

FOREST OIL CORP  
Form 10-Q  
August 07, 2013  
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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, 2013

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 1-13515

FOREST OIL CORPORATION	
(Exact name of registrant as specified in its charter)	
New York	25-0484900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
707 17th Street, Suite 3600	80202
Denver, Colorado	
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (303) 812-1400

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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>

(Do not check if a 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

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As of August 1, 2013 there were 120,078,373 shares of the registrant's common stock, par value \$.10 per share, outstanding.

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June 30, 2013

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## PART I—FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

FOREST OIL CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands, Except Share Amounts)

	June 30, 2013	December 31, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$421	\$1,056
Accounts receivable	72,470	67,516
Derivative instruments	17,211	40,190
Other current assets	16,024	16,318
Total current assets	106,126	125,080
Property and equipment, at cost:		
Oil and natural gas properties, full cost method of accounting:		
Proved, net of accumulated depletion of \$8,326,395 and \$8,237,186	1,288,691	1,459,312
Unproved	195,118	277,798
Net oil and natural gas properties	1,483,809	1,737,110
Other property and equipment, net of accumulated depreciation and amortization of \$49,108 and \$46,908	14,613	17,128
Net property and equipment	1,498,422	1,754,238
Deferred income taxes	6,547	14,681
Goodwill	239,420	239,420
Derivative instruments	5,504	8,335
Other assets	57,726	60,108
	\$1,913,745	\$2,201,862
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$196,260	\$164,786
Accrued interest	14,850	23,407
Derivative instruments	3,829	9,347
Deferred income taxes	6,547	14,681
Current portion of long-term debt	—	12
Other current liabilities	14,038	14,092
Total current liabilities	235,524	226,325
Long-term debt	1,630,337	1,862,088
Asset retirement obligations	23,247	56,155
Derivative instruments	2,310	7,204
Other liabilities	89,713	92,914
Total liabilities	1,981,131	2,244,686
Shareholders' equity:		
Preferred stock, none issued and outstanding	—	—
Common stock, 120,107,896 and 118,245,320 shares issued and outstanding	12,011	11,825
Capital surplus	2,550,933	2,541,859
Accumulated deficit	(2,610,503)	(2,575,994)

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Accumulated other comprehensive loss	(19,827	)	(20,514	)
Total shareholders' equity (deficit)	(67,386	)	(42,824	)
	\$1,913,745		\$2,201,862	

See accompanying Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In Thousands, Except Per Share Amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenues:				
Oil, natural gas, and natural gas liquids sales	\$ 116,786	\$ 135,694	\$ 234,828	\$ 294,595
Interest and other	28	37	160	69
Total revenues	116,814	135,731	234,988	294,664
Costs, expenses, and other:				
Lease operating expenses	19,167	27,134	40,371	54,741
Production and property taxes	5,029	6,940	7,245	18,093
Transportation and processing costs	3,098	3,615	6,378	7,587
General and administrative	13,114	16,421	33,128	31,805
Depreciation, depletion, and amortization	43,804	72,987	92,347	139,957
Ceiling test write-down of oil and natural gas properties	—	348,976	—	383,793
Interest expense	29,392	34,317	65,520	67,709
Realized and unrealized gains on derivative instruments, net	(31,610)	(34,015)	(6,030)	(63,539)
Other, net	1,593	3,455	30,413	30,375
Total costs, expenses, and other	83,587	479,830	269,372	670,521
Earnings (loss) before income taxes	33,227	(344,099)	(34,384)	(375,857)
Income tax (benefit) expense	(212)	167,074	125	167,989
Net earnings (loss)	\$33,439	\$(511,173)	\$(34,509)	\$(543,846)
Basic earnings (loss) per common share	\$.28	\$(4.44)	\$(.30)	\$(4.75)
Diluted earnings (loss) per common share	\$.28	\$(4.44)	\$(.30)	\$(4.75)

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (Unaudited)  
 (In Thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net earnings (loss)	\$33,439	\$(511,173)	\$(34,509)	\$(543,846)
Other comprehensive income:				
Defined benefit postretirement plans - amortization of actuarial losses, net of tax	345	186	687	373
Total other comprehensive income	345	186	687	373
Total comprehensive income (loss)	\$33,784	\$(510,987)	\$(33,822)	\$(543,473)



See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION  
 CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
 (Unaudited)  
 (In Thousands)

	Common Stock		Capital Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
	Shares	Amount				
Balances at December 31, 2012	118,245	\$11,825	\$2,541,859	\$(2,575,994)	\$ (20,514 )	\$(42,824 )
Employee stock purchase plan	115	11	431	—	—	442
Restricted stock issued, net of forfeitures	1,978	198	(198 )	—	—	—
Amortization of stock-based compensation	—	—	10,147	—	—	10,147
Other, net	(230 )	(23 )	(1,306 )	—	—	(1,329 )
Net loss	—	—	—	(34,509 )	—	(34,509 )
Other comprehensive income	—	—	—	—	687	687
Balances at June 30, 2013	120,108	\$12,011	\$2,550,933	\$(2,610,503)	\$ (19,827 )	\$(67,386 )

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (In Thousands)

	Six Months Ended	
	June 30,	
	2013	2012
Operating activities:		
Net loss	\$(34,509	) \$(543,846 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion, and amortization	92,347	139,957
Deferred income tax	—	167,880
Unrealized losses (gains) on derivative instruments, net	15,398	(5,423 )
Ceiling test write-down of oil and natural gas properties	—	383,793
Stock-based compensation expense	6,479	9,257
Loss on debt extinguishment	25,223	—
Other, net	2,903	7,833
Changes in operating assets and liabilities:		
Accounts receivable	(4,168	) 19,077
Other current assets	(269	) 2,305
Accounts payable and accrued liabilities	17,956	(20,601 )
Accrued interest and other	(10,948	) 16,192
Net cash provided by operating activities		