

CONTANGO OIL & GAS CO

Form 10-Q

November 03, 2016

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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, 2016

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)

717 TEXAS AVENUE, SUITE 2900

95-4079863

(IRS Employer
Identification No.)

77002

HOUSTON, TEXAS

(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, 2016 was 25,262,152.

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CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

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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.

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Item 1. Consolidated Financial Statements

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares)

	September 30, 2016	December 31, 2015
	(unaudited)	
CURRENT ASSETS:		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	10,629	20,504
Prepaid expenses	1,510	1,228
Inventory	540	540
Total current assets	12,679	22,272
PROPERTY, PLANT AND EQUIPMENT:		
Natural gas and oil properties, successful efforts method of accounting:		
Proved properties	1,194,990	1,187,707
Unproved properties	32,283	16,439
Other property and equipment	1,081	1,081
Accumulated depreciation, depletion and amortization	(874,827)	(826,022)
Total property, plant and equipment, net	353,527	379,205
OTHER NON-CURRENT ASSETS:		
Investments in affiliates	16,024	14,222
Other	1,430	1,057
Total other non-current assets	17,454	15,279
TOTAL ASSETS	\$ 383,660	\$ 416,756
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 39,908	\$ 36,358
Current derivative liability	2,133	—
Current asset retirement obligations	4,430	4,603
Total current liabilities	46,471	40,961
NON-CURRENT LIABILITIES:		
Long-term debt	62,463	115,446
Long-term derivative liability	267	—
Asset retirement obligations	23,004	22,506
Total non-current liabilities	85,734	137,952
Total liabilities	132,205	178,913
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
SHAREHOLDERS' EQUITY:		
Common stock, \$0.04 par value, 50 million shares authorized, 30,280,418 shares issued and 24,995,692 shares outstanding at September 30, 2016, 24,636,936	1,200	974

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shares issued and 19,381,146 shares outstanding at December 31, 2015		
Additional paid-in capital	294,325	239,524
Treasury shares at cost (5,284,726 shares at September 30, 2016 and 5,255,790 shares at December 31, 2015)	(127,990)	(127,760)
Retained earnings	83,920	125,105
Total shareholders' equity	251,455	237,843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 383,660	\$ 416,756

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

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CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016 (unaudited)	2015	2016 (unaudited)	2015
REVENUES:				
Oil and condensate sales	\$ 4,946	\$ 9,500	\$ 17,164	\$ 35,882
Natural gas sales	12,011	16,020	31,283	48,130
Natural gas liquids sales	2,619	3,515	8,073	11,004
Total revenues	19,576	29,035	56,520	95,016
EXPENSES:				
Operating expenses	8,158	9,036	22,782	29,919
Exploration expenses	444	407	1,088	11,814
Depreciation, depletion and amortization	15,166	38,386	49,586	112,271
Impairment and abandonment of oil and gas properties	1,165	235,150	4,268	237,667
General and administrative expenses	7,486	7,504	18,772	22,683
Total expenses	32,419	290,483	96,496	414,354
OTHER INCOME (EXPENSE):				