

Laredo Petroleum Holdings, Inc.
Form 10-Q
November 07, 2013

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, 2013

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: 001-35380

Laredo Petroleum Holdings, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

15 W. Sixth Street, Suite 1800

Tulsa, Oklahoma

(Address of Principal Executive Offices)

(918) 513-4570

(Registrant's Telephone Number, Including Area Code)

45-3007926

(I.R.S. Employer
Identification No.)

74119

(Zip 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 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.

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

Number of shares of registrant's common stock outstanding as of November 4, 2013: 142,618,272

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q (this "Quarterly Report") are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include statements, projections and estimates concerning our operations, performance, business strategy, oil and natural gas reserves, drilling program capital expenditures, liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, derivative activities and potential financing.

Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "could," "may," "will," "foresee," "plan," "goal," "should," "intend," "pursue," "target," "continue," "suggest" or other words that convey the uncertainty of future events or outcomes.

Forward-looking statements are not guarantees of performance. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Among the factors that significantly impact our business and could impact our business in the future are:

the ongoing instability and uncertainty in the U.S. and international financial and consumer markets that is adversely affecting the liquidity available to us and our customers and is adversely affecting the demand for commodities, including oil and natural gas;

volatility of oil and natural gas prices;

the possible introduction of regulations that prohibit or restrict our ability to apply hydraulic fracturing to our oil and natural gas wells;

the possible introduction of regulations that prohibit or restrict our ability to drill new allocation wells;

discovery, estimation, development and replacement of oil and natural gas reserves, including our expectations that estimates of our proved reserves will increase;

uncertainties about the estimates of our oil and natural gas reserves;

competition in the oil and natural gas industry;

the availability and costs of drilling and production equipment, labor, and oil and natural gas processing and other services;

drilling and operating risks, including risks related to hydraulic fracturing activities;

risks related to the geographic concentration of our assets;

changes in domestic and global demand for oil and natural gas;

the availability of sufficient pipeline and transportation facilities and gathering and processing capacity;

changes in the regulatory environment or changes in international, legal, political, administrative or economic conditions;

our ability to comply with federal, state and local regulatory requirements;

our ability to execute our strategies, including but not limited to our hedging strategies;

our ability to recruit and retain the qualified personnel necessary to operate our business;

evolving industry standards and adverse changes in global economic, political and other conditions;

restrictions contained in our debt agreements, including our senior secured credit facility and the indentures governing our senior unsecured notes, as well as debt that could be incurred in the future;

our ability to access additional borrowing capacity under our senior secured credit facility or other means of providing liquidity; and

our ability to generate sufficient cash to service our indebtedness and to generate future profits.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth under "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report, under "Part II, Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013, and under "Part I, Item 1A. Risk Factors" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. In light of such risks and uncertainties, we caution you not to place

undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report, or if earlier, as of the date they were made. We do not intend to, and disclaim any obligation to, update or revise any forward-looking statements unless required by securities law.

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PART I

Item 1. Consolidated Financial Statements (Unaudited)

Laredo Petroleum Holdings, Inc.
 Consolidated balance sheets
 (in thousands, except share data)
 (Unaudited)

| | September 30, 2013 | December 31, 2012 |
|-----------------------------------------------------------------------|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$265,270 | \$33,224 |
| Accounts receivable, net | 77,776 | 83,840 |
| Derivative financial instruments | — | 4,644 |
| Deferred income taxes | 2,787 | 12,713 |
| Other current assets | 7,014 | 3,016 |
| Total current assets | 352,847 | 137,437 |
| Property and equipment: | | |
| Oil and natural gas properties, full cost method: | | |
| Proved properties | 3,099,194 | 2,993,266 |
| Unproved properties not being amortized | 202,050 | 159,946 |
| Pipeline and gas gathering assets | 35,193 | 74,877 |
| Other fixed assets | 37,477 | 25,599 |
| Total property and equipment | 3,373,914 | 3,253,688 |
| Less accumulated depreciation, depletion, amortization and impairment | 1,317,545 | 1,139,797 |
| Net property and equipment | 2,056,369 | 2,113,891 |
| Deferred income taxes | 27,872 | 49,916 |
| Derivative financial instruments | 14,841 | 2,058 |
| Deferred loan costs, net | 24,750 | 29,444 |
| Investment in equity method investee | 3,221 | — |
| Other assets, net | 261 | 5,558 |
| Total assets | \$2,480,161 | \$2,338,304 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$30,859 | \$48,672 |
| Undistributed revenue and royalties | 30,285 | 36,065 |
| Accrued capital expenditures | 80,611 | 121,612 |
| Accrued compensation and benefits | 12,667 | 10,318 |
| Derivative financial instruments | 12,672 | 1,325 |
| Accrued interest payable | 22,035 | 26,106 |
| Other current liabilities | 18,671 | 17,970 |
| Total current liabilities | 207,800 | 262,068 |
| Long-term debt | 1,051,595 | 1,216,760 |
| Derivative financial instruments | 1,202 | 3,260 |
| Asset retirement obligations | 16,345 | 21,120 |
| Other noncurrent liabilities | 7,867 | 3,373 |
| Total liabilities | 1,284,809 | 1,506,581 |
| Stockholders' equity: | | |

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| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|--------------|
| Preferred stock, \$0.01 par value, 50,000,000 shares authorized and zero issued at September 30, 2013 and December 31, 2012 | — | — |
| Common stock, \$0.01 par value, 450,000,000 shares authorized, and 142,635,519 and 128,298,559 issued, net of treasury, at September 30, 2013 and December 31, 2012, respectively | 1,426 | 1,283 |
| Additional paid-in capital | 1,275,146 | 961,424 |
| Accumulated deficit | (81,216) |) (130,980) |
| Treasury stock, at cost, 7,609 common shares at September 30, 2013 and December 31, 2012 | (4 |) (4) |
| Total stockholders' equity | 1,195,352 | 831,723 |
| Total liabilities and stockholders' equity | \$2,480,161 | \$2,338,304 |

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

Laredo Petroleum Holdings, Inc.
Consolidated statements of operations
(in thousands, except per share data)
(Unaudited)

Three months ended
September 30,