

CONTANGO OIL & GAS CO  
Form 10-Q  
November 04, 2015

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 September 30, 2015

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 001-16317

CONTANGO OIL & GAS COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

95-4079863  
(IRS Employer  
Identification No.)

717 TEXAS, SUITE 2900

HOUSTON, TEXAS 77002  
(Address of principal executive offices) (Zip Code)  
(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 has submitted electronically and posted on its corporate website, 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. (Check one):

Large accelerated filer Accelerated filer  
Non-accelerated filer 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

The total number of shares of common stock, par value \$0.04 per share, outstanding as of November 2, 2015 was 19,403,080.

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CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015

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All references in this Quarterly Report on Form 10-Q to the "Company", "Contango", "we", "us" or "our" are to Contango Oil & Gas Company and its subsidiaries.

## Item 1. Consolidated Financial Statements

## CONTANGO OIL &amp; GAS COMPANY AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(in thousands, except shares)

	September 30, 2015	December 31, 2014
	(unaudited)	
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	21,335	25,309
Prepaid expenses and other	8,139	1,941
Inventory	540	2,166
Current deferred tax asset	—	1,624
Total current assets	30,014	31,040
<b>PROPERTY, PLANT AND EQUIPMENT:</b>		
Natural gas and oil properties, successful efforts method of accounting:		
Proved properties	1,184,699	1,138,054
Unproved properties	23,732	35,783
Other property and equipment	1,133	1,084
Accumulated depreciation, depletion and amortization	(764,789)	(426,298)
Total property, plant and equipment, net	444,775	748,623
<b>OTHER NON-CURRENT ASSETS:</b>		
Investments in affiliates	61,369	62,085
Other	1,214	1,667
Total other non-current assets	62,583	63,752
<b>TOTAL ASSETS</b>	<b>\$ 537,372</b>	<b>\$ 843,415</b>
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 47,445	\$ 92,892
Current asset retirement obligations	6,417	4,123
Total current liabilities	53,862	97,015

## NON-CURRENT LIABILITIES:

Long-term debt	114,569	63,359
Deferred tax liability	—	93,952
Asset retirement obligations	20,314	21,623
Total non-current liabilities	134,883	178,934
Total liabilities	188,745	275,949

## COMMITMENTS AND CONTINGENCIES (NOTE 11)

## SHAREHOLDERS' EQUITY:

Common stock, \$0.04 par value, 50 million shares authorized, 24,644,924 shares issued and 19,410,700 shares outstanding at September 30, 2015, 24,372,538 shares issued and 19,148,000 shares outstanding at December 31, 2014	974	963
Additional paid-in capital	238,276	233,278
Treasury shares at cost (5,234,224 shares at September 30, 2015 and 5,224,538 shares at December 31, 2014)	(127,596)	(127,525)
Retained earnings	236,973	460,750
Total shareholders' equity	348,627	567,466
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 537,372</b>	<b>\$ 843,415</b>

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

## CONTANGO OIL &amp; GAS COMPANY AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
<b>REVENUES:</b>				
Oil and condensate sales	\$ 9,500	\$ 37,662	\$ 35,882	\$ 111,102
Natural gas sales	16,020	21,676	48,130	87,547
Natural gas liquids sales	3,515	8,214	11,004	27,579
Total revenues	29,035	67,552	95,016	226,228
<b>EXPENSES:</b>				
Operating expenses	9,036	13,797	29,919	36,426
Exploration expenses	407	(4,713)	11,814	33,071
Depreciation, depletion and amortization	38,386	40,550	112,271	114,853
Impairment and abandonment of oil and gas properties	235,150	6,693	237,667	23,259
General and administrative expenses	7,504	6,821	22,683	26,485
Total expenses	290,483	63,148	414,354	234,094
<b>OTHER INCOME (EXPENSE):</b>				
Gain (loss) from investment in affiliates (net of income taxes)	(375)	1,287	(562)	4,387
Interest expense	(785)	(672)	(2,315)	(2,077)
Gain (loss) on derivatives, net	2,011	1,734	2,001	(1,488)
Other income (expense)	4,288	48	5,278	(148)
Total other income	5,139	2,397	4,402	674
<b>NET INCOME (LOSS) BEFORE INCOME TAXES</b>	<b>(256,309)</b>	<b>6,801</b>	<b>(314,936)</b>	<b>(7,192)</b>
Income tax benefit (provision)	70,624			