856	40,204	103,540	79,703
Income from operations	10,623	19,704	24,479	34,261
Other income (expense):				
Interest expense, net	(3,696)	(772)	(4,910)	(1,887)
Realized and unrealized gains (losses) on derivative instruments	29,546	21,644	15,717	(18,331)
Other income (expense)	(17)	18	(14)	52
Total other income (expense)	25,833	20,890	10,793	(20,166)
Income before income taxes	36,456	40,594	35,272	14,095
Income tax expense	(13,634)	(14,926)	(13,192)	(5,201)
Net income	\$ 22,822	\$		