

FOREST OIL CORP
Form 10-Q/A
October 01, 2014
Table of Contents

The following items were the subject of a Form 12b-25 and are included herein: Certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes Oxley Act of 2002.

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

FORM 10-Q/A
(Amendment No. 1)
(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, 2014

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 (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 Accelerated filer
Non-accelerated filer Smaller reporting company

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(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

As of August 14, 2014 there were 119,338,561 shares of the registrant's common stock, par value \$.10 per share, outstanding.

Table of Contents

FOREST OIL CORPORATION
INDEX TO FORM 10-Q/A
June 30, 2014

<u>Part I—FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1—Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2014 and 2013</u>	<u>3</u>
<u>Condensed Consolidated Statement of Shareholders' Equity (Deficit) for the Six Months Ended June 30, 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>25</u>
<u>Item 3—Quantitative and Qualitative Disclosures About Market Risk</u>	<u>46</u>
<u>Item 4—Controls and Procedures</u>	<u>48</u>
<u>Part II—OTHER INFORMATION</u>	<u>51</u>
<u>Item 1—Legal Proceedings</u>	<u>51</u>
<u>Item 1A—Risk Factors</u>	<u>52</u>
<u>Item 2—Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
<u>Item 6—Exhibits</u>	<u>56</u>
<u>Signatures</u>	<u>58</u>

Table of Contents

EXPLANATORY NOTE

As previously disclosed in Item 8.01 of our Current Report on Form 8-K filed on August 11, 2014 (the “Form 8-K”), Forest’s management has determined that certain material weaknesses existed in our internal control over financial reporting at year end 2013. Our independent registered public accounting firm, Ernst & Young LLP (“EY”) has reached the same conclusion. Accordingly, we disclosed that our internal control over financial reporting was ineffective at December 31, 2013, and that both management’s assessment of, and EY’s report on, internal control over financial reporting as of December 31, 2013, included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed on February 26, 2014 (the “Form 10-K”), should no longer be relied upon. We also disclosed management’s determination that Forest’s disclosure controls and procedures were not effective at a reasonable level as of December 31, 2013 and March 31, 2014. Finally, we disclosed that EY and Forest would perform additional testing of Forest’s (i) internal control over financial reporting for the year ended December 31, 2013 and (ii) financial statements for each of the three years included in the Form 10-K.

Rule 10-01(d) of Regulation S-X requires that interim financial statements included in quarterly reports on Form 10-Q be reviewed by an independent registered public accountant using professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards, as may be modified or supplemented by the SEC. However, because of the aforementioned material weaknesses and resultant additional testing of our internal control over financial reporting and financial statements, such a review did not take place with respect to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014 as filed on August 18, 2014 (the “Original 10-Q”). In addition, we were unable to include with the Original 10-Q the certifications of our chief executive officer and chief financial officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. As a result, the Original 10-Q was incomplete.

The additional testing of Forest’s internal control over financial reporting and the financial statements has now been completed. We note that the additional testing did not result in a restatement of the financial statements included in the Form 10-K, in the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, or in the Original 10-Q. Forest has filed Amendment No. 1 (the “Form 10-K/A”) to the Form 10-K to (i) disclose the material weaknesses in our internal control over financial reporting that have been identified since the date of the Form 10-K and (ii) include an audit opinion by EY that has been amended, relative to the audit opinion included in the Form 10-K, to include disclosure regarding EY’s opinion of our ability to continue to operate as a going concern. We are now filing this Amendment No. 1 (this “Form 10-Q/A”) to the Original 10-Q, to address the material weaknesses and “going concern” issues identified above, as well as to complete the filing by including the certifications required under the Sarbanes-Oxley Act of 2002.

This Form 10-Q/A sets forth the Original 10-Q in its entirety; however, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Form 10-Q/A amends and restates only the following Items of the Original 10-Q, to update the disclosure therein affected by the material weaknesses in internal control over financial reporting and the going concern disclosure:

Part I

Item 1. Financial Statements

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Item 4. Controls and Procedures

Part II

Item 6. Exhibits

With respect to Part II, Item 6, we are including for filing with this Form 10-Q/A only (i) certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1, and 32.2, and (ii) various exhibits related

to XBRL. As noted above, the additional testing on our financial statements and our internal control over financial reporting did not result in a restatement of the financial statements included in the Form 10-K, in the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, or in the Original 10-Q.

Table of Contents

Except as otherwise set forth in this Explanatory Note, this Form 10-Q/A does not modify disclosures presented in the Original 10-Q, except as necessary to make the disclosure herein consistent with updated disclosures contained in the Form 10-K/A and our Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2014, also filed on October 1, 2014. Accordingly, except for the items identified above, this Form 10-Q/A speaks as of August 18, 2014, the filing date of the Original 10-Q, and any forward-looking statements represent management's views as of the date of the Original 10-Q and should not be assumed to be correct as of any date thereafter. This Form 10-Q/A should be read in conjunction with our other filings made with the Securities and Exchange Commission subsequent to the date of the Original 10-Q.

Table of Contents

PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

FOREST OIL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands, Except Share Amounts)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,582	\$ 66,192
Accounts receivable	25,981	35,654
Derivative instruments	395	5,192
Other current assets	8,894	6,756
Total current assets	49,852	113,794
Property and equipment, at cost:		
Oil and natural gas properties, full cost method of accounting:		
Proved, net of accumulated depletion of \$8,575,255 and \$8,460,589	737,260	753,079
Unproved	49,146	53,645
Net oil and natural gas properties	786,406	806,724
Other property and equipment, net of accumulated depreciation and amortization of \$45,265 and \$50,058	9,376	11,845
Net property and equipment	795,782	818,569
Deferred income taxes	444	2,230
Goodwill	134,434	134,434
Derivative instruments	363	400
Other assets	15,950	48,525
	\$ 996,825	\$ 1,117,952
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 129,744	\$ 141,107
Accrued interest	6,653	6,654
Derivative instruments	13,503	4,542
Deferred income taxes	444	2,230
Other current liabilities	4,864	12,201
Total current liabilities	155,208	166,734
Long-term debt	800,163	800,179
Asset retirement obligations	21,821	22,629
Derivative instruments	1,940	—
Other liabilities	63,332	73,941
Total liabilities	1,042,464	1,063,483
Shareholders' equity (deficit):		
Preferred stock, none issued and outstanding	—	—
Common stock, 119,347,173 and 119,399,983 shares issued and outstanding	11,935	11,940
Capital surplus	2,558,271	2,554,997
Accumulated deficit	(2,605,794) (2,502,070)

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Accumulated other comprehensive loss	(10,051) (10,398)
Total shareholders' equity (deficit)	(45,639) 54,469	
	\$996,825	\$1,117,952	

See accompanying Notes to Condensed Consolidated Financial Statements.

1

Table of Contents

FOREST OIL CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In Thousands, Except Per Share Amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2014	2013	June 30, 2014	2013
Revenues:				
Oil, natural gas, and natural gas liquids sales	\$60,106	\$116,786	\$124,563	\$234,828
Interest and other	329	28	1,066	160
Total revenues	60,435	116,814	125,629	234,988
Costs, expenses, and other:				
Lease operating expenses	14,295	19,167	28,805	40,371
Production and property taxes	2,740	5,029	5,965	7,245