

FOREST OIL CORP
Form 10-Q
August 07, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 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 1-13515

FOREST OIL CORPORATION

(Exact name of registrant as specified in its charter)

New York

25-0484900

(State or other jurisdiction of
incorporation or organization)

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

707 17th Street, Suite 3600

80202

Denver, Colorado

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (303) 812-1400

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 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

Edgar Filing: FOREST OIL CORP - Form 10-Q

As of August 1, 2013 there were 120,078,373 shares of the registrant's common stock, par value \$.10 per share, outstanding.

Table of Contents

FOREST OIL CORPORATION
INDEX TO FORM 10-Q
June 30, 2013

| | |
|--|-----------|
| <u>Part I—FINANCIAL INFORMATION</u> | <u>1</u> |
| <u>Item 1—Financial Statements</u> | <u>1</u> |
| <u>Condensed Consolidated Balance Sheets as of June 30, 2013 and December 31, 2012</u> | <u>1</u> |
| <u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2013 and 2012</u> | <u>2</u> |
| <u>Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2013 and 2012</u> | <u>3</u> |
| <u>Condensed Consolidated Statement of Shareholders' Equity for the Six Months Ended June 30, 2013</u> | <u>4</u> |
| <u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2013 and 2012</u> | <u>5</u> |
| <u>Notes to Condensed Consolidated Financial Statements</u> | <u>6</u> |
| <u>Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | <u>25</u> |
| <u>Item 3—Quantitative and Qualitative Disclosures About Market Risk</u> | <u>38</u> |
| <u>Item 4—Controls and Procedures</u> | <u>40</u> |
| <u>Part II—OTHER INFORMATION</u> | <u>41</u> |
| <u>Item 1—Legal Proceedings</u> | <u>41</u> |
| <u>Item 1A—Risk Factors</u> | <u>41</u> |
| <u>Item 2—Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>41</u> |
| <u>Item 6—Exhibits</u> | <u>43</u> |
| <u>Signatures</u> | <u>45</u> |

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

FOREST OIL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands, Except Share Amounts)

| | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$421 | \$1,056 |
| Accounts receivable | 72,470 | 67,516 |
| Derivative instruments | 17,211 | 40,190 |
| Other current assets | 16,024 | 16,318 |
| Total current assets | 106,126 | 125,080 |
| Property and equipment, at cost: | | |
| Oil and natural gas properties, full cost method of accounting: | | |
| Proved, net of accumulated depletion of \$8,326,395 and \$8,237,186 | 1,288,691 | 1,459,312 |
| Unproved | 195,118 | 277,798 |
| Net oil and natural gas properties | 1,483,809 | 1,737,110 |
| Other property and equipment, net of accumulated depreciation and amortization of \$49,108 and \$46,908 | 14,613 | 17,128 |
| Net property and equipment | 1,498,422 | 1,754,238 |
| Deferred income taxes | 6,547 | 14,681 |
| Goodwill | 239,420 | 239,420 |
| Derivative instruments | 5,504 | 8,335 |
| Other assets | 57,726 | 60,108 |
| | \$1,913,745 | \$2,201,862 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$196,260 | \$164,786 |
| Accrued interest | 14,850 | 23,407 |
| Derivative instruments | 3,829 | 9,347 |
| Deferred income taxes | 6,547 | 14,681 |
| Current portion of long-term debt | — | 12 |
| Other current liabilities | 14,038 | 14,092 |
| Total current liabilities | 235,524 | 226,325 |
| Long-term debt | 1,630,337 | 1,862,088 |
| Asset retirement obligations | 23,247 | 56,155 |
| Derivative instruments | 2,310 | 7,204 |
| Other liabilities | 89,713 | 92,914 |
| Total liabilities | 1,981,131 | 2,244,686 |
| Shareholders' equity: | | |
| Preferred stock, none issued and outstanding | — | — |
| Common stock, 120,107,896 and 118,245,320 shares issued and outstanding | 12,011 | 11,825 |
| Capital surplus | 2,550,933 | 2,541,859 |
| Accumulated deficit | (2,610,503) | (2,575,994) |

Edgar Filing: FOREST OIL CORP - Form 10-Q

| | | | | |
|--------------------------------------|-------------|---|-------------|---|
| Accumulated other comprehensive loss | (19,827 |) | (20,514 |) |
| Total shareholders' equity (deficit) | (67,386 |) | (42,824 |) |
| | \$1,913,745 | | \$2,201,862 | |

See accompanying Notes to Condensed Consolidated Financial Statements.

1

Table of ContentsFOREST OIL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In Thousands, Except Per Share Amounts)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------|------------------|------------|
| | June 30, 2013 | 2012 | June 30, 2013 | 2012 |
| Revenues: | | | | |
| Oil, natural gas, and natural gas liquids sales | \$ 116,786 | \$ 135,694 | \$ 234,828 | \$ 294,595 |
| Interest and other | 28 | 37 | 160 | 69 |
| Total revenues | 116,814 | 135,731 | 234,988 | 294,664 |
| Costs, expenses, and other: | | | | |
| Lease operating expenses | 19,167 | 27,134 | 40,371 | 54,741 |
| Production and property taxes | 5,029 | 6,940 | 7,245 | 18,093 |
| Transportation and processing costs | 3,098 | 3,615 | 6,378 | 7,587 |
| General and administrative | 13,114 | 16,421 | 33,128 | 31,805 |
| Depreciation, depletion, and amortization | 43,804 | 72,987 | 92,347 | 139,957 |
| Ceiling test write-down of oil and natural gas properties | — | 348,976 | — | 383,793 |
| Interest expense | 29,392 | 34,317 | 65,520 | 67,709 |
| Realized and unrealized gains on derivative instruments, net | (31,610 |) | | |