

HALCON RESOURCES CORP  
Form 10-Q  
May 08, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended March 31, 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: 001-35467

**Halcón Resources Corporation**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**1311**  
(Primary Standard Industrial  
Classification Code Number)

**20-0700684**  
(I.R.S. Employer  
Identification Number)

**1000 Louisiana Street, Suite 6700, Houston, TX 77002**  
(Address of principal executive offices)

**(832) 538-0300**  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 twelve 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  (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

At May 7, 2012, 143,825,987 shares of the Registrant's Common Stock were outstanding.

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**First Quarter 2012 Form 10-Q Report**

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**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, 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 the previously filed Annual Report on Form 10-K for the year ended December 31, 2011, 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:

volatility in commodity prices for oil and natural gas;

our ability to successfully identify and acquire oil and natural gas properties, prospects and leaseholds, including undeveloped acreage in new and emerging resource plays;

our ability to successfully integrate acquired oil and natural gas businesses and operations;

our ability to profitably deploy our capital;

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;

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exploration and development risks;

competition, including competition for acreage in resource play areas;

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

our ability to attract and retain key members of senior management and key technical employees;

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 of our wells;

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

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;

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;

the ability to complete the acquisition of GeoResources, Inc. ( GeoResources );

failure to obtain, delays in obtaining or adverse conditions contained in, any required regulatory approvals associated with the GeoResources acquisition;

our ability to successfully integrate GeoResources' operations and to realize the benefits expected from the merger;

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social unrest, political instability, armed conflict, or acts of terrorism or sabotage in oil and natural gas producing regions, such as the Middle East and Africa, 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. Financial Statements (Unaudited)****HALCÓN RESOURCES CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)****(In thousands, except per share amounts)**

	Three Months Ended March 31,	
	2012	2011
<b>Operating revenues:</b>		
Oil and natural gas sales		
Oil	\$ 22,997	\$ 20,412
Natural gas	1,668	2,892
NGLs	2,169	2,415
Total oil and natural gas sales	26,834	25,719
Other	36	51
Total operating revenues	26,870	25,770
<b>Operating expenses:</b>		
Production:		
Lease operating	8,668	8,375
Taxes	1,570	1,411
Restructuring	104	
General and administrative	20,334	4,547
Depletion, depreciation and accretion	5,979	5,675
Total operating expenses	36,655	20,008
<b>Income (loss) from operations</b>	<b>(9,785)</b>	<b>5,762</b>
<b>Other expenses:</b>		
Net loss on derivative contracts	(4,945)	(14,250)
Interest expense and other, net	(12,997)	(6,502)
Total other expenses	(17,942)	(20,752)
Loss before income taxes	(27,727)	(14,990)
Income tax provision (benefit)	5,595	(5,079)
<b>Net loss</b>	<b>(33,322)</b>	<b>(9,911)</b>
<b>Preferred dividend</b>	<b>(1,102)</b>	
<b>Net loss available to common stockholders</b>	<b>\$ (34,424)</b>	<b>\$ (9,911)</b>
<b>Net loss per common share:</b>		
Basic	\$ (0.50)	\$ (0.38)

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Diluted	\$ (0.50)	\$ (0.38)
<b>Weighted average common shares outstanding:</b>		
Basic	68,816	26,120
Diluted	68,816	26,120

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

**Table of Contents****HALCÓN RESOURCES CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

(In thousands, except share and per share amounts)

	March 31, 2012	December 31, 2011
<b>Current assets:</b>		
Cash	\$ 685,783	\$ 49
Accounts receivable	10,851	10,288
Receivables from derivative contracts		260
Deferred income taxes	2,316	2,601
Inventory	4,264	4,310
Prepays and other	1,691	2,729
Total current assets	704,905	20,237
<b>Oil and natural gas properties (full cost method):</b>		
Evaluated	723,293	715,666
Unevaluated	16,438	
Gross oil and natural gas properties	739,731	715,666
Less accumulated depletion and impairment	(507,355)	(501,993)
Net oil and natural gas properties	232,376	213,673
<b>Other operating property and equipment:</b>		
Other operating assets	9,890	9,979
Less accumulated depreciation	(6,632)	(7,133)
Net other operating property and equipment	3,258	2,846
<b>Other noncurrent assets:</b>		
Debt issuance costs, net of amortization	5,180	5,966
Deferred income taxes	18,865	24,102
Other	4,828	978
<b>Total assets</b>	<b>\$ 969,412</b>	<b>\$ 267,802</b>
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 21,264	\$ 25,061
Liabilities from derivative contracts	1,615	265
Asset retirement obligations	1,000	1,010
Total current liabilities	23,879	26,336
<b>Long-term debt</b>	<b>235,475</b>	<b>202,000</b>
<b>Other noncurrent liabilities:</b>		
Liabilities from derivative contracts	4,046	805
Asset retirement obligations	33,152	32,703
Other	10	10
Commitments and contingencies		
<b>Stockholders' equity:</b>		
	298,209	

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Preferred stock: 1,000,000 shares of \$0.0001 par value authorized, 4,444.4511 shares issued and outstanding at March 31, 2012

Common stock: 336,666,666 shares of \$0.0001 par value authorized; 101,031,946 and 27,694,583 shares issued; 99,381,476 and 26,244,452 outstanding at March 31, 2012 and December 31, 2011, respectively	10	3
Additional paid-in capital	633,561	229,414
Treasury stock: 1,650,470 and 1,450,131 shares at March 31, 2012 and December 31, 2011, respectively, at cost	(9,298)	(7,159)
Accumulated deficit	(249,632)	(216,310)
<b>Total stockholders' equity</b>	<b>672,850</b>	<b>5,948</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 969,412</b>	<b>\$ 267,802</b>

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

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**HALCÓN RESOURCES CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)**

(In thousands)

	Preferred Stock		Common Stock		Year Ended December 31, 2011 and Three Months Ended March 31, 2012 Additional		Accumulated Deficit	Stockholders Equity
	Shares	Amount	Shares	Amount	Paid-In Capital	Treasury Stock Amount		
<b>BALANCE, December 31, 2010</b>		\$		27,533				