

Laredo Petroleum Holdings, Inc.
Form 10-Q
November 09, 2012
[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 September 30, 2012

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)

Edgar Filing: Laredo Petroleum Holdings, Inc. - Form 10-Q

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

45-3007926

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

15 W. Sixth Street, Suite 1800

Tulsa, Oklahoma

(Address of Principal Executive Offices)

74119

(Zip code)

(918) 513-4570

(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 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
(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

Number of shares of registrant's common stock outstanding as of November 7, 2012: 128,245,349

Table of Contents

TABLE OF CONTENTS

	Page
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	iii
	Part I
<u>Item 1.</u>	<u>Consolidated Financial Statements (Unaudited)</u> 1
	<u>Consolidated balance sheets as of September 30, 2012 and December 31, 2011</u> 1
	<u>Consolidated statements of operations for the three and nine months ended September 30, 2012 and 2011</u> 2
	<u>Consolidated statement of stockholders' equity for the nine months ended September 30, 2012</u> 3
	<u>Consolidated statements of cash flows for the nine months ended September 30, 2012 and 2011</u> 4
	<u>Condensed notes to the consolidated financial statements</u> 5
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 33
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 47
<u>Item 4.</u>	<u>Controls and Procedures</u> 49
	Part II
<u>Item 1.</u>	<u>Legal Proceedings</u> 50
<u>Item 1A.</u>	<u>Risk Factors</u> 50
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 51
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u> 51
<u>Item 4.</u>	<u>Mine Safety Disclosures</u> 51
<u>Item 5.</u>	<u>Other Information</u> 51
<u>Item 6.</u>	<u>Exhibits</u> 52
<u>Signatures</u>	53
<u>Exhibit Index</u>	54

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). 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, may, foresee, plan, goal, should, intend, pursue, target, continue, suggest or other words that convey the uncertainty of future 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 crude 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;
- discovery, estimation, development and replacement of oil and natural gas reserves, including our expectations that estimates of our proved reserves will increase;
- competition in the oil and gas industry;
- availability and costs of drilling and production equipment, labor, and oil and gas processing and other services;
- changes in domestic and global demand for oil and natural gas;
- the availability of sufficient pipeline and transportation facilities and gathering and processing capacity;
- uncertainties about the estimates of our oil and natural gas reserves;
- changes in the regulatory environment and changes in international, legal, political, administrative or economic conditions;
- successful results from our identified drilling locations;
- our ability to execute our strategies;
- our ability to recruit and retain the qualified personnel necessary to operate our business;
- our ability to comply with federal, state and local regulatory requirements;

Edgar Filing: Laredo Petroleum Holdings, Inc. - Form 10-Q

- 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; 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 Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Part II, Item 1A. Risk Factors and elsewhere in this Quarterly Report on Form 10-Q, under Item 1A. Risk Factors and 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, 2011, under Part II, Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 and under Risk Factors in our prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b)(1) of the Securities Act on October 12, 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.

Table of Contents**PART I****Item 1. Consolidated Financial Statements (Unaudited)****Laredo Petroleum Holdings, Inc.****Consolidated balance sheets****(in thousands, except share data)****(Unaudited)**

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 29,117	\$ 28,002
Accounts receivable, net	82,245	74,135
Derivative financial instruments	5,827	13,281
Deferred income taxes	8,755	5,202
Other current assets	2,197	2,318
Total current assets	128,141	122,938
Property and equipment:		
Oil and natural gas properties, full cost method:		
Proved properties	2,791,151	2,083,015
Unproved properties not being amortized	138,099	117,195
Pipeline and gas gathering assets	68,729	58,136
Other fixed assets	24,344	16,948
	3,022,323	2,275,294
Less accumulated depreciation, depletion, amortization and impairment	1,072,522	896,785
Net property and equipment	1,949,801	1,378,509
Deferred income taxes	58,796	90,376
Derivative financial instruments	2,118	6,510
Deferred loan costs, net	30,401	23,457
Other assets, net	5,424	5,862
Total assets	\$ 2,174,681	\$ 1,627,652
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	\$ 52,770	\$ 46,007
Undistributed revenue and royalties	32,935	26,844
Accrued capital expenditures	97,796	91,022
Accrued compensation and benefits	7,813	11,270
Derivative financial instruments	1,619	4,187
Accrued interest payable	22,460	20,112
Other current liabilities	16,992	14,919
Total current liabilities	232,385	214,361
Long-term debt	1,101,812	636,961
Derivative financial instruments	3,331	2,415

Edgar Filing: Laredo Petroleum Holdings, Inc. - Form 10-Q

Asset retirement obligations	16,844	12,568
Other noncurrent liabilities	2,868	1,334
Total liabilities	1,357,240	867,639
Stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized and zero issued at September 30, 2012 and December 31, 2011		
Common stock, \$0.01 par value, 450,000,000 shares authorized, and 128,238,191 and 127,617,391 issued, net of treasury, at September 30, 2012 and December 31, 2011, respectively		
	1,282	1,276
Additional paid-in capital	958,971	951,375
Accumulated deficit	(142,808)	(192,634)
Treasury stock, at cost, 7,609 common shares at September 30, 2012 and December 31, 2011	(4)	(4)
Total stockholders' equity	817,441	760,013
Total liabilities and stockholders' equity	\$ 2,174,681	\$ 1,627,652

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

Table of Contents

Laredo Petroleum Holdings, Inc.

Consolidated statements of operations

(in thousands, except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues:				