

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

GULFPORT ENERGY CORP
Form 10-Q
August 14, 2002

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER 1-10753

GULFPORT ENERGY CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware 73-1521290
(State or other jurisdiction of I.R.S. Employer
incorporation or organization Identification No.)

6307 Waterford Blvd.
Building D, Suite 100
Oklahoma City, Oklahoma 73118
(405) 848-8807
(Address, including zip code, and telephone number,
including area code, of registrant's principal
executive office)

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 Issuer was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities and Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

The number of shares of the Registrant's Common Stock, \$0.01 par value, outstanding as of August 13, 2002 was 10,146,566.

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

TABLE OF CONTENTS

FORM 10-Q QUARTERLY REPORT

PART I FINANCIAL INFORMATION

Item 1 Financial Statements

Balance Sheets at June 30, 2002 (unaudited) and December 31, 2001 4

Statements of Income for the Three and Six Month Periods Ended
June 30, 2002 and 2001 (unaudited) 5

Statements of Common Stockholders' Equity for the Six Months Ended
June 30, 2002 and 2001 (unaudited) 6

Statements of Cash Flows for the Six Months Ended
June 30, 2002 and 2001 (unaudited) 7

Notes to Financial Statements 8

Item 2 Management's Discussion and Analysis of Financial
Condition and Results of Operations 13

PART II OTHER INFORMATION

Item 1 Legal Proceedings 23

Item 2 Changes in Securities and Use of Proceeds 23

Item 3 Defaults upon Senior Securities 24

Item 4 Submission of Matters to a Vote of Security Holders 24

Item 5 Other Information 24

Item 6 Exhibits and Reports on Form 8-K 24

Signatures 25

2

GULFPORT ENERGY CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements
June 30, 2002 and 2001

Forming a part of Form 10-Q Quarterly Report to the
Securities and Exchange Commission

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

This quarterly report on Form 10-Q should be read in conjunction with Gulfport Energy Corporation's Annual Report on Form 10-K for the year ended December 31, 2001.

3

GULFPORT ENERGY CORPORATION

BALANCE SHEETS

	JUNE 30, 2002	DECEMBER 31, 2001
	-----	-----
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,648,000	\$ 1,077,000
Accounts receivable, net of allowance for doubtful accounts of \$239,000 as of June 30, 2002 and December 31, 2001	1,361,000	1,096,000
Accounts receivable - related party	254,000	160,000
Prepaid expenses and other current assets	181,000	253,000
Total current assets	----- 6,444,000	----- 2,586,000
Property and equipment:		
Oil and natural gas properties	108,002,000	103,344,000
Other property and equipment	1,985,000	1,976,000
Accumulated depletion, depreciation,		

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

amortization	(71,172,000)	(69,597,000)
	-----	-----
Property and equipment, net	38,815,000	35,723,000
	-----	-----
Other assets	2,701,000	2,583,000
	-----	-----
	\$ 47,960,000	\$ 40,892,000
	=====	=====

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable and accrued liabilities	\$ 3,591,000	\$ 2,637,000
Note payable - related party	-	3,000,000
Current maturities of long-term debt	461,000	1,120,000
	-----	-----

Total current liabilities	4,052,000	6,757,000
	-----	-----

Long-term debt	129,000	143,000
	-----	-----

Total liabilities	4,181,000	6,900,000
	-----	-----

Commitments and contingencies	-	-
-------------------------------	---	---

Series A preferred stock dividend to be distributed	353,000	-
---	---------	---

Redeemable 12% cumulative preferred stock, Series A, \$.01 par value, with a redemption and liquidation value of \$1,000 per share; 15,000 and 0 authorized, 9,292 and 0 issued and outstanding at June 30, 2002 and December 31, 2001, respectively	9,292,000	-
---	-----------	---

Preferred stock, \$.01 par value; 4,985,000 and 1,000,000 authorized at June 30, 2002 and December 31, 2001, respectively, none issued	-	-
--	---	---

Common stockholders' equity:

Common stock - \$.01 par value, 20,000,000 and 15,000,000 authorized, 10,146,566 issued and outstanding at June 30, 2002 and December 31, 2001, respectively	101,000	101,000
Paid-in capital	84,192,000	84,192,000
Accumulated deficit	(50,159,000)	(50,301,000)
	-----	-----

	34,134,000	33,992,000
	-----	-----

Total liabilities and stockholders' equity	\$ 47,960,000	\$ 40,892,000
	=====	=====

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

See accompanying notes to financial statements.

4

GULFPORT ENERGY CORPORATION STATEMENTS OF INCOME (Unaudited)

	For the three month ended June 30,		For the six months ended June 30,	
	2002	2001	2002	2001
Revenues:				
Gas sales	\$ 127,000	\$ 32,000	\$ 188,000	\$ 166,000
Oil and condensate sales	3,126,000	4,909,000	5,597,000	8,176,000
Other income	-	12,000	234,000	61,000
	3,253,000	4,953,000	6,019,000	8,403,000
Costs and expenses:				
Operating expenses	1,136,000	978,000	2,390,000	2,571,000
Production taxes	366,000	567,000	647,000	944,000
Depreciation, depletion, and amortization	803,000	1,082,000	1,588,000	1,796,000
General and administrative	472,000	403,000	825,000	860,000
	2,777,000	3,030,000	5,450,000	6,171,000
INCOME FROM OPERATIONS:	476,000	1,923,000	569,000	2,232,000
OTHER (INCOME) EXPENSE:				
Gain on settlement of disputed items	-	(482,000)	-	(482,000)
Interest expense	13,000	72,000	106,000	169,000
Interest income	(22,000)	(34,000)	(32,000)	(87,000)
	(9,000)	(444,000)	74,000	(400,000)
INCOME BEFORE INCOME TAXES	485,000	2,367,000	495,000	2,632,000
INCOME TAX EXPENSE (BENEFIT):				
Current	193,000	947,000	198,000	1,053,000
Deferred	(193,000)	(947,000)	(198,000)	(1,053,000)
	-	-	-	-
NET INCOME	\$ 485,000	\$ 2,367,000	\$ 495,000	\$ 2,632,000
Less: Preferred Stock Dividends	(353,000)	-	(353,000)	-

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 132,000	\$ 2,367,000	\$ 142,000	\$ 2,632,000
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE:				
Basic	\$ 0.01	\$ 0.23	\$ 0.01	\$ 0.26
	=====	=====	=====	=====
Diluted	\$ 0.01	\$ 0.23	\$ 0.01	\$ 0.25
	=====	=====	=====	=====

See accompanying notes to financial statements.

5

GULFPORT ENERGY CORPORATION
Statements of Common Stockholders' Equity
(Unaudited)

	Preferred Shares	Stock Amount	Common Shares	Stock Amount	Additional Paid-in Capital	Accumulate Deficit
	-----	-----	-----	-----	-----	-----
Balance at December 31, 2000	-	\$ -	10,145,400	\$ 101,000	\$84,190,000	\$(55,718,000)
Common shares issued	-	-	1,166	-	2,000	-
Net income	-	-	-	-	-	2,632,000
	----	-----	-----	-----	-----	-----
Balance at June 30, 2001	-	\$ -	10,146,566	\$ 101,000	\$84,192,000	\$(53,086,000)
	=====	=====	=====	=====	=====	=====
Balance at December 31, 2001	-	\$ -	10,146,566	\$ 101,000	\$84,192,000	\$(50,301,000)
Net income	-	-	-	-	-	495,000
Preferred stock dividends	-	-	-	-	-	(353,000)
	----	-----	-----	-----	-----	-----
Balance at June 30, 2002	-	\$ -	10,146,566	\$ 101,000	\$84,192,000	\$(50,159,000)
	=====	=====	=====	=====	=====	=====

See accompanying notes to financial statements.

6

GULFPORT ENERGY CORPORATION
Statements of Cash Flows
(Unaudited)

	For the Six Months Ended June 30,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net income	\$ 495,000	\$ 2,632,000
Adjustments to reconcile net income to		

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

net cash provided by operating activities:		
Depletion, depreciation and amortization	1,575,000	1,796,000
Amortization of debt issuance costs	13,000	-
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(265,000)	1,851,000
(Increase) decrease in accounts receivable - related	(94,000)	-
(Increase) decrease in prepaid expenses	59,000	(15,000)
(Decrease) increase in accounts payable and accrued liabilities	1,217,000	(590,000)
(Decrease) increase in other liabilities	-	-
	-----	-----
Net cash provided by operating activities	3,000,000	5,674,000
	-----	-----
Cash flows from investing activities:		
(Additions) to cash held in escrow	(118,000)	(128,000)
(Additions) to other assets	-	(32,000)
(Additions) to other property, plant and equipment	(9,000)	(5,000)
(Additions) to oil and gas properties	(4,658,000)	(10,602,000)
	-----	-----
Net cash used in investing activities	(4,785,000)	(10,767,000)
	-----	-----
Cash flows from financing activities:		
Borrowings on note payable - related party	-	3,000,000
Borrowings on note payable	-	960,000
Principal payments on borrowings	(673,000)	(327,000)
Proceeds from issuance of preferred and common stock	6,029,000	2,000
	-----	-----
Net cash provided by financing activities	5,356,000	3,635,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	3,571,000	(1,458,000)
Cash and cash equivalents at beginning of period	1,077,000	3,657,000
	-----	-----
Cash and cash equivalents at end of period	\$ 4,648,000	\$ 2,199,000
	=====	=====
Supplemental disclosure of cash flow information:		
Interest payments	\$ 26,000	\$ 29,000
	=====	=====
Supplemental disclosure of non-cash transactions:		
Repayment of note payable to related party through issuance of Series A Preferred Stock	\$ 3,000,000	\$ -
	=====	=====
Repayment of accrued interest due on note payable to related party through issuance of Series A Preferred Stock	\$ 263,000	\$ -
	=====	=====

See accompanying notes to financial statements.

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

NOTES TO FINANCIAL STATEMENTS (Unaudited)

These condensed financial statements have been prepared by Gulfport Energy Corporation (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments, which are in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Company's most recent annual report on Form 10-K.

1. ACCOUNTS RECEIVABLE - RELATED PARTY

Included in the accompanying June 30, 2002 balance sheet are amounts receivable from entities that have similar controlling interests as those controlling the Company. These receivables represent amounts billed by the Company for general and administrative functions performed by Gulfport's personnel on behalf of the related party companies during 2001 and 2002. Gulfport has reduced its corresponding expenses for the three and six month periods ending June 30, 2002 by \$98,000 and \$213,000, respectively, billed to the companies for performance of these services.

2. PROPERTY AND EQUIPMENT

The major categories of property and equipment and related accumulated depreciation, depletion and amortization are as follows:

	June 30, 2002 -----	December 31, 2001 -----
Oil and gas properties	\$ 108,002,000	\$ 103,344,000
Office furniture and fixtures	1,508,000	1,499,000
Building	217,000	217,000
Land	260,000	260,000
	-----	-----
Total property and equipment	109,987,000	105,320,000
Accumulated depreciation, depletion, amortization and impairment reserve	(71,172,000)	(69,597,000)
	-----	-----
Property and equipment, net	\$ 38,815,000 =====	\$ 35,723,000 =====

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

3. OTHER ASSETS

Other assets consist of the following:

	June 30, 2002	December 31, 2001
Plugging and abandonment escrow account		
on the WCBB properties	\$ 2,390,000	\$ 2,272,000
CD's securing letter of credit	200,000	200,000
Deposits	111,000	111,000
	\$ 2,701,000	\$ 2,583,000
	=====	=====

4. LONG-TERM DEBT

The building loan of \$150,000 relates to a building in Lafayette, Louisiana, purchased in 1996 to be used as the Company's Louisiana headquarters. The building is 12,480 square feet with approximately 6,180 square feet of finished office area and 6,300 square feet of warehouse space. This building allows the Company to provide office space for Louisiana personnel, have access to meeting space close to the fields and to maintain a corporate presence in Louisiana.

A break down of long-term debt is as follows:

	June 30, 2002	December 31, 2001
Note payable	\$ 440,000	\$ 1,100,000
Building loan	150,000	163,000
	590,000	1,263,000
Less - current maturities of long term debt	(461,000)	(1,120,000)
Debt reflected as long term	\$ 129,000	\$ 143,000

5. NOTE PAYABLE - RELATED PARTY

On March 29, 2002, the outstanding balance of the Company's note payable due to Gulfport Funding, LLC ("Gulfport Funding") along with all related accumulated interest on the note, were retired through Gulfport Funding's participation in the Company's Private Placement Offering as described in Note 10.

6. REVOLVING LINE OF CREDIT

On June 20, 2002, the Company entered into a line of credit with Bank of

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

Oklahoma. Under the terms of the new agreement, the Company was extended a commitment to borrow up to \$2,300,000. Amounts borrowed under the line bear interest at Chase Manhattan Prime plus 1%, with payments of interest on outstanding balances due monthly beginning August 1, 2002. Any principal amounts borrowed under the line will be due on July 1, 2003.

9

GULFPORT ENERGY CORPORATION NOTES TO FINANCIAL STATEMENTS, CONTINUED (Unaudited)

7. CASTEX BACK-IN

Gulfport sold its interest in the Bayou Penchant, Bayou Pigeon, Deer Island and Golden Meadow fields to Castex Energy 1996 Limited Partnership effective April 1, 1998 subject to a 25% reversionary interest in the partnership after Castex had received 100% of the initial investment. Castex informed Gulfport that the investment had paid out effective September 1, 2001. In lieu of a 25% interest in the partnership, Gulfport elected to take a proportionately reduced 25% working interest in the properties. During March, 2002 the Company received approximately \$220,000 from Castex which the Company believes consists of sales income for the period after payout net of operating expenses, although the Company has not received confirmation of such. As a result, this amount received has been included in the accompanying statement of income for the six months ended June 30, 2002 as "Other Income".

8. EARNINGS PER SHARE

A reconciliation of the components of basic and diluted net income per common share is presented in the table below:

	For the Three Months Ended June 30,					
	2002			2001		
	Income	Shares	Per Share	Income	Shares	Per Share

Basic						
Income attributable to						
common stock	\$ 132,000	10,146,566	\$ 0.01	\$2,367,000	10,145,900	\$ 0.23
			=====			=====
Effect of dilutive securities:						
Stock options		273,741		-	368,526	

Diluted:						
Income attributable to common stock, after assumed dilutions	\$ 132,000	10,420,307	\$ 0.01	\$2,367,000	10,514,426	\$ 0.23
			=====			=====

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

For the Six Months Ended June 30,						
2002			2001			
	Income	Shares	Per Share	Income	Shares	Per Share
Basic						
Income attributable to						
common stock	\$ 142,000	10,146,566	\$ 0.01	\$2,632,000	10,145,651	\$ 0.26
Effect of dilutive securities:						
Stock options		291,793		-	350,026	
Diluted:						
Income attributable to common stock, after assumed dilutions	\$ 142,000	10,438,359	\$ 0.01	\$2,632,000	10,495,677	\$ 0.25

Common stock equivalents not included in the calculation of diluted earnings per share above consists of 1,163,195 warrants issued at the time of the Company's reorganization. By their terms, these warrants expire in July 2002. Also not included in the calculation of 2002 diluted earnings per share are 108,625

10

GULFPORT ENERGY CORPORATION
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 (Unaudited)

warrants issued in connection with the Company's revolving line of credit with Gulfport Funding, which was retired during March 2002, and 2,322,893 warrants issued in connection with the Company's Private Placement Offering as discussed in Note 10. These potential common shares were not considered in the calculation due to their anti-dilutive effect during the periods presented.

9. COMMITMENTS

Plugging and Abandonment Funds

In connection with the acquisition of the remaining 50% interest in the WCBB properties, the Company assumed the obligation to contribute approximately \$18,000 per month through March, 2004, to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. Texaco retained a security interest in production from these properties until abandonment obligations to Texaco have been fulfilled. Once the plugging and abandonment trust is fully funded, the Company can access it for use in plugging and abandonment charges associated with the property. As of June 30, 2002, the plugging and abandonment trust totaled \$2,390,000, including interest received during 2002 of approximately \$15,000.

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

During March 2002, Gulfport began to fulfill its yearly plugging commitment of 20 wells at WCBB for the twelve-month period ending March 31, 2002. As of the date of this filing, the plugging had been completed.

During July 2002, the Company commenced its plugging commitment program for the twelve-month period ending March 31, 2003. As of the date of this filing, the plugging had been substantially completed.

10. PRIVATE PLACEMENT OFFERING

In March 2002, the Company commenced a Private Placement Offering of \$10 million dollars consisting of 10,000 Units. Each Unit consists of (i) one (1) share of Cumulative Preferred Stock, Series A, of the Company (Preferred) and (ii) a warrant to purchase up to 250 shares of common stock, par value \$0.01 per share. Dividends accrue on the Preferred prior to the Mandatory Redemption Date at the rate of 12% per annum payable quarterly in cash or, at the option of the Company for a period not to exceed two (2) years from the Closing Date, payable in whole or in part in additional shares of the Preferred based on the Liquidation Preference of the Preferred at the rate of 15% per annum. No other dividends shall be declared or shall accrue on the Preferred. To the extent funds are legally available, the Company is obligated to declare and pay the dividends on the Preferred. The Warrants have a term of ten (10) years and an exercise price of \$4.00. The Company is required to redeem the Preferred on the fifth anniversary of the first issuance and the Company may at its sole option, choose to redeem the Preferred at any time before the expiration of the five years. Accordingly, the Preferred issued in connection with this Offering is treated as redeemable stock in the accompanying balance sheet.

Two-thirds of the Preferred Stockholders can affect any Company action, which would effect their preference position. The Preferred cannot be sold or transferred by its holders and the Company must use its best efforts to register with the Securities and Exchange Commission ("SEC") the common stock issued in connection with the exercise of the Warrants or, if possible, piggyback the issued common stock if the Company participates in a public offering with the SEC.

11

GULFPORT ENERGY CORPORATION NOTES TO FINANCIAL STATEMENTS, CONTINUED (Unaudited)

The Offering was made available to stockholders (some of whom were affiliates) of the Company as of December 31, 2001 who were known to be accredited investors by the Company. Purchasers were able to participate up to their pro rata share of ownership in the Company as of December 31, 2001. The Offering's initial closing began March 29, 2002 and continued until April 15, 2002, with a total subscription of \$9,292,000 or 9,291.85 units. Mike Liddell, the Company's Chief Executive Officer, shall have the option until September 30, 2002 to subscribe for his proportionate share of the Offering.

On March 29, 2002, Gulfport Funding, LLC, participated in the Offering through a conversion of its \$3.0 million dollar loan along with the accumulated interest due from the Company for 3,262.98 Units. Additionally, on March 29, 2002 entities controlled by the majority shareholder initially funded a share of the Preferred Offering in the amount of \$2,738,000.

11. DIVIDENDS ON SERIES A PREFERRED STOCK

As discussed in Note 10, the Company may, at its option, accrue additional shares of Preferred for the payment of dividends at a rate of 15% per annum

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

rather than accrue cash dividends payable at a rate of 12% per annum during the initial two years following the closing date of its Offering. The Company has chosen to do so for the six months ended June 30, 2002 and has therefore accrued 353.29 additional shares payable as of that date related to the Preferred Stock Series A shares issued and outstanding during that time period. These dividends payable were calculated based upon the \$1,000 per share redemptive value and are reflected as "Series A preferred stock dividends to be distributed" in the accompanying balance sheet.

12. RECLASSIFICATIONS

Certain reclassifications have been made to the 2001 financial statements presentation in order to conform to the 2002 financial statements presentation.

13. SUBSEQUENT EVENTS

On August 8, 2002, the Company executed a 60-month lease on 12,035 square feet of office space to commence on or around November 1, 2002. Payments due under the lease during its term are as follows:

For the 12 months ended June 30:	

2003	\$ 144,000
2004	217,000
2005	217,000
2006	217,000
2007	217,000
2008	71,000

Total	\$1,083,000
	=====

12

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that Gulfport Energy Corporation ("Gulfport" or the "Company"), a Delaware corporation, expects or anticipates will or may occur in the future, including such things as estimated future net revenues from oil and gas reserves and the present value thereof, future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strengths, goals, expansion and growth of the Company's business and operations, plans, references to future success, references to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with the Company's expectations and predictions is subject to a number of risks and uncertainties; general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by the Company; competitive actions by other oil and gas companies; changes in laws or regulations; and other factors, many of which are beyond the control of the Company. Consequently, all of the forward-looking statements made in this Form 10-Q are qualified by these cautionary statements and there can be no assurance that the actual results or developments anticipated by the Company will be realized, or even if realized, that they will have the expected consequences to or effects on the Company or its business or operations.

The following discussion is intended to assist in an understanding of the Company's financial position as of June 30, 2002 and its results of operations for the three and six-month periods ended June 30, 2002 and 2001. The Financial Statements and Notes included in this report contain additional information and should be referred to in conjunction with this discussion. It is presumed that the readers have read or have access to Gulfport Energy Corporation's 2001 annual report on Form 10-K.

Overview

Gulfport is an independent oil and gas exploration and production company with properties located in the Louisiana Gulf Coast. Gulfport has a market enterprise value (the Company's diluted shares multiplied by the trading price plus long-term debt less cash and short-term investments on a given day) of approximately \$25.5 million dollars on August 12, 2002 and generated EBITDA (earnings before interest, taxes and depletion, depreciation and amortization) of \$1.3 million and \$3.0 million dollars for the six months ended June 30, 2002 and 2001, respectively.

As of January 1, 2002, the Company had in excess of 28.9 MMBOE proved reserves with a present value (discounted at 10%) of estimated future net reserves of \$130 million dollars and a standardized measure of discounted future net cash flows of \$128.9 million dollars.

13

Gulfport is actively pursuing further development of its properties in order to fully exploit its reserves. The Company has a portfolio of developmental projects for the next several years. Gulfport's developmental program is designed to penetrate several producing horizons increasing the probability of success.

Additionally, Gulfport owns 3-D seismic data which will be used by the Company's geophysicists and geologists to identify exploratory prospects and test undrilled fault blocks in its existing fields.

The Company's operations are concentrated in two fields: West Cote Blanche Bay and the Hackberry Fields. In addition, during the first quarter of 2002, the Company backed in to a working interest in the Bayou Penchant, Bayou Pigeon, Deer Island and Golden Meadow fields operated by Castex Energy.

West Cote Blanche Bay

Background

West Cote Blanche Bay ("WCBB") Field lies approximately five miles off the coast of Louisiana primarily in St. Mary's Parish in a shallow bay, with water depths averaging eight to ten feet. WCBB overlies one of the largest salt dome

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

structures in the Gulf Coast. There are over 100 distinct sandstone reservoirs throughout most of the field and nearly 200 major and minor discrete intervals have been tested. Within almost 900 wellbores that have been drilled to date in the field, over 4,000 potential zones have been penetrated. The sands are highly porous and permeable reservoirs primarily with a strong water drive.

As of June 30, 2002, there have been 877 wells drilled at WCBB, and of these; 38 are currently producing, 299 are shut-in and 5 are utilized as salt water disposal wells. The balance of the wells (or 535) have been plugged and abandoned.

Activity for the Six Months Ended June 30, 2002

During the first quarter of 2002, Gulfport performed two re-completions and one workover at the West Cote Blanche Bay Field. Some of this work commenced during the fourth quarter of 2001.

In March 2002, Gulfport began work on the yearly 20 well plugging commitment at West Cote Blanche Bay. As of the date of this filing, the plugging had been completed.

During July 2002, the Company commenced its plugging commitment program for the twelve-month period ending March 31, 2003. As of the date of this filing, the plugging had been substantially completed.

Gulfport began a seven well drilling program in April and finished it in July of 2002. The Company completed and is currently producing five wells drilled during the program. Four of the five wells that are currently producing are directional wells that were steered by downhole motors so as to encounter multiple hydrocarbon targets at the best structural position possible. The four directional wells drilled during this program encountered a total of 328 feet of net pay with a combined initial production rate of 460 barrels of oil, 548 mcf of gas and 233 barrels of water per day. The other well in this program was a horizontal well designed to test the theory that a lateral well in the West Cote

14

Blanche Bay Field could be drilled and completed in loosely consolidated sands at shallow depths (2,500'). Most vertical wells drilled in the field to similar depths experience early water encroachment that causes diminished oil production rates and recoveries. The Company utilized advanced drilling and completion equipment and techniques to bring this well on line. The horizontal well was drilled approximately 375 feet horizontally in the top of the target zone to allow the well to produce oil at a higher rate while minimizing water production. This well had initial production of 124 barrels of oil per day, 19 mcf of gas and no water production. The Company feels there are other portions of the field that are suitable for horizontal well development. Gulfport drilled two non-productive wells in the most recent drilling program. One of these wells was a shallow exploratory well drilled near the lease boundary, while the other well encountered the target zones but the zones were deemed to be too thin to justify completion.

During June 2002, Gulfport's net current daily production in this field averaged 1,056 barrels of oil equivalent.

Hackberry Fields

Background

The Hackberry fields are located along the shore of Lake Calcasieu in Cameron Parish, Louisiana. The Hackberry Field is a major salt intrusive feature, elliptical in shape with East Hackberry on the east end of the ridge

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

with West Hackberry located on the western end of the ridge. There are over 30 pay zones in this field. The salt intrusion formed a series of structurally complex and steeply dipping fault blocks in the Lower Miocene and Oligocene age rocks. These fault blocks serve as traps for hydrocarbon accumulation. The Camerina Sand series, of Oligocene age has had historical cumulative production of up to 1-2 MMBOE per well. West Hackberry consists of a series of fault-bounded traps in the Oligocene-age Vincent and Keough sands associated with the Hackberry Salt Ridge.

The East Hackberry field was discovered in 1926 by Gulf Oil Company (now Chevron Corporation) by a gravitational anomaly survey. The massive shallow salt stock presented an easily recognizable gravity anomaly indicating a productive field. Initial production began in 1927 and has continued to the present. The estimated cumulative oil and condensate production through 1999 was 111 million barrels of oil with casinghead gas production being 60 billion cubic feet of gas. There have been a total of 170 wells drilled on Gulfport's portion of the field with 17 having current daily production; 3 produce intermittently; 69 wells are shut-in and 4 wells have been converted to salt water disposal wells. The remaining 77 wells have been plugged and abandoned.

At West Hackberry, the first discovery well was drilled in 1938 and was developed by Superior Oil Company (now Exxon-Mobil Corporation) between 1938 and 1988. The estimated cumulative oil and condensate production through 2000 was 170 million barrels of oil with casinghead gas production of 120 billion cubic feet of gas. There have been 36 wells drilled to date on Gulfport's portion of West Hackberry and currently 3 are producing, 24 are shut-in and 1 well has been converted to a saltwater disposal well. The remaining 8 wells have been plugged and abandoned.

Gulfport's continued plan of development includes the testing of additional wells that are currently inactive, mostly in the southern portion of State Lease

15

50, which will also entail dredging. These additional tests should allow the Company to restore more wells to productive status in the near future.

Activity for the Six Months Ended June 30, 2002

During the first quarter of 2002, Gulfport worked over one salt-water disposal well at the East Hackberry Field. The Company also commenced a four well plugging program on the State Lease 50 portion of East Hackberry and completed the work in the second quarter.

During the fourth quarter of 2002, Gulfport plans to drill a new saltwater disposal well at State Lease 50. The Company also plans to workover four wells on the M. P. Erwin portion of East Hackberry and recomplete one well at State Lease 50.

During June 2002, total net production per day for both Hackberry fields averaged 269 barrels of oil equivalent.

Castex Back-In

Gulfport sold its interest in the Bayou Penchant, Bayou Pigeon, Deer Island and Golden Meadow fields to Castex Energy 1996 Limited Partnership effective April 1, 1998 subject to a 25% reversionary interest in the partnership after Castex had received 100% of the initial investment. Castex informed Gulfport that the investment had paid out effective September 1, 2001. In lieu of a 25% interest in the partnership, Gulfport elected to take a proportionately reduced 25% working interest in the properties. During March, 2002 the Company received approximately \$220,000 from Castex which the Company believes consists of sales

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

income for the period after payout net of operating expenses, although the Company has not received confirmation of such. As a result, this amount received has been included in the accompanying statement of income for the six months ended June 30, 2002 as "Other Income".

16

The following financial table recaps the Company's operating activity for the three and six-month periods ended June 30, 2002 as compared to the same periods in 2001.

FINANCIAL DATA (unaudited):

	Three Month Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Revenues:				
Gas sales	\$ 127,000	\$ 32,000	\$ 188,000	\$ 166,000
Oil and condensate sales	3,126,000	4,909,000	5,597,000	8,176,000
Other income, net	22,000	46,000	266,000	148,000
	3,275,000	4,987,000	6,051,000	8,490,000
Expenses:				
Lease operating expenses	1,136,000	978,000	2,390,000	2,571,000
Production taxes	366,000	567,000	647,000	944,000
General and administrative	472,000	403,000	825,000	860,000
	1,974,000	1,948,000	3,862,000	4,375,000
EBITDA (1)	1,301,000	3,039,000	2,189,000	4,115,000
Depreciation, depletion and amortization	803,000	1,082,000	1,588,000	1,796,000

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

Income before interest and taxes	498,000	1,957,000	601,000	2,319,000
Gain on settlement of disputed items	-	482,000	-	482,000
Interest expense	(13,000)	(72,000)	(106,000)	(169,000)
	-----	-----	-----	-----
Income before taxes	485,000	2,367,000	495,000	2,632,000
Income tax expense (benefit):				
Current	193,000	947,000	198,000	1,053,000
Deferred	(193,000)	(947,000)	(198,000)	(1,053,000)
	-----	-----	-----	-----
Net income	\$ 485,000	\$ 2,367,000	\$ 495,000	\$ 2,632,000
Less: Preferred stock dividends	(353,000)	-	(353,000)	-
	-----	-----	-----	-----
Net income available to common shareholders	\$ 132,000	\$ 2,367,000	\$ 142,000	\$ 2,632,000
	=====	=====	=====	=====
Per common share data:				
Net income	\$ 0.01	\$ 0.23	\$ 0.01	\$ 0.26
	=====	=====	=====	=====
Weighted average common shares	10,146,566	10,145,900	10,146,566	10,145,651
	=====	=====	=====	=====

- (1) EBITDA is defined as earnings before interest, taxes, depreciation, depletion and amortization. EBITDA is an analytical measure frequently used by securities analysts and is presented to provide additional information about the Company's ability to meet its future debt service, capital expenditure and working capital requirements. EBITDA should not be considered as a better measure of liquidity than cash flow from operations.

17

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2002 and 2001

During the three months ended June 30, 2002, the Company reported net income of \$.5 million, a decrease from net income of \$2.4 million for the corresponding period in 2001. This decrease is primarily due to the following factors:

Oil and Gas Revenues. For the three months ended June 30, 2002, the Company reported oil and gas revenues of \$3.3 million, a decrease from \$4.9 million for the comparable period in 2001. This decrease was due principally to a decrease in oil production from 177 mbbbls to 122 mbbbls for the three months ended June 30, 2001 and 2002, respectively. This decrease in production was primarily a result of expected decline rates from the initial targeted zones of

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

wells drilled last year and from decline rates of the older existing producing wells. In addition, there was a decrease in total revenues due to lower oil prices for the three months ended June 30, 2002 as compared to the same period in 2001.

The following table summarizes the Company's oil and gas production and related pricing for the three months ended June 30, 2002 and 2001:

	Three Months Ended June 30,	
	2002	2001
Oil production volumes (Mbbbls)	122	177
Gas production volumes (Mmcf)	28	12
Average oil price (per Bbl)	\$25.67	\$27.68
Average gas price (per Mcf)	\$ 4.48	\$ 2.72

Operating Expenses. Lease operating expenses increased \$.2 million from \$1.0 million for the three months ended June 30, 2001 to \$1.1 million for the comparable period in 2002. This increase was due primarily to slight increases in field supervision and other miscellaneous expenses as a result of the new wells drilled and completed during 2001. These increases were partially offset by decreases in gas lift costs for the three months ended June 30, 2002 as compared to the same period in 2001. This decrease in gas lift costs was a result of lower volumes used and lower prices paid for gas used for gas lift during 2002 as compared to the same period in 2001.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization decreased \$.3 million from \$1.1 million for the three months ended June 30, 2001 to \$.8 million for the comparable period in 2002. This decrease was attributable primarily to an decrease in production to 127 MBOEs for the three months ended June 30, 2002 as compared to 179 MBOEs for the same period in 2001.

General and Administrative Expenses. General and administrative expenses increased slightly from \$.4 million for the three months ended June 30, 2001 to \$.47 million for the comparable period in 2002. This increase is due mainly to legal expenses incurred for the preferred rights offering completed during April 2002. Overall increases in the Company's salaries and benefits were offset by general and administrative expense reimbursement of \$.1 million by entities that have similar controlling interests as those controlling the Company.

18

Interest Expense. Interest expense decreased from \$.07 million for the three months ended June 30, 2001 to \$.01 million for the comparable period in 2002. This decrease was primarily the result of the payoff of the loan from a related party. See Note 5 to Financial Statements. In addition, at June 30, 2002, the Company had reduced the outstanding balance on its existing credit facility with Bank of Oklahoma from \$1.65 million at June 30, 2001, to \$.44 million on June 30, 2002.

Income Taxes. As of December 31, 2001, the Company had a net operating loss carryforward of approximately \$83 million, in addition to numerous timing differences which gave rise to a deferred tax asset of approximately \$47 million, which was fully reserved by a valuation allowance at that date. Utilization of net operating loss carryforwards and other timing differences will be recognized as a reduction in income tax expense in the year utilized. A

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

current tax provision of \$193,000 was provided for the three-month period ended June 30, 2002, which was fully offset by an equal income tax benefit due to operating loss carryforwards.

Comparison of the Six Months Ended June 30, 2002 and 2001

During the six months ended June 30, 2002, the Company reported net income of \$.5 million, a decrease from net income of \$2.6 million for the corresponding period in 2001. This decrease is primarily due to the following factors:

Oil and Gas Revenues. For the six months ended June 30, 2002, the Company reported oil and gas revenues of \$5.8 million, a decrease from \$8.3 million for the comparable period in 2001. This decrease was due to a decrease in oil production from 291 mbbls to 244 mbbls for the six months ended June 30, 2001 and 2002, respectively. This decrease in production was primarily a result of expected decline rates from the initial targeted zones of wells drilled last year and from decline rates of the older existing producing wells. In addition, there was a decrease in total revenues due to lower product prices from \$28.27 per MBOE to \$22.86 per MBOE for the six months ended June 30, 2001 and 2002 respectively

The following table summarizes the Company's oil and gas production and related pricing for the six months ended June 30, 2002 and 2001:

	Six Months Ended June 30,	
	2002	2001
	----	----
Oil production volumes (Mbbls)	244	291
Gas production volumes (Mmcf)	57	25
Average oil price (per bl)	\$22.90	\$28.13
Average gas price (per Mcf)	\$ 3.30	\$ 6.77

Operating Expenses. Lease operating expenses decreased \$.2 million from \$2.6 million for the six months ended June 30, 2001 to \$2.4 million for the comparable period in 2002. These decreases were primarily attributable to decreases in gas lift costs for the six months ended June 30, 2002 as compared to the same period in 2001. This decrease in gas lift costs was a result of lower volumes used and lower prices paid for gas used for gas lift during 2002 as compared to the same period in 2001. These decreases were partially offset by slight increases in field supervision and other miscellaneous expenses as a result of the new wells drilled and completed during 2001.

19

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization decreased \$.2 million from \$1.8 million for the six months ended June 30, 2001 to \$1.6 million for the comparable period in 2002. This decrease was attributable primarily to a decrease in production to 254 MBOEs for the six months ended June 30, 2002 as compared to 295 MBOEs for the same period in 2001.

General and Administrative Expenses. General and administrative expenses decreased slightly from \$.86 million for the six months ended June 30, 2001 to \$.83 million for the comparable period in 2002. Overall increases in the Company's salaries and benefits were almost entirely offset by general and administrative expense reimbursement of \$.2 million by entities that have similar controlling interests as those controlling the Company.

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

Interest Expense. Interest expense decreased from \$.17 million for the six months ended June 30, 2001 to \$.1 million for the comparable period in 2002. This decrease was primarily the result of the payoff of the loan from a related party. See Note 5 to Financial Statements. In addition, at June 30, 2002, the Company had reduced its outstanding balance on its existing line of credit.

Income Taxes. As of December 31, 2001, the Company had a net operating loss carryforward of approximately \$83 million, in addition to numerous timing differences which gave rise to a deferred tax asset of approximately \$47 million, which was fully reserved by a valuation allowance at that date. Utilization of net operating loss carryforwards and other timing differences will be recognized as a reduction in income tax expense in the year utilized. A current tax provision of \$198,000 was provided for the six-month period ended June 30, 2002, which was fully offset by an equal income tax benefit due to operating loss carryforwards.

Capital Expenditures, Capital Resources and Liquidity

Net cash flow provided by operating activities for the six-month period ended June 30, 2002 was \$3.0 million, as compared to net cash flow provided of \$5.7 million for the comparable period in 2001. This decrease was primarily due to a decrease in the Company's net income related to a decline in oil and gas volumes produced and sold as well as a decline in oil prices.

Net cash used in investing activities during the six months ended June 30, 2002 was \$4.8 million as compared to \$10.8 million used during the same period of 2001. This decrease was a result of the Company's drilling program it initiated and completed in 2001. The 2002 drilling program was not completed at June 30, 2002, and the Company has not incurred all costs related to that program.

Net cash provided in financing activities for the six months ended June 30, 2002 was \$5.4 million as compared to net cash provided of \$3.6 million during the same period of 2001. The increase is primarily a result of the initial proceeds received as a result of the Private Placement Offering initiated in March 2002. See Note 10 to the Financial Statements.

20

Capital Expenditures. During the six months ended June 30, 2002, Gulfport invested \$4.7 million in oil and gas properties and other property and equipment as compared to \$10.6 million invested during the comparable period in 2001. Of the \$4.7 million spent on capital expenditures during the six months ended June 30, 2002, \$2.2 was spent on drilling activity and \$1.9 was spent on capitalized recompletions, workovers and plugging and abandonment costs.

During the six month period ended June 30, 2002, Gulfport financed its capital expenditure payment requirements with cash flows provided by operations, borrowings under the Company's credit facilities and proceeds from the Private Placement Offering completed in April 2002.

Gulfport's strategy is to continue to increase cash flows generated by its properties by undertaking new drilling, workover, sidetrack and recompletion projects in the fields to exploit its reserves. The Company has upgraded its infrastructure by enhancing its existing facilities to increase operating efficiencies, increase volume capacities and lower lease operating expenses. Additionally, Gulfport completed the reprocessing of its 3-D seismic data in its principal property, West Cote Blanche Bay. The reprocessed data will enable the Company's geophysicists to generate new prospects and enhance existing prospects

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

in the intermediate zones in the field thus creating a portfolio of new drilling opportunities.

Capital Resources. On July 11, 1997 Gulfport entered into a \$15,000,000 credit facility with ING (U.S.) Capital Corporation ("ING"). During 1998 and 1999, there were two amendments to the facility and the maturity date was reset to September 30, 2000. On September 28, 2000, the Company repaid in full its credit facility at ING and established a new credit facility at Bank of Oklahoma ("BOK"). Gulfport was advanced \$1.6 million on this new facility, which called for interest payments to be made monthly in addition to twelve monthly principal payments of \$100,000, with the remaining unpaid balance due on August 31, 2001. On March 22, 2001, Gulfport executed a new note with BOK increasing the availability to \$1,760,000, increasing the monthly payments slightly to \$110,000 beginning July 1, 2001 and extending the maturity date to October 1, 2002. This new note replaces the original BOK note dated September 28, 2000. In April 2001, the Company borrowed the amount remaining and available on its BOK credit facility. The outstanding balance under this credit facility was \$.44 million at June 30, 2002.

On May 22, 2001, the Company entered in to a revolving line of credit agreement with Gulfport Funding, LLC, ("Gulfport Funding") which has ownership in common with the Company. Under the terms of the agreement, the Company may borrow up to \$3,000,000, with borrowed amounts bearing interest at Bank of America Prime Rate plus four percent. All outstanding principal amounts along with accrued interest were due on February 22, 2002. At March 29, 2002, the Company had borrowed the \$3,000,000 available under this line. As a result of the Private Placement Offering initiated in March 2002, this debt along with its accumulated interest was retired in exchange for shares of preferred stock and related detachable warrants.

On June 20, 2002, the Company entered into a new line of credit with BOK. Under the terms of the new agreement, the Company was extended a commitment to borrow up to \$2,300,000. Amounts borrowed under the line bear interest at Chase Manhattan Prime plus one percent, with payments of interest on outstanding balances due monthly beginning August 1, 2002. Any principal amounts borrowed under the line will be due on July 1, 2003.

21

In March 2002, the Company commenced a Private Placement Offering of \$10 million dollars consisting of 10,000 Units. Each Unit consists of (i) one (1) share of Cumulative Preferred Stock, Series A, of the Company (Preferred) and (ii) a warrant to purchase up to 250 shares of common stock, par value \$0.01 per share. Dividends accrue on the Preferred prior to the Mandatory Redemption Date at the rate of 12% per annum payable quarterly in cash or, at the option of the Company for a period not to exceed two (2) years from the Closing Date, payable in whole or in part in additional shares of the Preferred based on the Liquidation Preference of the Preferred at the rate of 15% per annum. No other dividends shall be declared or shall accrue on the Preferred. To the extent funds are legally available, the Company is obligated to declare and pay the dividends on the Preferred. The Warrants have a term of ten (10) years and an exercise price of \$4.00. The Company is required to redeem the Preferred on the fifth anniversary of the first issuance and the Company may at its sole option, choose to redeem the Preferred at any time before the expiration of the five years. Accordingly, the Preferred issued in connection with this Offering is treated as redeemable stock in the accompanying balance sheet.

Two-thirds of the Preferred Stockholders can affect any Company action, which would effect their preference position. The Preferred cannot be sold or transferred by its holders and the Company must use its best efforts to register with the Securities and Exchange Commission ("SEC") the common stock issued in connection with the exercise of the Warrants or, if possible, piggyback the

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

issued common stock if the Company participates in a public offering with the SEC.

The Offering was made available to stockholders (some of whom were affiliates) of the Company as of December 31, 2001 and who were known to be accredited investors by the Company. Purchasers were able to participate up to their pro rata share of ownership in the Company as of December 31, 2001. The Offering's initial closing began March 29, 2002 and continued until April 15, 2002, with a total subscription of \$9,292,000 or 9,291.85 units. Mike Liddell, the Company's Chief Executive Officer, shall have until September 30, 2002 to subscribe for his proportionate share of the Offering.

On March 29, 2002, Gulfport Funding, LLC, participated in the Offering through a conversion of its \$3.0 million dollar loan along with the accumulated interest due from the Company for 3,262.98 Units. Additionally, on March 29, 2002 entities controlled by the majority shareholder initially funded a share of the Preferred Offering in the amount of \$2,738,000.

Liquidity. The primary capital commitments faced by the Company are the capital requirements needed to continue developing the Company's proved reserves and to continue meeting the required principal payments on its Credit Facilities.

In Gulfport's January 1, 2002 reserve report, 85% of Gulfport's net reserves were categorized as proved undeveloped. The proved reserves of Gulfport will generally decline as reserves are depleted, except to the extent that Gulfport conducts successful exploration or development activities or acquires properties containing proved developed reserves, or both.

To realize reserves and increase production, the Company must continue its exploratory drilling, undertake other replacement activities or utilize third parties to accomplish those activities. In the year 2002, Gulfport expects to undertake an intermediate drilling program. It is anticipated that these

22

reserve development projects will be funded either through the use of cash flow from operations when available, funds received through its Preferred Stock Offering, interim bank financing or related third party financing, a long-term credit facility or by accessing the capital markets. The cash flow generated from these new projects will be used to make the Company's required principal payments on its debt with the remainder reinvested in the field to complete more capital projects.

COMMITMENTS

Plugging and Abandonment Funds

In connection with the acquisition of the remaining 50% interest in the WCBB properties, the Company assumed the obligation to contribute approximately \$18,000 per month through March 2004 to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. Texaco retained a security interest in production from these properties and the plugging and abandonment trust until such time the Company's obligations to Texaco have been fulfilled. Once the plugging and abandonment trust is fully funded, the Company can access it for use in plugging and abandonment charges associated with the property. As of June 30, 2002, the plugging and abandonment trust totaled \$2,390,000. These funds are invested in a U.S. Treasury Money Market.

During March 2002, Gulfport began to fulfill its yearly plugging commitment of 20 wells at WCBB for the twelve-month period ending March 31, 2002. As of this date of this filing, the plugging had been completed.

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

During July 2002, the Company commenced its plugging commitment program for the twelve-month period ending March 31, 2003. As of the date of this filing, the plugging had been substantially completed.

In addition, the Company has letters of credit totaling \$200,000 secured by certificates of deposit being held for plugging costs in the East Hackberry field. Once specific wells are plugged and abandoned the \$200,000 will be returned to the Company.

SUBSEQUENT EVENTS

On August 8, 2002, the Company executed a 60-month lease on 12,035 square feet of office space to commence on or around November 1, 2002. Monthly payments under the lease are approximately \$18,000.

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Gulfport has been named as a defendant in various lawsuits. The ultimate resolution of these matters is not expected to have a material adverse effect on the Company's financial condition or results of operations for the periods presented in the financial statements.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable

23

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On March 5, 2002, the holders of a majority of the outstanding shares of the Company's common stock executed a written consent electing five directors for the next year.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- 2.1 Form 8-K filed on March 8, 2002 between Registrant and Gulfport Funding, LLC.
- 10.1 Credit Agreement dated June 28, 2000 between Registrant and Bank of Oklahoma filed March 30, 2001 (1)
- 10.2 Stock Option Plan filed March 30, 2001 (1)
- 10.3 Credit Agreement dated February 1, 2001 between Registrant and Bank of Oklahoma (1)
- 10.4 Credit Agreement dated May 22, 2001 between Registrant and Gulfport Funding, LLC (1)
- 10.5 Warrant Agreement dated May 22, 2001 between Registrant and Gulfport Funding, LLC (1)

Edgar Filing: GULFPORT ENERGY CORP - Form 10-Q

- 10.6 Promissory Note dated May 22, 2001 between Registrant and Gulfport Funding, LLC (1)
- 10.7 Confidential Disclosure Statement Relating to Offer and Sale of Up to 10,000 Units dated March 29, 2002

(1) Previously filed as an exhibit to Form 10-K for the year ended December 31, 2001, and incorporated herein by reference.

24

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GULFPORT ENERGY CORPORATION

Date: August 14, 2002

/s/Mike Liddell

Mike Liddell
Chief Executive Officer

/s/Mike Moore

Mike Moore
Chief Financial Officer

