

SEAHAWK DRILLING, INC.

Form 10-Q

November 09, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended September 30, 2010

Or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
Commission file number: 1-34231

**SEAHAWK DRILLING, INC.**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

72-1269401  
(I.R.S. Employer  
Identification No.)

5 Greenway Plaza, Suite 2700

Houston, Texas 77046

(713) 369-7300

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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 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  (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

The number of shares of the registrant's common stock outstanding on November 5, 2010 was 11,959,873.

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Seahawk Drilling, Inc.****Consolidated Balance Sheets***(Amounts in thousands, except par value and share amounts)*

	<b>September 30, 2010 (Unaudited)</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 41,403	\$ 78,306
Trade receivables, net of allowance for doubtful accounts of \$1,280 and \$1,716 at September 30, 2010 and December 31, 2009, respectively	12,971	23,465
Deferred income taxes	2,028	3,079
Due from Pride	1,441	1,722
Assets held for sale	14,550	5,022
Prepaid expenses and other current assets	33,452	45,211
<b>Total current assets</b>	<b>105,845</b>	<b>156,805</b>
Property and equipment, net	397,262	465,375
Other assets	1,790	3,156
<b>Total assets</b>	<b>\$ 504,897</b>	<b>\$ 625,336</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 14,061	\$ 18,851
Due to Pride	15,905	19,863
Short-term debt	17,900	-
Accrued expenses and other current liabilities	46,625	59,550
<b>Total current liabilities</b>	<b>94,491</b>	<b>98,264</b>
Other long-term liabilities	13,582	11,835
Deferred income taxes	16,401	68,173
<b>Total liabilities</b>	<b>124,474</b>	<b>178,272</b>
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; none issued and outstanding	-	-
Common stock, \$0.01 par value, 75,000,000 shares authorized; 11,993,305 and 11,650,114 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	120	117
Additional paid-in capital	479,726	472,200
Retained earnings (deficit)	(99,423)	(25,253)
<b>Total stockholders equity</b>	<b>380,423</b>	<b>447,064</b>

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Total liabilities and stockholders' equity	\$ 504,897	\$ 625,336
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The accompanying notes are an integral part of the consolidated and combined financial statements.

**Table of Contents****Seahawk Drilling, Inc.****Consolidated and Combined Statements of Operations***(Amounts in thousands, except share and per share amounts)*

	<b>Three Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	
Revenues	\$ 18,555	\$ 67,611
Costs and expenses:		
Operating costs, excluding depreciation and amortization	27,297	61,811
Depreciation and amortization	12,249	14,900
General and administrative, excluding depreciation and amortization	8,868	12,857
Impairment of property and equipment	28,171	32,084
(Gain) loss on sales of assets, net	(748)	100
Loss from operations	(57,282)	(54,141)
Interest expense	(1,405)	(134)
Other income (expense), net	(166)	(869)
Loss before income taxes	(58,853)	(55,144)
Income tax benefit	(26,788)	(22,674)
Loss from continuing operations, net of tax	(32,065)	(32,470)
Income from discontinued operations, net of tax	-	49
Net loss	\$ (32,065)	\$ (32,421)
Basic and diluted loss per share:		
Continuing operations	\$ (2.69)	\$ (2.80)
Discontinued operations	-	0.01
Net loss	\$ (2.69)	\$ (2.79)
Shares used in the computation of loss per share:		
Basic and diluted	11,926,105	11,608,342

The accompanying notes are an integral part of the consolidated and combined financial statements.

**Table of Contents****Seahawk Drilling, Inc.****Consolidated and Combined Statements of Operations***(Amounts in thousands, except share and per share amounts)*

	<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	
Revenues	\$ 65,849	\$ 259,827
Costs and expenses:		
Operating costs, excluding depreciation and amortization	90,666	203,066
Depreciation and amortization	38,700	46,736
General and administrative, excluding depreciation and amortization	30,929	23,492
Impairment of property and equipment	28,171	32,084
(Gain) loss on sales of assets, net	(2,958)	341
Loss from operations	(119,659)	(45,892)
Interest expense	(1,770)	(475)
Other income (expense), net	(1,165)	864
Loss before income taxes	(122,594)	(45,503)
Income tax benefit	(48,424)	(17,254)
Loss from continuing operations, net of tax	(74,170)	(28,249)
Income from discontinued operations, net of tax	-	3,141
Net loss	\$ (74,170)	\$ (25,108)
Basic and diluted loss per share:		
Continuing operations	\$ (6.26)	\$ (2.44)
Discontinued operations	-	0.27
Net loss	\$ (6.26)	\$ (2.17)
Shares used in the computation of loss per share:		
Basic and diluted	11,841,046	11,592,247

The accompanying notes are an integral part of the consolidated and combined financial statements.

**Table of Contents****Seahawk Drilling, Inc.****Consolidated and Combined Statements of Cash Flows***(Amounts in thousands)*

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$ (74,170)	\$ (25,108)
<b>Adjustments to reconcile net income to net cash from continuing operations:</b>		
(Income) from discontinued operations	-	(3,141)
Depreciation and amortization	39,033	46,736
Impairment of property and equipment	28,171	32,084
(Gain) loss on sale of assets	(2,958)	341
Stock-based compensation	7,529	5,711
Deferred income taxes	(50,925)	(25,464)
Excess tax benefits on stock based compensation	-	(7)
<b>Changes in assets and liabilities:</b>		
Trade receivables	10,495	12,043
Prepaid expenses and other current assets	5,776	(7,403)
Other assets	32	(32)
Accounts payable	(5,128)	(5,339)
Due to Pride	(3,706)	24,199
Accrued expenses	(13,904)	(13,299)
Income taxes payable	106	(1,928)
Other liabilities	1,749	592
Increase (decrease) in deferred revenue	588	(10,005)
Decrease (increase) in deferred expense	1,556	11,685
Insurance proceeds from Pride Wyoming salvage operations	4,891	13,870
<b>Net cash from (used in) operating activities - continuing operations</b>	<b>(50,865)</b>	<b>55,535</b>
<b>Net cash from (used in) operating activities - discontinued operations</b>	<b>-</b>	<b>(1,835)</b>
<b>Net cash flows (used in) from operating activities</b>	<b>(50,865)</b>	<b>53,700</b>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(12,852)	(19,018)
Procee		