

CREDO PETROLEUM CORP
Form 8-K
April 25, 2012

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **April 19, 2012**

CREDO Petroleum Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

0-8877
(Commission
File Number)

84-0772991
(IRS Employer
Identification No.)

1801 Broadway, Suite 900
Denver, Colorado
(Address of principal executive offices)

80202
(Zip Code)

Registrant's telephone number, including area code: **(303) 297-2200**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240-14a-12)

 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Section 4 Matters Related to Accountants and Financial Statements**Item 4.02 (a) Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.**

On April 19, 2012, the Audit Committee of the Board of Directors of Credo Petroleum Corporation (the Company) concluded that, as a result of the error described in the following paragraphs, its financial statements for the year ended October 31, 2011, appearing in its Annual Report on Form 10-K for the year ended October 31, 2011 should no longer be relied upon.

Subsequent to our January 31, 2012 first quarter end, management and the Audit Committee determined that certain liabilities were incurred during the first quarter but were not timely billed to the Company by the well operators and were not properly estimated and accrued by the Company. The unaccrued liabilities primarily relate to drilling and completion activities on North Dakota oil and gas properties in which the Company is a non-operating working interest owner. In addition, certain of these costs are incurred on behalf of a joint owner which we re-bill for its share of the costs. The expenditures related to these properties increased significantly late in 2011 and early 2012. During the review of these unaccrued liabilities, the Company determined that the same situation existed at our prior year end and resulted in unaccrued liabilities at October 31, 2011, although to a lesser degree.

The unaccrued liabilities at October 31, 2011 also resulted in changes in the reported amounts of accounts receivable-trade, oil and gas properties, compressor inventory, deferred income taxes, retained earnings, oil and gas production costs, depreciation depletion and amortization expense, income tax expense, net income and earnings per share of common stock basic and diluted as of October 31, 2011 and for the year then ended.

The proposed changes in our audited financial statements as of October 31, 2011 and for the year then ended due to the adjustments described above are shown in the following tables.

Changes in the Consolidated Balance Sheet:

| | As Previously Reported | October 31, 2011 | |
|---|---------------------------|------------------|--------------|
| | | Adjustments | As Restated |
| Receivables: Trade | \$ 893,000 | \$ 814,000 | \$ 1,707,000 |
| Oil and natural gas properties: | | | |
| Unevaluated properties | 9,609,000 | 348,000 | 9,957,000 |
| Evaluated properties | 99,283,000 | 1,665,000 | 100,948,000 |
| Less: Accumulated depreciation depletion and amortization | (61,042,000) | (12,000) | (61,054,000) |
| Net oil and natural gas properties | 47,850,000 | 2,001,000 | 49,851,000 |
| Compressor and tubular inventory | 1,690,000 | 70,000 | 1,760,000 |

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| | | | |
|--|------------|-----------|------------|
| Accounts payable and accrued liabilities | 4,002,000 | 2,931,000 | 6,933,000 |
| Deferred income taxes, net | 4,505,000 | 19,000 | 4,524,000 |
| Retained earnings | 22,042,000 | (65,000) | 21,977,000 |

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Changes to the Consolidated Statement of Operations:

| | For the Year Ended October 31, 2011 | | |
|--|-------------------------------------|-------------|--------------|
| | As Previously Reported | Adjustments | As Restated |
| Oil and natural gas production costs | \$ 4,000,000 | \$ 34,000 | \$ 4,034,000 |
| Depreciation, depletion and amortization | 5,179,000 | 12,000 | 5,191,000 |
| Income from operations | 4,913,000 | (46,000) | 4,867,000 |
| Income before income taxes | 4,788,000 | (46,000) | 4,742,000 |
| Income taxes | (1,270,000) | (19,000) | (1,289,000) |
| Net income | 3,518,000 | (65,000) | 3,453,000 |
| Earnings per share of Common Stock Basic | \$.35 | \$ (01) | \$.34 |
| Earnings per share of Common Stock Diluted | \$.35 | \$ (01) | \$.34 |

The unaccrued liabilities at January 31, 2012 also resulted in changes in the reported amounts of accounts receivable-trade, oil and gas properties, deferred income taxes, retained earnings, oil and gas production costs, depreciation depletion and amortization expense, general and administrative expense, income tax expense and net income as of January 31, 2012 and for the three months then ended.

The proposed changes in our unaudited financial statements as of January 31, 2011 and for the three months then ended due to the adjustments described above are shown in the following tables.

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Changes in the Consolidated Balance Sheet:

| | January 31, 2012 | | |
|---|---------------------------|--------------|--------------|
| | As Previously Reported | Adjustments | As Restated |
| Receivables: Trade | \$ 1,259,000 | \$ 1,907,000 | \$ 3,166,000 |
| Oil and natural gas properties: | | | |
| Unevaluated properties | 9,710,000 | 1,682,000 | 11,392,000 |
| Evaluated properties | 103,551,000 | 3,890,000 | 107,441,000 |
| Less: Accumulated depreciation depletion and amortization | (62,757,000) | (76,000) | (62,833,000) |
| Net oil and natural gas properties | 50,504,000 | 5,496,000 | 56,000,000 |
| Accounts payable and accrued liabilities | 3,106,000 | 7,563,000 | 10,669,000 |
| Deferred income taxes, net | 4,994,000 | (17,000) | 4,977,000 |
| Retained earnings | 23,082,000 | (143,000) | 22,939,000 |

Changes to the Consolidated Statement of Operations:

| | Three Months Ended January 31, 2012 | | |
|--|-------------------------------------|-------------|--------------|
| | As Previously Reported | Adjustments | As Restated |
| Oil and natural gas production costs | \$ 1,187,000 | \$ 35,000 | \$ 1,222,000 |
| Depreciation, depletion and amortization | 1,832,000 | 64,000 | 1,896,000 |
| General and administrative | 750,000 | 15,000 | 765,000 |
| Income from operations | 2,052,000 | (114,000) | 1,938,000 |
| Income before income taxes | 1,529,000 | (114,000) | 1,415,000 |
| Income taxes | (489,000) | 36,000 | (453,000) |
| Net income | 1,040,000 | (78,000) | 962,000 |
| Earnings per share of Common Stock Basic | \$.10 | | \$.10 |
| Earnings per share of Common Stock Diluted | \$.10 | | \$.10 |

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Our Chief Financial Officer and Audit Committee Chairman discussed the matters in this filing with our independent registered public accounting firm.

We are filing the Form 10 K/A for the year ended October 31, 2011 and the Form 10-Q/A for the three months ended January 31, 2012, coincident with this filing, and have addressed therein our evaluation of the internal control implications of this restatement.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused his report to be signed on its behalf by the undersigned hereunto duly authorized.

Credo Petroleum Corporation

Date: April 25, 2012

By: /s/Alford B. Neely
 Alford B. Neely
 Vice President and Chief Financial Officer