

CABOT OIL & GAS CORP
Form 10-Q
April 26, 2013
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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, 2013

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

Commission file number 1-10447

CABOT OIL & GAS CORPORATION

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

04-3072771
(I.R.S. Employer
Identification Number)

Three Memorial City Plaza

840 Gessner Road, Suite 1400, Houston, Texas 77024

(Address of principal executive offices including ZIP code)

(281) 589-4600

(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 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. (Check one):

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

As of April 22, 2013, there were 210,750,374 shares of Common Stock, Par Value \$.10 Per Share, outstanding.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CABOT OIL & GAS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**

(In thousands, except share amounts)	March 31, 2013	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 20,457	\$ 30,736
Accounts receivable, net	172,661	172,419
Inventories	11,278	14,173
Deferred income taxes	29,095	
Derivative instruments	4,215	50,824
Other current assets	1,174	2,158
Total current assets	238,880	270,310
Properties and equipment, net (Successful efforts method)	4,412,772	4,310,977
Other assets	36,184	35,026
	\$ 4,687,836	\$ 4,616,313
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 299,733	\$ 312,480
Current portion of long-term debt	75,000	75,000
Accrued liabilities	42,553	49,597
Income taxes payable	3,878	1,667
Deferred income taxes		5,203
Derivative instruments	26,100	192
Total current liabilities	447,264	444,139
Postretirement benefits	39,636	38,864
Long-term debt	1,052,000	1,012,000
Deferred income taxes	910,608	882,672
Asset retirement obligation	69,093	67,016
Derivative instruments	3,799	
Other liabilities	42,222	40,175
Total liabilities	2,564,622	2,484,866
Commitments and contingencies		
Stockholders' equity		
Common stock:		
Authorized 480,000,000 shares of \$0.10 par value in 2013 and 2012, respectively		
Issued 210,749,418 shares and 210,429,731 shares in 2013 and 2012, respectively	21,075	21,043

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Additional paid-in capital	715,896	716,609
Retained earnings	1,411,887	1,373,264
Accumulated other comprehensive income / (loss)	(22,295)	23,880
Less treasury stock, at cost:		
404,400 shares in 2013 and 2012, respectively	(3,349)	(3,349)
Total stockholders' equity	2,123,214	2,131,447
	\$ 4,687,836	\$ 4,616,313

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

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CABOT OIL & GAS CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	2013	March 31, 2012
OPERATING REVENUES		
Natural gas	\$ 293,793	\$ 206,782
Crude oil and condensate	65,655	49,981
Brokered natural gas	10,893	13,444
Other	2,944	1,929
	373,285	272,136
OPERATING EXPENSES		
Direct operations	31,497	27,320
Transportation and gathering	46,221	30,258
Brokered natural gas cost	8,389	11,872
Taxes other than income	11,687	18,583
Exploration	4,024	4,001
Depreciation, depletion and amortization	148,653	110,357
General and administrative	35,704	22,549
	286,175	224,940
Gain / (loss) on sale of assets	(96)	(535)
INCOME FROM OPERATIONS	87,014	46,661
Interest expense and other	16,255	16,917
Income before income taxes	70,759	29,744
Income tax expense	27,935	11,426
NET INCOME	\$ 42,824	\$ 18,318
Earnings per share		
Basic	\$ 0.20	\$ 0.09
Diluted	\$ 0.20	\$ 0.09
Weighted-average shares outstanding		
Basic	210,150	209,128
Diluted	211,376	210,813
Dividends per common share	\$ 0.02	\$ 0.02

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

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CABOT OIL & GAS CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

(In thousands)	Three Months Ended	
	2013	March 31, 2012
Net income	\$ 42,824	\$ 18,318
Other comprehensive income / (loss), net of taxes:		
Reclassification adjustment for settled hedge contracts (1)	(9,325)	(34,070)
Changes in fair value of hedge contracts (2)	(36,975)	43,205
Pension and postretirement benefits:		
Amortization of prior service cost (3)		68
Amortization of net loss (4)	125	4,175
Total other comprehensive income / (loss)	(46,175)	13,378
Comprehensive income / (loss)	\$ (3,351)	\$ 31,696

(1) Net of income taxes of \$6,045 and \$21,600 for the three months ended March 31, 2013 and 2012, respectively.

(2) Net of income taxes of \$23,971 and \$(27,523) for the three months ended March 31, 2013 and 2012, respectively.

(3) Net of income taxes of \$0 and \$(43) for the three months ended March 31, 2013 and 2012, respectively.

(4) Net of income taxes of \$(80) and \$(2,647) for the three months ended March 31, 2013 and 2012, respectively.

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

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CABOT OIL & GAS CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

(In thousands)	Three Months Ended	
	2013	March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 42,824	\$ 18,318
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	148,653	110,357
Deferred income tax expense	23,574	9,724
(Gain) / loss on sale of assets	96	535
Exploration expense	666	49
Unrealized (gain) / loss on derivative instruments		(42)
Amortization of debt issuance costs	897	1,064
Stock-based compensation, pension and other	17,655	(1,470)
Changes in assets and liabilities:		
Accounts receivable, net	(243)	19,261
Inventories	2,896	9,048
Other current assets	983	518
Accounts payable and accrued liabilities	(27,885)	(38,149)
Income taxes	4,349	2,187
Other assets and liabilities	358	380
Stock-based compensation tax benefit	(2,138)	
Net cash provided by operating activities	212,685	131,780
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(260,169)	(188,547)
Proceeds from sale of assets	486	1,280
Investment in equity method investment	(1,250)	
Net cash used in investing activities	(260,933)	(187,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from debt	135,000	90,000
Repayments of debt	(95,000)	(28,000)
Stock-based compensation tax benefit	2,138	
Dividends paid	(4,201)	(4,177)
Other	32	81
Net cash provided by financing activities	37,969	57,904
Net (decrease) / increase in cash and cash equivalents	(10,279)	2,417
Cash and cash equivalents, beginning of period	30,736	29,911
Cash and cash equivalents, end of period	\$	