

SABINE OIL & GAS CORP
Form 10-Q
August 07, 2015
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2015
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: 01-13515

SABINE OIL & GAS CORPORATION

(Exact name of registrant as specified in its charter)

Edgar Filing: SABINE OIL & GAS CORP - Form 10-Q

New York 25-0484900
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1415 Louisiana Street, Suite 1600
Houston, Texas 77002
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (832) 242-9600

Securities registered pursuant to Section 12 (b) of the Act:
Title of class Name of each exchange on which registered
Common Stock, Par Value \$0.10 Per Share OTC Pink

Securities registered pursuant to Section 12 (g) of the Act: None

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 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 Act). Yes No

213,230,298 shares of our \$0.10 par value common stock were outstanding on August 5, 2015.

Table of Contents

EXPLANATORY NOTE

As discussed in “Item 1. Financial Statements” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below, on December 16, 2014, Sabine Oil & Gas LLC, a Delaware limited liability company (“Sabine O&G”), and Forest Oil Corporation, a New York corporation, completed the combination of their respective businesses through a series of transaction agreements (the “Combination”) whereby certain indirect equity holders of Sabine O&G contributed the equity interests in Sabine O&G to Forest Oil Corporation. In exchange for this contribution, the equity holders of Sabine O&G received shares of Sabine Oil & Gas Corporation (“Sabine”) common stock and Series A senior non-voting equity-equivalent preferred stock collectively representing approximately a 73.5% economic interest in Sabine and 40% of the total voting power in Sabine (the “Combination”). On December 19, 2014, Forest Oil Corporation changed its name to “Sabine Oil & Gas Corporation.” Because Sabine O&G was considered the accounting acquirer in the Combination under GAAP, Sabine O&G is also considered the accounting predecessor of Sabine Oil & Gas Corporation. Accordingly, the historical financial and operating data of Sabine Oil & Gas Corporation included in this Quarterly Report on Form 10-Q which cover periods prior to the completion of the Combination, reflect the assets, liabilities and operations of Sabine O&G, the predecessor to Sabine Oil & Gas Corporation, and do not reflect the assets, liabilities and operations of Sabine Oil & Gas Corporation (which was then known as “Forest Oil Corporation”) prior to the Combination. References in this Quarterly Report on Form 10-Q to “Sabine,” “the Company,” “we,” “us” and “our” refer (i) with respect to the period from and after December 16, 2014, to the group of entities within the consolidated group of Sabine Oil & Gas Corporation, and (ii) with respect to the period prior to December 16, 2014, to the group of entities within the consolidated group of Sabine O&G, the predecessor, unless, in each case, otherwise indicated or the context otherwise requires. References in this Quarterly Report on Form 10-Q to “Forest” refer to Sabine Oil & Gas Corporation prior to the Combination, when it was known as “Forest Oil Corporation.” For more information regarding Forest’s historical operating data, please see the Company’s prior Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q.

Table of Contents

Table of Contents

Part I-FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	5
	<u>Condensed Consolidated Balance Sheets at June 30, 2015 and December 31, 2014</u>	5
	<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2015 and 2014</u>	6
	<u>Condensed Consolidated Statement of Shareholders' Equity (Deficit) for the Six Months Ended June 30, 2015 and the Year Ended December 31, 2014</u>	7
	<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2015 and 2014</u>	8
	<u>Notes to Condensed Consolidated Financial Statements</u>	9
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	31
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	53
<u>Item 4.</u>	<u>Controls and Procedures</u>	55

Part II-OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	56
<u>Item 1A.</u>	<u>Risk Factors</u>	60
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	65
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	65
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	65
<u>Item 5.</u>	<u>Other Information</u>	65
<u>Item 6.</u>	<u>Exhibits</u>	66
	<u>Signatures</u>	67

Table of Contents

Certain Terms Used in this Quarterly Report on Form 10-Q

Unless the context otherwise requires, references in this Quarterly Report on Form 10-Q to the following terms have the meanings set forth below:

- “Bankruptcy Code” refers to title 11 of the United States Code.
- “Bankruptcy Court” refers to the United States Bankruptcy Court for the Southern District of New York.
- “Combination” refers to the consummation of a series of transactions whereby certain indirect equity holders of Sabine O&G contributed the equity interests in Sabine O&G to Sabine Oil & Gas Corporation (which was then known as “Forest Oil Corporation”). In exchange for this contribution, the equity holders of Sabine O&G received shares of Sabine common stock and Series A senior non-voting equity-equivalent preferred stock (“Sabine Series A preferred stock”) collectively representing approximately a 73.5% economic interest in Sabine and 40% of the total voting power in Sabine. The Combination was completed on December 16, 2014.
- “Chapter 11” refers to chapter 11 of the Bankruptcy Code.
- “Forest” refers to Sabine Oil & Gas Corporation, a New York corporation, prior to the Combination, which was then known as “Forest Oil Corporation.” Forest changed its name to “Sabine Oil & Gas Corporation” on December 19, 2014.
- “Sabine,” “we,” “us” or the “Company” refers (i) with respect to the period from and after December 16, 2014, the date of the Combination, to the group of entities within the consolidated group of Sabine Oil & Gas Corporation, a New York corporation and the entity which survived the Combination and (ii) with respect to the period prior to December 16, 2014, to the group of entities within the consolidated group of Sabine O&G.
- “Sabine Investor Holdings” refers to Sabine Investor Holdings LLC, a Delaware limited liability company, of which the common equity interests are owned by affiliates of First Reserve, certain members of the Company’s management and board of directors.
- “Sabine O&G” refers to Sabine Oil & Gas LLC, a Delaware limited liability company and the accounting predecessor of Sabine.
- “Sabine O&G Properties” refer to the oil and natural gas properties historically owned by Sabine O&G prior to the Combination.
- “Sabine Oil & Gas Corporation” refers to Sabine Oil & Gas Corporation, a New York corporation.

Table of Contents

Condensed Consolidated Financial Statements

Sabine Oil & Gas Corporation

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except per share amounts)

	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 270,138	\$ 3,252
Accounts receivable	58,511	108,110
Prepaid expenses and other current assets	22,032	13,092
Derivative instruments	82,299	160,217
Total current assets	432,980	284,671
Property, plant and equipment:		
Oil and natural gas properties (full cost method)		
Proved	4,393,131	4,214,260
Unproved	284,761	319,256
Gas gathering and processing equipment	15,958	14,315
Office furniture and fixtures	15,703	14,030
	4,709,553	4,561,861
Accumulated depletion, depreciation and amortization	(3,334,979)	(2,495,793)
Total property, plant and equipment, net	1,374,574	2,066,068
Other assets:		
Derivative instruments	1,716	—
Deferred financing costs, net	20,034	34,862
Deferred income taxes	118,688	117,662
Other long-term assets	6,808	6,665
Total other assets	147,246	159,189
Total assets	\$ 1,954,800	\$ 2,509,928
Liabilities and shareholders' deficit		
Current liabilities:		
Accounts payable – trade	\$ 44,441	\$ 83,282
Royalties payable	27,645	41,368
Accrued exploration and development	25,360	112,580
Accrued operating expenses and other	50,454	71,244
Accrued interest payable	68,405	30,946
Derivative instruments	2,342	4,645
Deferred income taxes	118,688	117,662

Edgar Filing: SABINE OIL & GAS CORP - Form 10-Q

Current maturities of long-term debt, net of discount	2,458,187	1,988,883
Other short-term liabilities	14,144	14,304
Total current liabilities	2,809,666	2,464,914
Long-term liabilities:		
Asset retirement obligation	39,955	39,382
Derivative instruments	189	2,269
Other long-term liabilities	64,715	67,155
Total long-term liabilities	104,859	108,806
Commitments and contingencies (Note 14)		
Shareholders' deficit:		
Preferred stock, \$0.01 par value, 10,000,000 authorized shares, 2,508,945 shares issued and outstanding at June 30, 2015 and December 31, 2014	25	25
Common stock, \$0.10 par value, 650,000,000 authorized shares; 200,490,676 and 200,975,778 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	20,048	20,096
Additional paid in capital	1,565,625	1,564,805
Accumulated deficit	(2,545,423)	(1,648,718)
Total shareholders' deficit	(959,725)	(63,792)
Total liabilities and shareholders' deficit	\$ 1,954,800	\$ 2,509,928

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

Table of Contents

Condensed Consolidated Financial Statements

Sabine Oil & Gas Corporation

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share amounts)

	For the Three Months		For the Six Months Ended	
	Ended June 30, 2015	2014	June 30, 2015	2014
Revenues				
Oil, natural gas liquids and natural gas	\$ 96,169	\$ 120,970	\$ 193,798	\$ 233,276
Other	1,265	448	1,661	859
Total revenues	97,434	121,418	195,459	234,135
Operating expenses				
Lease operating	22,652	12,083	47,006	23,454
Marketing, gathering, transportation and other	8,131	6,161	17,488	10,547
Production and ad valorem taxes	5,448	4,849	8,216	10,441
General and administrative	13,261	7,633	28,298	14,024
Depletion, depreciation and amortization	50,615	50,283	104,678	90,208
Accretion	481	223	955	439
Impairments	498,023	1,659	734,508	1,659
Other operating expenses	15,240	4,680	20,634	3,251
Total operating expenses	613,851	87,571	961,783	154,023
Other income (expenses)				
Interest expense, net of capitalized interest	(77,790)	(26,811)	(148,037)	(52,636)
Gain (loss) on derivative instruments	(18,468)	(16,915)	17,656	(39,041)
Total other expenses	(96,258)	(43,726)	(130,381)	(91,677)
Net loss before income taxes	(612,675)	(9,879)	(896,705)	(11,565)
Income tax expense	—	—	—	—
Net loss	\$ (612,675)	\$ (9,879)	\$ (896,705)	\$ (11,565)
Net loss per share:				
Basic	\$ (3.06)	\$ (0.08)	\$ (4.48)	\$ (0.10)
Diluted	\$ (3.06)	\$ (0.08)	\$ (4.48)	\$ (0.10)
Weighted average shares outstanding – basic	200,404	118,863	200,351	118,863
Weighted average shares outstanding – diluted	200,404	118,863	200,351	118,863

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

Table of Contents

Condensed Consolidated Financial Statements

Sabine Oil & Gas Corporation

Condensed Consolidated Statement of Shareholders' Equity (Deficit) (Unaudited)

(in thousands)

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Value	Shares	Value	Paid In Capital	Deficit	Shareholders' Equity (Deficit)
Balance as of December 31, 2013	—	\$ —	118,863	\$ 11,885	\$ 1,511,123	\$ (1,321,998)	\$ 201,010
Consideration transferred	—	—	79,242	7,924	32,489	—	40,413
Issuance of preferred stock	2,509	25	—	—	(25)	—	—
Restricted stock	—	—	2,871	287	(287)	—	—
Amortization of stock based compensation	—	—	—	—	1,041	—	1,041
Tax effect of transactions with entities under common control	—	—	—	—	20,464	—	20,464
Net loss	—	—	—	—	—	(326,720)	(326,720)
Balance as of December 31, 2014	2,509	\$ 25	200,976	\$ 20,096	\$ 1,564,805	\$ (1,648,718)	\$ (63,792)
Restricted stock granted and repurchased	—	—	(485)	(48)	(138)	—	(186)
Amortization of stock based compensation	—	—	—	—	958	—	958
Net loss	—	—	—	—	—	(896,705)	(896,705)
Balance as of June 30, 2015	2,509	\$ 25	200,491	\$ 20,048	\$ 1,565,625	\$ (2,545,423)	\$ (959,725)

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

7

Table of Contents

Condensed Consolidated Financial Statements

Sabine Oil & Gas Corporation

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	For the Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$ (896,705)	\$ (11,565)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depletion, depreciation and amortization	104,678	90,208
Impairments	734,508	1,659
Gain on sale of assets	—	(1,500)
Accretion expense	955	439
Non-cash interest expense	80,252	1,542
Amortization of deferred financing costs	15,393	6,466
Loss on derivative instruments	74,122	32,037
Amortization of option premiums	(2,303)	(7,955)
Amortization of prepaid expenses	3,182	1,805
Non-cash stock based compensation	958	—
Other, net	881	(54)
Working capital and other changes:		
(Increase) decrease in accounts receivable	56,697	(13,212)
Increase in other assets	(12,094)	(1,009)
Increase (decrease) in accounts payable, royalties payable and accrued liabilities	(71,232)	754
Net cash provided by operating activities	89,292	99,615
Cash flows from investing activities:		
Oil and natural gas property additions	(250,177)	(294,393)
Oil and natural gas property acquisitions	—	(36,772)
Gas processing equipment additions	(1,644)	(2,322)
Other asset additions	(1,673)	(1,769)
Cash received from sale of assets	6,398	10,369
Net cash used in investing activities	(247,096)	(324,887)
Cash flows from financing activities:		
Borrowings under senior secured revolving credit facility	425,987	250,000
Debt repayments for the senior secured revolving credit facility	—	(25,000)
Debt issuance costs	(1,110)	(146)
Shares repurchased	(187)	—
Net cash provided by financing activities	424,690	224,854
Net increase (decrease) in cash and cash equivalents	266,886	(418)

Edgar Filing: SABINE OIL & GAS CORP - Form 10-Q

Cash and cash equivalents, beginning of period	3,252	11,821
Cash and cash equivalents, end of period	\$ 270,138	\$ 11,403

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

Table of Contents

Sabine Oil & Gas Corporation

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Organization

Sabine Oil & Gas Corporation (“Sabine” or the “Company”) is an independent oil and natural gas company engaged in the acquisition, development, exploitation and exploration of oil and natural gas properties in North America. Sabine was incorporated in New York in 1924, as the successor to a company formed in 1916, and has been a publicly held company since 1969.

On December 16, 2014, pursuant to a series of transaction agreements, certain indirect equity holders (such indirect equity holders are referred to as the “Legacy Sabine Investors”) of Sabine Oil & Gas LLC (“Sabine O&G”) contributed the equity interests in Sabine O&G to Sabine (which was then known as “Forest Oil Corporation”). In exchange for this contribution, the Legacy Sabine Investors received shares of Sabine common stock and Sabine Series A preferred stock collectively representing approximately a 73.5% economic interest in Sabine and 40% of the total voting power in Sabine. Holders of Sabine common stock immediately prior to the closing of the Combination continued to hold their Sabine common stock following the closing, which immediately following the closing represented approximately a 26.5% economic interest in Sabine and 60% of the total voting power in Sabine.

On December 19, 2014, the Company filed a certificate of amendment with the New York Secretary of State to change its name from “Forest Oil Corporation” to “Sabine Oil & Gas Corporation.”

2. Chapter 11 Proceedings, Liquidity and Ability to Continue as a Going Concern
Voluntary Reorganization Under Chapter 11

On July 15, 2015, the Company and certain of its subsidiaries, including Giant Gas Gathering LLC, Sabine Bear Paw Basin LLC, Sabine East Texas Basin LLC, Sabine Mid-Continent Gathering LLC, Sabine Mid-Continent LLC, Sabine Oil & Gas Finance Corp., Sabine South Texas Gathering LLC, Sabine South Texas LLC and Sabine Williston Basin LLC (collectively, the “Filing Subsidiaries” and, together with the Company, the “Debtors”), filed voluntary petitions (the “Bankruptcy Petitions”) for reorganization under the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). The Debtors’ Chapter 11 cases (the “Chapter 11 Cases”) are being jointly administered under the case styled In re Sabine Oil & Gas Corporation, et al, No. 15-11835. The Debtors will continue to operate their businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. The Company will account for the bankruptcy in accordance with ASC 852, Reorganizations, in the quarterly period ended September 30, 2015.

By certain “first day” motions filed in the Chapter 11 Cases, the Company obtained Bankruptcy Court approval (on an interim basis) to, among other things and subject to the terms of the orders entered by the Bankruptcy Court pay employee wages, health benefits and certain other employee obligations, pay certain lienholders and forward funds to third parties, including royalty holders and other partners. A final hearing on the motions to satisfy the Company’s obligations to certain third parties and to forward funds held by the Company that belong to third parties will be held on August 10, 2015.

Subject to certain exceptions, under the Bankruptcy Code, the filing of the Bankruptcy Petitions automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against

the Debtors or their property to recover, collect or secure a claim arising prior to the date of the Bankruptcy Petitions. Accordingly, although the filing of the Bankruptcy Petitions triggered defaults on the Debtors' debt obligations, creditors are stayed from taking any actions against the Debtors as a result of such defaults, subject to certain limited exceptions permitted by the Bankruptcy Code. Absent an order of the Bankruptcy Court, substantially all of the Debtors' prepetition liabilities are subject to settlement under the Bankruptcy Code.

Table of Contents

For the duration of the Company's Chapter 11 proceedings, the Company's operations and ability to develop and execute its business plan are subject to the risks and uncertainties associated with the Chapter 11 process as described in Item 1A, "Risk Factors." As a result of these risks and uncertainties, the number of the Company's outstanding shares and shareholders, assets, liabilities, officers and/or directors could be significantly different following the outcome of the Chapter 11 proceedings, and the description of the Company's operations, properties and capital plans included in this quarterly report may not accurately reflect its operations, properties and capital plans following the Chapter 11 process.

In particular, subject to certain exceptions, under the Bankruptcy Code, the Debtors may assume, assign, or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a pre-petition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors of performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases may assert unsecured claims in the Bankruptcy Court against the applicable Debtors' estate for such damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with the Debtor in this Quarterly Report, including where applicable a quantification of the Company's obligations under any such executory contract or unexpired lease with the Debtor is qualified by any overriding rejection rights the Company has under the Bankruptcy Code. Further, nothing herein is or shall be deemed an admission with respect to any claim amounts or calculations arising from the rejection of any executory contract or unexpired lease and the Debtors expressly preserve all of their rights with respect thereto.

There can be no assurances regarding the Company's ability to successfully develop, confirm and consummate one or more plans of reorganization or other alternative restructuring transactions, including a sale of all or substantially all of its assets that satisfies the conditions of the Bankruptcy Code and is authorized by the Bankruptcy Court.

Liquidity and Ability to Continue as a Going Concern

The Company's filing of the Bankruptcy Petitions described above accelerated the Company's obligations under the New Revolving Credit Facility, the Term Loan Facility, the 2017 Notes and the Legacy Forest Notes. The Company has classified all debt as current at June 30, 2015. If the Company cannot continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities and the reported income and expenses could be required and could be material. For additional description of the defaults present under the Company's debt obligations, please see Note 8 herein.

On February 25, 2015, the Company borrowed approximately \$356 million under its New Revolving Credit Facility which represented the remaining undrawn amount under the New Revolving Credit Facility. As of June 30, 2015, the Company did not have credit extensions available under the New Revolving Credit Facility due to the going concern and certain other defaults described below. As of June 30, 2015, the total outstanding principal amount of the Company's debt obligations was \$2.821 billion, consisting of approximately \$971 million of borrowings under the New Revolving Credit Facility, \$350 million of the 2017 Notes, \$800 million of the Legacy Forest Notes, and a \$700 million Term Loan Facility. In addition, as of June 30, 2015, the Company had approximately \$27 million of outstanding letters of credit under the New Revolving Credit Facility. Additionally, the Company's cash balance at June 30, 2015 was approximately \$270.1 million. For additional detail on each of the debt obligations, including definitions of the terms "New Revolving Credit Facility," "2017 Notes," "Legacy Forest Notes" and "Term Loan Facility," please see Note 8 herein.

The Company's filing of the Bankruptcy Petitions described in Note 2 herein constitutes an event of default that accelerated the Company's obligations under the New Revolving Credit Facility. Additionally other events of default, including cross-defaults, are present due to the failure to make interest payments, the failure to make the borrowing base deficiency payments, the "going concern" qualification in the Company's 2014 audited financial statements and other matters. For additional detail regarding the Company's other defaults under its debt obligations, please see Note 8 herein.

The condensed consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and

Table of Contents

satisfaction of liabilities and commitments in the normal course of business. The condensed consolidated financial statements do not reflect any adjustments that might result from the outcome of the uncertainties as discussed above.

3.Immaterial Misstatement

Subsequent to the issuance of the Consolidated Financial Statements for the year ended December 31, 2014, during the preparation of the condensed consolidated financial statements for the quarter ended March 31, 2015 management identified a misstatement in the presentation of deferred taxes associated with its 7¼% senior notes due 2019 (the “2019 Notes”) originally issued by Forest on June 6, 2007 and, the 7½% senior notes due 2020 (the “2020 Notes”) originally issued by Forest on September 17, 2012 and, the effects of adjusting the allocation of the stepped-up basis in certain assets relating to the effects of the Combination. Such amounts should have been presented as current deferred tax liabilities as of December 31, 2014. The Company also corrected the classification of certain assets related to post-retirement benefit obligations that had previously been presented as Other short-term assets. Such amounts should have been presented as other long term-assets. Management concluded that these misstatements are immaterial, individually and in the aggregate. The effects of these misstatements on previously reported December 31, 2014 balances in the Annual Report on Form 10-K are presented below:

	Consolidated Balance Sheet as of December 31, 2014		
	As		
	Previously Reported	Adjustments	As Adjusted
	(in thousands)		
Assets			
Current assets:			
Other short-term assets	\$ 8,120	\$ (6,565)	\$ 1,555
Other assets:			
Deferred income taxes	46,084	71,578	117,662
Other long-term assets	100	6,565	6,665
Total assets	\$ 2,438,350	\$ 71,578	\$ 2,509,928