

CRIMSON EXPLORATION INC.
Form 10-Q
November 16, 2009
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, 2009

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 000-21644

CRIMSON EXPLORATION INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

717 Texas Avenue, Suite 2900

20-3037840

(IRS Employer Identification No.)

77002

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

Houston, Texas

(zip code)

(Address of principal executive offices)

(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 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 definition 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 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

On November 10, 2009, there were 6,421,564 shares outstanding of the Registrant's Common Stock, par value \$0.001.

FORM 10-Q

CRIMSON EXPLORATION INC.

INDEX

	Page
Part I: Financial Statements	
Item 1. Financial Statements	
Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008	3
Consolidated Statements of Operations for the Three Months and Nine Months	
Ended September 30, 2009 and 2008	4
Consolidated Statement of Stockholders' Equity for the Nine Months	
Ended September 30, 2009	5
Consolidated Statements of Cash Flows for the Nine Months	
Ended September 30, 2009 and 2008	6
Notes to Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and	
Results of Operations	17
Item 3. Quantitative and Qualitative Disclosures about Market Risk	30
Item 4T. Controls and Procedures	31
Part II: Other Information	
Item 1. Legal Proceedings	32
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 6. Exhibits	33
Signatures	35

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****CRIMSON EXPLORATION INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****ASSETS**

	September 30, 2009 (unaudited)	December 31, 2008
CURRENT ASSETS		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net of allowance	12,403,474	21,078,815
Prepaid expenses	3,849	77,293
Derivative instruments	17,121,267	25,191,445
Total current assets	29,528,590	46,347,553
PROPERTY AND EQUIPMENT		
Oil and gas properties (successful efforts method of accounting)	601,046,541	584,093,885
Other property and equipment	3,365,032	3,282,088
Accumulated depreciation, depletion and amortization	(179,175,724)	(138,220,237)
Total property and equipment, net	425,235,849	449,155,736
NONCURRENT ASSETS		
Deposits	104,697	104,697
Debt issuance cost, net	3,331,976	2,890,094
Deferred charges	—	1,324,907
Derivative instruments	4,279,665	11,722,802
Total noncurrent assets	7,716,338	16,042,500
TOTAL ASSETS	\$ 462,480,777	\$ 511,545,789
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 1,525,583	\$ 90,368
Accounts and revenues payable	20,513,642	47,726,858
Income taxes payable	341,851	546,944
Accrued liabilities	8,912,643	24,369,060
Asset retirement obligations	2,161,914	1,659,371
Derivative instruments	3,098,405	1,265,801
Deferred tax liability, net	4,839,599	8,331,208
Total current liabilities	41,393,637	83,989,610
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	290,000,788	276,690,426
Asset retirement obligations	12,394,368	11,409,171
Derivative instruments	1,383,745	1,491,755
Deferred tax liability, net	10,051,928	15,609,315

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

Other noncurrent liabilities	713,806		732,709
Total noncurrent liabilities	314,544,635		305,933,376
Total liabilities	355,938,272		389,922,986
COMMITMENTS AND CONTINGENCIES			
STOCKHOLDERS' EQUITY			
Preferred stock (see Note 7)	826		826
Common stock (see Note 7)	6,483		5,808
Additional paid-in capital	97,565,970		95,676,875
Retained earnings	9,352,931		26,189,888
Treasury stock (see Note 7)	(383,705	)	(250,594)
Total stockholders' equity	106,542,505		121,622,803
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 462,480,777		\$ 511,545,789

The Notes to Consolidated Financial Statements are an integral part of these statements.

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

CRIMSON EXPLORATION INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
OPERATING REVENUES				
Natural gas sales	\$16,426,246	\$33,826,275	\$55,135,137	\$92,074,941
Crude oil sales	6,709,774	11,389,585	21,518,736	34,150,048
Natural gas liquids sales	3,616,522	7,901,683	9,089,086	24,687,092
Operating overhead and other income	147,862	634,248	508,249	889,142
Total operating revenues	26,900,404	53,751,791	86,251,208	151,801,223
OPERATING EXPENSES				
Lease operating expenses	3,879,621	5,653,989	13,517,664	15,362,455
Production and ad valorem taxes	1,563,460	4,819,558	6,060,579	14,355,289
Exploration expenses	687,613	1,044,499	2,873,255	1,877,382
Depreciation, depletion and amortization	13,400,031	13,159,886	41,599,314	36,029,611
Impairment of oil and gas properties	—	25,798,755	—	25,798,755
General and administrative	3,836,194	7,591,344	13,381,282	17,819,461
Loss (gain) on sale of assets	—	—	18,925	(15,271,712)
Total operating expenses	23,366,919	58,068,031	77,451,019	95,971,241
INCOME (LOSS) FROM OPERATIONS	3,533,485	(4,316,240)	8,800,189	55,829,982
OTHER (EXPENSE) INCOME				
Interest expense	(6,633,642)	(5,540,319)	(16,349,300)	(15,871,096)
Other financing cost	(382,159)	(339,480)	(1,109,805)	(1,174,013)
Unrealized gain (loss) on derivative instruments	(9,929,947)	88,901,338	(17,237,909)	1,664,541
Total other (expense) income	(16,945,748)	83,021,539	(34,697,014)	(15,380,568)
INCOME (LOSS) BEFORE INCOME TAXES	(13,412,263)	78,705,299	(25,896,825)	40,449,414
Income tax benefit (expense)	4,826,137	(28,461,407)	9,080,238	(15,104,519)
NET INCOME (LOSS)	(8,586,126)	50,243,892	(16,816,587)	25,344,895
Dividends on preferred stock	(1,156,163)	(1,083,328)	(3,353,150)	(3,164,111)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$(9,742,289)	\$49,160,564	\$(20,169,737)	\$22,180,784
NET INCOME (LOSS) PER SHARE				
Basic	\$(1.51)	\$9.19	\$(3.20)	\$4.25
Diluted	\$(1.51)	\$4.87	\$(3.20)	\$2.46

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

WEIGHTED AVERAGE SHARES OUTSTANDING

Basic	6,444,013	5,351,146	6,301,280	5,225,113
Diluted	6,444,013	10,317,629	6,301,280	10,289,138

The Notes to Consolidated Financial Statements are an integral part of these statements

4

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

CRIMSON EXPLORATION INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

(UNAUDITED)

	NUMBER OF SHARES				ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL STOCKHOLDERS' EQUITY
	PREFERRED STOCK	COMMON STOCK	PREFERRED STOCK	COMMON STOCK				
BALANCE, DECEMBER 31, 2008	82,600	5,787,287	\$ 826	\$ 5,808	\$ 95,676,875	\$ 26,189,888	\$(250,594)	)\$ 121,622,803
Share-based compensation	—	668,690	—	669	1,868,731	—	—	1,869,400
Common stock issued as dividends on preferred stock	—	6,300	—	6	20,364	(20,370)	—	—
Current period net loss	—	—	—	—	—	(16,816,587)	—	(16,816,587)
Treasury stock	—	(40,713)	—	—	—	—	(133,111)	(133,111)
BALANCE, SEPTEMBER 30, 2009	82,600	6,421,564	\$ 826	\$ 6,483	\$ 97,565,970	\$ 9,352,931	\$(383,705)	)\$ 106,542,505

The Notes to Consolidated Financial Statements are an integral part of these statements.

5

Edgar Filing: CRIMSON EXPLORATION INC. - Form 10-Q

CRIMSON EXPLORATION INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Nine Months Ended September 30,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (16,816,587	) \$ 25,344,895
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	41,599,314	36,029,610
Settlement of asset retirement obligations	(361,239	) (421,600
Stock compensation expense	1,869,400	4,450,871
Amortization of debt issuance cost	945,313	833,556
Deferred charges	1,324,907	(718,768
Deferred income taxes (benefit)	(9,595,940	) 14,919,519
Dry holes, abandoned property, impaired assets	221,960	25,798,755
(Gain) loss on sale of assets	18,925	(15,271,712
Unrealized loss (gain) on derivative instruments	17,237,909	(1,664,541
Changes in operating assets and liabilities:		
Decrease in accounts receivable	8,675,339	1,986,366
(Increase) decrease in prepaid expenses	73,444	(201,562
Increase (decrease) in accounts payable and accrued liabilities	(42,440,824	) 5,823,502
Net cash provided by operating activities	2,751,921	96,908,891
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	24,327	34,918,332
Capital expenditures	(16,545,051	) (82,577,152
Acquisition of oil and gas properties	493,532	(58,031,525
Deposits	—	(5,906
Net cash used in investing activities	(16,027,192	) (105,696,251
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of common stock options	—	346,500
Purchase of treasury stock	(133,111) —
Proceeds from debt	91,373,659	122,169,922
Payments on debt	(76,578,082	) (108,206,369
Debt issuance cost	(1,387,195) —
Net cash provided by financing activities	13,275,271	14,310,053