

PETROHAWK ENERGY CORP
Form 10-Q
August 03, 2011

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[TABLE OF CONTENTS](#)

[Table of Contents](#)

**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 June 30, 2011

Commission file number 001-33334

PETROHAWK ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

86-0876964
(I.R.S. Employer
Identification Number)

1000 Louisiana, Suite 5600, Houston, Texas 77002
(Address of principal executive offices including ZIP code)
(832) 204-2700
(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value \$.001 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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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:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a
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 28, 2011 the Registrant had 303,893,547 shares of Common Stock, \$.001 par value, outstanding.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u> <u>Condensed consolidated financial statements (unaudited)</u>	<u>5</u>
	<u>5</u>
	<u>5</u>
	<u>6</u>
	<u>7</u>
	<u>8</u>
<u>ITEM 2.</u> <u>Management's discussion and analysis of financial condition and results of operations</u>	<u>39</u>
<u>ITEM 3.</u> <u>Quantitative and qualitative disclosures about market risk</u>	<u>56</u>
<u>ITEM 4.</u> <u>Controls and procedures</u>	<u>58</u>
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1.</u> <u>Legal proceedings</u>	<u>58</u>
<u>ITEM 1A.</u> <u>Risk factors</u>	<u>59</u>
<u>ITEM 2.</u> <u>Unregistered sales of equity securities and use of proceeds</u>	<u>62</u>
<u>ITEM 3.</u> <u>Defaults upon senior securities</u>	<u>62</u>
<u>ITEM 4.</u> <u>(Removed and reserved)</u>	<u>62</u>
<u>ITEM 5.</u> <u>Other information</u>	<u>62</u>
<u>ITEM 6.</u> <u>Exhibits</u>	<u>63</u>

Table of Contents

Special note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains, and we may from time to time otherwise make in other public filings, press releases and presentations, forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, concerning, among other things, planned capital expenditures, potential increases in oil and natural gas production, the number and location of wells to be drilled in the future, future cash flows and borrowings, pursuit of potential acquisition opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as "may," "expect," "estimate," "project," "plan," "believe," "intend," "achievable," "anticipate," "will," "continue," "potential," "should," "could" and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements. One should consider carefully the statements under the "Risk Factors" section of this report and in our Annual Report on Form 10-K for the year ended December 31, 2010 and the other disclosures contained herein and therein, which describe factors that could cause our actual results to differ from those anticipated in the forward-looking statements, including, but not limited to, the following factors:

our ability to successfully develop our large inventory of undeveloped acreage in our resource plays such as the Haynesville, Lower Bossier, and Eagle Ford Shales;

volatility in commodity prices for oil and natural gas;

the possibility that our industry may be subject to future regulatory or legislative actions (including any additional taxes and changes in environmental regulation);

the presence or recoverability of estimated oil and natural gas reserves and the actual future production rates and associated costs;

the potential for production decline rates for our wells to be greater than we expect;

our ability to generate sufficient cash flow from operations, borrowings or other sources to enable us to fully develop our undeveloped acreage positions;

our ability to replace oil and natural gas reserves;

environmental risks;

drilling and operating risks;

exploration and development risks;

competition, including competition for acreage in resource play areas;

management's ability to execute our plans to meet our goals;

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our ability to retain key members of senior management and key technical employees especially given the pending merger with affiliates of BHP Billiton Limited;

the cost and availability of goods and services, such as drilling rigs, fracture stimulation services and tubulars;

access to and availability of water and other treatment materials to carry out planned fracture stimulations in our resource plays;

access to adequate gathering systems and transportation take-away capacity, necessary to fully execute our capital program;

Table of Contents

our ability to secure firm transportation and other marketing outlets for the natural gas, natural gas liquids and crude oil and condensate we produce and to sell these products at market prices;

the possibility that our merger with affiliates of BHP Billiton Limited could not be completed or could be delayed, which could negatively affect our stock price and our future business, operations and financial results;

general economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business, may be less favorable than expected, including the possibility that the economic conditions in the United States will worsen and that capital markets are disrupted, which could adversely affect demand for oil and natural gas and make it difficult to access financial markets;

social unrest, political instability, armed conflict, or acts of terrorism or sabotage in oil and natural gas producing regions, such as the Middle East, or our markets; and

other economic, competitive, governmental, legislative, regulatory, geopolitical and technological factors that may negatively impact our business, operations or pricing.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this document. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (Unaudited)****PETROHAWK ENERGY CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Operating revenues:				
Oil and natural gas	\$ 443,729	\$ 239,834	\$ 793,937	\$ 540,425
Marketing	149,486	107,338	290,030	237,457
Midstream	1,865	3,954	2,837	11,026
Total operating revenues	595,080	351,126	1,086,804	788,908
Operating expenses:				
Marketing	161,049	117,309	315,947	253,931
Production:				
Lease operating	13,726	16,384	26,337	33,779
Workover and other	4,308	1,571	9,184	3,949
Taxes other than income	16,779	5,111	28,514	17,871
Gathering, transportation and other	66,901	33,299	119,796	61,455
General and administrative	50,302	43,100	90,277	75,134
Depletion, depreciation and amortization	192,808	99,855	350,120	204,623
Total operating expenses	505,873	316,629	940,175	650,742
Amortization of deferred gain	46,508	64,367	94,976	64,367
Income from operations	135,715	98,864	241,605	202,533
Other income (expenses):				
Net gain (loss) on derivative contracts	83,507	(16,625)	32,600	198,078
Interest expense and other	(67,019)	(61,533)	(133,822)	(124,379)
Equity investment income	17,339	2,047	30,910	2,047
Total other income (expenses)	33,827	(76,111)	(70,312)	75,746
Income from continuing operations before income taxes	169,542	22,753	171,293	278,279
Income tax provision	(64,660)	(8,741)	(65,231)	(107,975)
Income from continuing operations, net of income taxes	104,882	14,012	106,062	170,304
Loss from discontinued operations, net of income taxes	(753)	(517)	(3,161)	(674)

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Net income	\$ 104,129	\$ 13,495	\$ 102,901	\$ 169,630
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Net income (loss) per share:

Basic:

Continuing operations	\$ 0.35	\$ 0.05	\$ 0.35	\$ 0.57
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Discontinued operations		(0.01)	(0.01)	(0.01)
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Total	\$ 0.35	\$ 0.04	\$ 0.34	\$ 0.56
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Diluted:

Continuing operations	\$ 0.34	\$ 0.05	\$ 0.35	\$ 0.56
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Discontinued operations		(0.01)	(0.01)	
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Total	\$ 0.34	\$ 0.04	\$ 0.34	\$ 0.56
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Weighted average shares outstanding:

Basic	301,603	300,426	301,321	300,292
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Diluted	305,464	302,446	305,101	302,715
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The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

Table of Contents**PETROHAWK ENERGY CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)****(In thousands, except share and per share amounts)**

	June 30, 2011	December 31, 2010
Current assets:		
Cash	\$ 1,655	\$ 1,591
Accounts receivable	468,270	356,597
Receivables from derivative contracts	154,308	217,018
Prepays and other	50,054	62,831
 Total current assets	 674,287	 638,037
Oil and natural gas properties (full cost method):		
Evaluated	9,152,679	7,520,446
Unevaluated	2,494,353	2,387,037
 Gross oil and natural gas properties	 11,647,032	 9,907,483
Less accumulated depletion	(5,117,172)	(4,774,579)
 Net oil and natural gas properties	 6,529,860	 5,132,904
Other operating property and equipment:		
Gas gathering systems and equipment	280,858	150,372
Other operating assets	71,021	55,315
 Gross other operating property and equipment	 351,879	 205,687