

Edgar Filing: PYR ENERGY CORP - Form 10-Q

PYR ENERGY CORP  
Form 10-Q  
January 14, 2003

U.S. Securities And Exchange Commission  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 30, 2002

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-20879

PYR ENERGY CORPORATION

-----  
(Exact name of registrant as specified in its charter)

Maryland

-----

(State or jurisdiction of  
incorporation or organization)

95-4580642

-----

(I.R.S. Employer Identification No.)

1675 Broadway, Suite 2450, Denver, CO

-----

(Address of principal executive offices)

80202

-----

(Zip Code)

Registrant's telephone number, including area code (303) 825-3748

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

The number of shares outstanding of each of the issuer's classes of common

Edgar Filing: PYR ENERGY CORP - Form 10-Q

equity as of January 14, 2003 is as follows:

\$ .001 Par Value Common Stock	23,701,357
	-----

PYR ENERGY CORPORATION  
FORM 10-Q  
INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.....	3
Balance Sheets - November 30, 2002 (Unaudited) and August 31, 2002 .....	3
Statements of Operations - Three Months Ended November 30, 2002 and November 30, 2001 and Cumulative Amounts From Inception Through November 30, 2002 (Unaudited).....	4
Statements of Cash Flows - Three Months Ended November 30, 2002 and November 30, 2001 and Cumulative Amounts From Inception Through November 30, 2002 (Unaudited).....	5
Notes to Financial Statements.....	6
Summary of Significant Accounting Policies.....	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Item 3. Quantitative and Qualitative Disclosures about Market Risk.....	12
Item 4. Controls and Procedures.....	13

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....	13
Item 2. Changes in Securities and Use of Proceeds.....	13
Item 3. Defaults Upon Senior Securities.....	13
Item 4. Submission of Matters to a Vote of Security Holders.....	13
Item 5. Other Information.....	13
Item 6. Exhibits and Reports on Form 8-K.....	14
Signatures.....	14
Certifications.....	15

# Edgar Filing: PYR ENERGY CORP - Form 10-Q

## PART I

### ITEM 1. FINANCIAL STATEMENTS

PYR ENERGY CORPORATION  
(A Development Stage Company)  
BALANCE SHEETS

	ASSETS	
	11/30/02	8/31/02
	-----	-----
	(UNAUDITED)	
<b>CURRENT ASSETS</b>		
Cash	\$ 5,739,191	\$ 6,516,086
Deposits and prepaid expenses	118,048	47,365
	-----	-----
Total Current Assets	5,857,239	6,563,451
	-----	-----
<b>PROPERTY AND EQUIPMENT, at cost</b>		
Furniture and equipment, net	31,157	34,244
Oil and gas properties, net	6,985,098	6,771,111
	-----	-----
	7,016,255	6,805,355
	-----	-----
<b>OTHER ASSETS</b>		
Deferred financing costs and other assets	30,648	31,444
	-----	-----
	30,648	31,444
	-----	-----
	\$ 12,904,142	\$ 13,400,250
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 721,111	\$ 532,597
	-----	-----
Total Current Liabilities	721,111	532,597
	-----	-----
<b>CONVERTIBLE NOTES</b>		
	6,151,751	6,000,000
	-----	-----
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.001 par value		
Authorized 75,000,000 shares		
Issued and outstanding - 23,701,357 shares	23,701	23,701
Capital in excess of par value	35,407,657	35,407,657
Deficit accumulated during the development stage	(29,400,078)	(28,563,705)
	-----	-----
	6,031,280	6,867,653
	-----	-----
	\$ 12,904,142	\$ 13,400,250
	=====	=====

Edgar Filing: PYR ENERGY CORP - Form 10-Q

PYR ENERGY CORPORATION  
(A Development Stage Company)  
STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended 11/30/02	Three Months Ended 11/30/01	Inception Through 11/30/02
	-----	-----	-----
REVENUES			
Oil and gas revenues	\$ 47,544	\$ 46,256	\$ 1,382,092
Interest	20,746	62,658	912,373
Other	--	--	127,528
	-----	-----	-----
	68,290	108,914	2,421,993
OPERATING EXPENSES			
Lease operating expenses	21,037	25,167	214,439
Impairment, dry hole, and abandonments	479,668	113,544	26,063,778
Depreciation and amortization	3,086	3,496	101,687
General and administrative	325,306	324,143	5,619,730
Interest	75,566	--	342,766
	-----	-----	-----
	904,663	466,350	32,342,400
OTHER INCOME			
Gain on sale of oil and gas prospects	--	--	556,197
	-----	-----	-----
	(836,373)	(357,436)	(29,364,210)
INCOME APPLICABLE TO PREDECESSOR LLC	--	--	(35,868)
	-----	-----	-----
NET (LOSS) INCOME	(836,373)	(357,436)	(29,400,078)
Less dividends on preferred stock	--	--	(292,411)
	-----	-----	-----
NET (LOSS) TO COMMON STOCKHOLDERS	\$ (836,373)	\$ (357,436)	\$ (29,692,489)
	=====	=====	=====
NET (LOSS) PER COMMON SHARE -BASIC AND DILUTED	(0.04)	(0.02)	(2.07)
	=====	=====	=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	23,701,357	23,691,357	14,310,917
	=====	=====	=====

Edgar Filing: PYR ENERGY CORP - Form 10-Q

STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	11/30/02	11/30/01	Cumulative Am from Incept Through 11/3
	-----	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net (loss)	\$ (836,373)	\$ (357,436)	\$ (29,364,2
Adjustments to reconcile net (loss) to net cash (used) by operating activities			
Depreciation and amortization	3,086	3,496	101,6
Contributed services	--	--	36,0
Gain on sale of oil and gas prospects	--	--	(556,1
Impairment, dry hole and abandonments	479,668	113,544	26,063,7
Common stock issued for interest on debt	--	--	136,8
Common stock issued for services	--	--	178,6
Amortization of financing costs	796	--	28,6
Amortization of marketable securities	--	--	(20,2
Accrued interest converted into debt	71,487	--	151,7
Changes in assets and liabilities			
(Increase) in accounts receivable	--	(35,258)	(5
(Increase) in prepaids	(70,683)	(21,025)	(122,6
Increase (decrease) in accounts payable, accruals	322,417	(30,797)	(848,1
Other	--	--	1,2
Net cash provided (used) by operating activities	(29,602)	(327,476)	(4,213,3
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash paid for furniture and equipment	--	(3,007)	(132,2
Cash paid for oil and gas properties	(747,293)	(1,809,550)	(31,558,9
Proceeds from sale of oil and gas properties	--	--	1,300,0
Cash paid for marketable securities	--	--	(5,090,7
Proceeds from sale of marketable securities	--	--	5,111,0
Cash paid for reimbursable property costs	--	--	(28,3
Net cash (used) in investing activities	(747,293)	(1,812,557)	(30,399,2
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Members capital contributions	--	--	28,0
Distributions to members	--	--	(66,0
Cash from short-term borrowings	--	--	285,0
Repayment of short-term borrowings	--	--	(285,0
Cash received upon recapitalization and merger	--	--	3
Proceeds from sale of common stock	--	--	30,788,7
Proceeds from sale of convertible debt	--	--	8,500,0
Proceeds from exercise of warrants	--	--	2,011,0
Proceeds from exercise of options	--	--	204,5
Cash paid for offering and financing costs	--	--	(1,058,7
Payments on capital lease	--	--	(5,1
Preferred dividends paid	--	--	(50,9
Net cash provided by financing activities	--	--	40,351,8
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(776,895)</b>	<b>(2,140,033)</b>	<b>5,739,1</b>
<b>CASH, BEGINNING OF PERIODS</b>	<b>6,516,086</b>	<b>9,800,841</b>	<b>--</b>
<b>CASH, END OF PERIODS</b>	<b>\$ 5,739,191</b>	<b>\$ 7,660,808</b>	<b>\$ 5,739,1</b>

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

PYR ENERGY CORPORATION  
(A Development Stage Company)  
Notes to Financial Statements  
November 30, 2002

The accompanying interim financial statements of PYR Energy Corporation are unaudited. In the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the periods ended November 30, 2002 are not necessarily indicative of the operating results for the entire year.

We have prepared the financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. We believe the disclosures made are adequate to make the information not misleading and recommend that these condensed financial statements be read in conjunction with the financial statements and notes included in our Form 10-K/A1 for the year ended August 31, 2002.

PYR Energy Corporation (formerly known as Mar Ventures Inc. ("Mar")) was incorporated under the laws of the State of Delaware on March 27, 1996. Mar was a public company with no significant operations as of July 31, 1997. On August 6, 1997, Mar acquired all the interests in PYR Energy LLC ("PYR LLC") (a Colorado limited liability company organized on May 31, 1996), a development stage company as defined by Statement of Financial Accounting Standards (SFAS) No. 7. PYR LLC, an independent oil and gas exploration company, was engaged in the acquisition of undeveloped oil and gas interests for exploration and exploitation in the Rocky Mountain region and California. As of August 6, 1997, PYR LLC had acquired only non-producing leases and acreage, and no exploration had commenced on the properties. Upon completion of the acquisition of PYR LLC by Mar, PYR LLC ceased to exist as a separate entity. Mar remained as the surviving legal entity and, effective November 12, 1997, Mar changed its name to PYR Energy Corporation. Effective July 2, 2001, the Company was re-incorporated in Maryland through the merger of the Company into a wholly owned subsidiary, PYR Energy Corporation, a Maryland corporation.

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**USE OF ESTIMATES** - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CASH EQUIVALENTS** - For purposes of reporting cash flows, we consider as cash equivalents all highly liquid investments with a maturity of three months or less at the time of purchase. At November 30, 2002, there were no cash equivalents.

**PROPERTY AND EQUIPMENT** - Furniture and equipment is recorded at cost. Depreciation is provided by use of the straight-line method over the estimated useful lives of the related assets of three to five years. Expenditures for replacements, renewals, and betterments are capitalized. Maintenance and repairs are charged to operations as incurred.

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

OIL AND GAS PROPERTIES - We follow the full cost method to account for our oil and gas exploration and development activities. Under the full cost method, all costs incurred which are directly related to oil and gas exploration and development are capitalized and subjected to depreciation and depletion. Depletable costs also include estimates of future development costs of proved reserves. Costs related to undeveloped oil and gas properties may be excluded from depletable costs until such properties are evaluated as either proved or

6

unproved. The net capitalized costs are subject to a ceiling limitation. Gains or losses upon disposition of oil and gas properties are treated as adjustments to capitalized costs, unless the disposition represents a significant portion of the Company's proved reserves.

Unevaluated oil and gas properties consists of ongoing exploratory drilling costs, for which no results have been obtained, and of leases and acreage that we acquire for our exploration and development activities. The cost of these non-producing leases is recorded at the lower of cost or fair market value.

We have adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long Lived Assets to Be Disposed of", which requires that long-lived assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. At August 31, 2002, we had no proved reserves and recorded an impairment charge against the net value of our evaluated properties of approximately \$11,723,000 based on the ceiling test limitation. This charge relates primarily to costs incurred at our East Lost Hills project. We continue to incur costs at East Lost Hills and recorded an impairment charge of \$479,668 for our fiscal quarter ended November 30, 2002. Although properties may be considered as evaluated for purposes of the ceiling test and included in the impairment calculation, until these properties are completely abandoned, we may continue to incur costs associated with these properties. Until we can establish economic reserves, of which there is no assurance, additional costs associated with these properties are capitalized, then charged to impairment expense as incurred.

INCOME TAXES - We have adopted the provisions of SFAS No. 109, "Accounting for Income Taxes". SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

### NOTE 2 - CONVERTIBLE NOTES

On May 24, 2002, we received \$6 million in gross proceeds from the sale of convertible notes due May 24, 2009. These notes call for semi-annual interest payments at an annual rate of 4.99% and are convertible into shares of common stock at the rate of \$1.30 per share. The interest can be paid in cash or added to the principal amount at the discretion of the Company. The notes were issued to three investment funds pursuant to exemptions from registration under Sections 3(b) and/or 4(2) of the Securities Act of 1933, as amended. On November 24, 2002, we elected to add \$151,751 in interest due on these notes to the principal balance (rather than pay the interest in cash on a current basis) so that at November 30, 2002 the aggregate balance of these notes reflected Convertible Notes under Long Term Debt was \$6,151,751.

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We are a development stage independent oil and gas exploration company whose strategic focus is the application of advanced seismic imaging and computer aided exploration technologies in the systematic search for commercial hydrocarbon reserves, primarily in the onshore western United States. We attempt to leverage our technical experience and expertise with seismic data to identify exploration and exploitation projects with significant potential economic return. We intend to participate in selected exploration projects as a working interest owner, sharing both risk and rewards with other participants. We do not currently operate any projects in which we own a working interest. We may operate projects in the future. Whether we participate in our projects as operator or non-operator, our financial results depend on our ability to sell prospect interests to outside industry participants. We do not have the financial ability to commence exploratory drilling operations without outside industry participation. We have pursued, and will continue to pursue,

7

exploration opportunities in regions in which we believe significant opportunity for discovery of oil and gas exists. By attempting to reduce drilling risk through seismic technology, we seek to improve the expected return on investment in our oil and gas exploration projects.

Our future financial results continue to depend primarily on (1) our ability to discover commercial quantities of hydrocarbons; (2) the market price for oil and gas; (3) our ability to continue to source and screen potential projects; and (4) our ability to fully implement our exploration and development program with respect to these and other matters. There can be no assurance that we will be successful in any of these respects or that the prices of oil and gas prevailing at the time of production will be at a level allowing for profitable production.

We paid approximately \$747,000 and \$1,810,000 during the three months ended November 30, 2002 and 2001, respectively, for drilling costs, delay rentals, acquisition of acreage, direct geological and geophysical costs, and other related direct costs, with respect to our identified exploration and exploitation projects.

We control interests in several exploration projects in the San Joaquin Basin and in select areas of the Rocky Mountains. In addition to East Lost Hills, projects in the San Joaquin Basin include our Wedge and Bulldog prospects, which are large target reserve, deep Temblor gas prospects located to the northwest of our East Lost Hills acreage, and our Blizzard prospect which is a light oil Stevens target. In the Rocky Mountains, we currently are focusing on our Cumberland and Mallard projects, located in southwestern Wyoming, and on our Montana Foothills project. We intend to raise project financing from outside sources to assist in funding the drilling of initial test wells in the California and Wyoming projects. We do not intend to sell additional equity in order to finance the drilling of exploration wells, but intend to establish a separate entity that will purchase a portion of our working interests in these projects. By combining participation of the drilling fund with potential industry partners, we expect to commence drilling exploration wells in up to five of these projects during the next 12 months, with the number of wells subject to increase to the extent that additional projects are added to our portfolio. However, there can be no assurance that any wells will be drilled, or if drilled, that any of these wells will be successful.

It is anticipated that the future development of our business will require additional, and possibly substantial, capital expenditures. Depending upon the

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

extent of success of our ability to raise capital through the drilling fund and the level of industry participation in our exploration projects, we anticipate spending up to \$2 million for capital expenditures relating to exploration of our projects during the next 12 months. We may need to raise additional funds in the future to cover capital expenditures. These funds may come from cash flow, equity or debt financing, or from sales of interests in our properties, although there is no assurance continued funding will be available.

At November 30, 2002, we had a working capital amount of approximately \$5,136,000 and had \$6,151,751 of convertible notes outstanding. These notes are due on May 24, 2009 and call for semi-annual interest payments at an annual rate of 4.99%. The notes are convertible into shares of common stock at the rate of \$1.30 per share. At November 30, 2002, we had not entered into any commodity swap arrangements or hedging transactions. Although we have no current plans to do so, we may enter into commodity swap and/or hedging transactions in the future in conjunction with oil and gas production.

The following is a summary of the current status of our exploration projects:

East Lost Hills, California. Although the 1998 blow-out of the original test well, the Bellevue #1-17, evidenced high volumes and deliverability of hydrocarbons, the project has still not established meaningful commercial production. Because of the very high historical cost structure of operations, the expiration of certain leases and uncertainties regarding the ability or

8

desire of other participants to continue to fund operations at East Lost Hills, we are limiting our capital expenditures here to those that we are contractually liable for until such a point in time as many of the ongoing problems associated with the play are mitigated, of which there is no assurance. If additional operations are proposed, we will carefully evaluate to what extent, if any, we will participate in those operations.

During our first quarter ended November 30, 2002, our only producing well, the East Lost Hills ELH #1, produced a gross total of approximately 169 mmcfe, averaging approximately 1.9 mmcfe per day. Water production during this period averaged approximately 5,900 barrels per day. We own a 12.12% working interest in this well.

The operator at East Lost Hills has formally proposed plugging the ELH #4 and ELH #9 wells. Although we have consented to these operations, we have not been notified if or when these wells will be plugged. We own a 12.12% working interest in each of these wells.

We understand that the participants intend to complete the East Lost Hills Aera Energy LLC NWLH 1-22 well for production testing. However, we have been notified by the operator that certain participants do not currently have the financial ability to proceed with the completion and are attempting to raise additional funds or bring in additional participants. Since late August 2002, the drilling rig has remained on location on standby rate in anticipation of the commencement of completion operations. Because we have determined to prioritize our financial resources on other prospects, we have notified the operator of our non-consent election in the completion of this well. We own a 4.04% working interest in this well.

Pyramid Power Prospect, California. In April 1999, we purchased a working interest in the Pyramid Power deep natural gas exploration project in the San Joaquin Basin. This project is outside the East Lost Hills joint venture area. The initial test well, located in Section 9, T25S-R18E, commenced drilling on

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

November 22, 2001. On July 17, 2002, the well reached total depth of 20,465 feet. Upon running final casing, the rig was released. Berkley Petroleum Inc., a wholly owned subsidiary of Anadarko Petroleum Corporation, was operator of the well during drilling. Upon release of the rig, Oxy Lost Hills Inc. ("Oxy") took over as operator. Completion operations began during December 2002, and actual production testing is expected to occur during January of 2003. We originally owned a working interest in this project of 3.75%, but have committed to assign 25% of that interest to Oxy in order to gain Oxy's active involvement as operator and participation as owner. The new working interest of 2.81% continues to be carried through the tanks in this initial test well. The participants at Pyramid Power jointly control approximately 16,100 gross and 14,700 net acres over the prospect.

Wedge Prospect, California. This is a seismically identified Temblor prospect located northwest of and adjacent to the East Lost Hills deep gas discovery. During the first fiscal quarter of 2001, we acquired approximately 17 miles of proprietary, high effort 2D seismic data and combined this data with existing 2D seismic data in order to refine what we interpret as the up-dip extension of the East Lost Hills structure. Our seismic interpretation shows that the same trend at East Lost Hills extends approximately ten miles further northwest of the East Lost Hills Area of Mutual Interest and can be encountered as much as 3,000 feet higher. We currently control approximately 12,100 gross and approximately 11,600 net acres here. Our approach is to sell down our working interest and retain a 25% to 50% working interest in this prospect.

Bulldog Prospect, California. This project is a 2D seismically identified natural gas and condensate prospect located adjacent to the giant Kettleman North Dome field in the San Joaquin Basin. This prospect can be best characterized as a classic footwall fault trap, similar to the many known footwall fault trap accumulations that have produced significant quantities of hydrocarbons throughout the San Joaquin basin. We currently control

9

approximately 15,600 gross and approximately 15,100 net acres here. We expect to sell down our working interest in this project and retain a 25% to 50% working interest in the prospect acreage and in a 14,000 foot test well we expect to drill during calendar 2003.

Montana Foothills Project. This extensive natural gas exploration project, located in northwestern Montana, is part of the southern Alberta basin, and has been classified as the southern extension of the Alberta Foothills producing province. The USGS and numerous Canadian industry sources have estimated significant recoverable reserves for the Montana portion of the Foothills trend. Based on extensive geologic and seismic analysis, we have identified numerous structural culminations of similar size, geometry, and kinematic history as prolific Canadian foothills fields, such as Waterton and Turner Valley.

The geologic setting and hydrocarbon potential of this area was not recognized by industry until the early 1980s. At that time, a number of companies initiated exploration efforts, including Exxon, Arco, Chevron, Amoco, Conoco, and Unocal. This initial exploration phase culminated in a deep test by Unocal in 1989. Although this well was unsuccessful, recent improvements in seismic imaging and pre-stack processing have resulted in our belief that this test well was drilled based upon a misleading seismic image and was located significantly off-structure.

We currently control approximately 241,800 gross and 226,300 net acres in this project and are currently presenting this project to potential industry participants in order to sell down our working interest and generate exploratory drilling activity. We anticipate retaining a working interest in this project of

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

between 20% and 40%.

Cumberland Project, Wyoming. The Cumberland project, located within the Overthrust Belt of southwest Wyoming, is a gas-condensate exploration prospect in Uinta County, Wyoming. Cumberland is at the northern end of the historically productive Nugget trend on the hangingwall of the Absaroka thrust fault. The prospect lies along trend of and just north of Ryckman Creek field, which was discovered in 1975.

The Cumberland prospect can be best characterized as a classic hangingwall anticlinal trap, similar to the many known Nugget sandstone accumulations that have produced significant quantities of hydrocarbons from Pineview to Ryckman Creek. The Cumberland culmination is the result of structural deformation related to back-thrusting off of the Absaroka thrust, a similar geometry to that exhibited at East Painter Reservoir field.

We currently control approximately 5,400 gross and net acres in the project and expect to sell down our working interest to between 25% and 50%. We have recently received approval for our drilling permit from the State of Wyoming and we intend to commence the drilling of an initial exploration well during 2003.

Mallard Project, Wyoming. The Mallard project, located within the Overthrust Belt of SW Wyoming, is a sour gas and condensate exploration prospect in Uinta County, Wyoming. Mallard is within the Paleozoic trend of productive fields on the Absaroka thrust. Mallard directly offsets and is adjacent to the giant sour gas field of Whitney Canyon-Carter Creek.

We interpret the Mallard prospect to occupy a separate fault block, adjacent to the Whitney Canyon field, generated by a complex imbricated system of faults splaying off of the Absaroka thrust. Paleozoic targets at the Mallard prospect include the Mississippian Mission Canyon, as well as numerous secondary objectives in the Ordovician, Pennsylvanian, and Permian sections.

10

We currently control approximately 3,900 gross and net acres in the project and expect to sell down our working interest to between 25% and 50%. We intend to commence the drilling of an initial exploration well during 2003.

### Results of Operations

The quarter ended November 30, 2002 compared with the quarter ended November 30, 2001.

Operations during the quarter ended November 30, 2002 resulted in a net loss of \$836,373 compared to a net loss of \$357,436 for the quarter ended November 30, 2001. The primary components that account for the difference are an increase in impairment charge of approximately \$366,000 and an increase in interest expense of approximately \$76,000 over the prior year period. A broader discussion of these and the other components are presented below.

Oil and Gas Revenues and Expenses. During the quarter ended November 30, 2002, we recorded \$36,890 from the sale of 10,947 mcf of natural gas for an average price of \$3.37 per mcf and \$10,654 from the sale of 452 bbls of hydrocarbon liquids for an average price of \$23.57 per barrel. Lease operating expenses during this period were \$21,037. During the quarter ended November 30, 2001, we recorded \$20,995 from the sale of 8,985 mcf of natural gas for an average price of \$2.34 per mcf and \$8,700 from the sale of 485 bbls of hydrocarbon liquids for an average price of \$17.94 per barrel. Overriding royalty revenues dating back to commencement of production of the ELH #1 well of \$16,561 were also recorded during the quarter ended November 30, 2001. Lease

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

operating expenses during this period totaled \$25,167.

**Depreciation, Depletion and Amortization.** We recorded no depreciation, depletion and amortization expense from oil and gas properties for the quarters ended November 30, 2002 and November 30, 2001. Although the East Lost Hills #1 began producing in 2001, we recorded an impairment against our entire amortizable full cost pool both at November 30, 2002 and November 30, 2001, and therefore had no costs to amortize. We recorded \$3,086 and \$3,496 in depreciation expense associated with capitalized office furniture and equipment during the quarters ended November 30, 2002 and November 30, 2001, respectively.

**Dry Hole, Impairment and Abandonments.** During the quarter ended November 30, 2002, we recorded an impairment of \$479,668 for additional costs that continue to be incurred primarily on the East Lost Hills property. Although properties may be considered evaluated for purposes of the ceiling test and included in the impairment calculation, until these properties are completely abandoned, we may continue to incur costs associated with these properties. Until we can establish economic reserves, of which there is no assurance, additional costs associated with these properties are capitalized, then charged to impairment expense as incurred. During the quarter ended November 30, 2001, we recorded \$113,544 in impairment expense.

**General and Administrative Expense.** We incurred \$325,306 and \$324,143 in general and administrative expenses during the quarters ended November 30, 2002 and November 30, 2001, respectively.

**Interest Expense.** We incurred \$75,566 in interest expense for the quarter ended November 30, 2002 associated with outstanding convertible notes due May 24, 2009. We incurred no interest expense during the quarter ended November 30, 2001.

11

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Financial Statements.

#### Reserve Estimates:

Our estimates of oil and natural gas reserves, by necessity, are projections based on geological and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

reserves, which could affect the carrying value of our oil and gas properties and/or the rate of depletion of the oil and gas properties. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

Many factors will affect actual net cash flows, including: the amount and timing of actual production; supply and demand for natural gas; curtailments or increases in consumption by natural gas purchasers; and changes in governmental regulations or taxation.

### Property, Equipment and Depreciation:

We follow the full cost method to account for our oil and gas exploration and development activities. Under the full cost method, all costs incurred which are directly related to oil and gas exploration and development are capitalized and subjected to depreciation and depletion. Depletable costs also include estimates of future development costs of proved reserves. Costs related to undeveloped oil and gas properties may be excluded from depletable costs until such properties are evaluated as either proved or unproved. The net capitalized costs are subject to a ceiling limitation based on the estimated present value of discounted future net cash flows from proved reserves. As a result, we are required to estimate our proved reserves at the end of each quarter, which is subject to the uncertainties described in the previous section. Gains or losses upon disposition of oil and gas properties are treated as adjustments to capitalized costs, unless the disposition represents a significant portion of the Company's proved reserves.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable

12

### ITEM 4. CONTROLS AND PROCEDURES

#### (a) Evaluation of disclosure controls and procedures

Based on an evaluation carried out under the supervision, and with the participation of the management of the Company, including the Chief Executive Officer and the Chief Financial Officer, during the 90 day period prior to the filing of this report, the Company's Chief Executive Officer and Chief Financial Officer believe the Company's disclosure controls and procedures, as defined in Securities Exchange Act Rules 13a-14 and 15d-14, are, to the best of their respective knowledge, effective.

#### (b) Changes in internal controls

Subsequent to the date of this evaluation, the Chief Executive Officer and Chief Financial Officer are not aware of any significant changes in the Company's internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, or in other factors that could significantly affect these controls to ensure that information required to be disclosed by the Company, in reports that it files or submits under the Securities Act of 1934, is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and regulations.

PART II.

# Edgar Filing: PYR ENERGY CORP - Form 10-Q

## OTHER INFORMATION

### Item 1. Legal Proceedings

Not Applicable

### Item 2. Changes in Securities and Use of Proceeds; Recent Sales Of Unregistered Securities

On March 9, 2001, we received a total of \$11.6 million in gross proceeds from the sale of 1,450,000 shares of our common stock. The common stock was sold pursuant to a prospectus supplement with respect to the shelf registration statement. We incurred offering expenses of \$160,470 in this offering, so that we received net proceeds of \$11,439,530 from this sale of common stock. These expenses do not include any direct or indirect payments to directors, officers, persons owning 10% or more of any class of equity securities, or affiliates of the Company. Because these securities were sold directly by the Company in an offering that did not involve an underwriter, we did not pay any underwriting discounts or commissions, finder's fees or other expenses to or for underwriters.

Through November 30, 2002, all of the proceeds from this sale of common stock have been used as described in the prospectus supplement to fund our planned exploration and development activities, primarily in the San Joaquin Basin of California. Included in the total amount is approximately \$152,000 used during the quarter ended November 30, 2002.

### Item 3. Defaults Upon Senior Securities

None

### Item 4. Submission of Matters to a Vote of Security Holders

None

### Item 5. Other Information

None

13

### Item 6. Exhibits and Reports on Form 8-K

#### (a) Exhibits

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

#### (b) During the Quarter ended November 30, 2002, we filed one report on Form 8-K:

A Form 8-K was filed on November 29, 2002 reporting a news release dated November 29, 2002.

## SIGNATURES

-----

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly

Edgar Filing: PYR ENERGY CORP - Form 10-Q

authorized.

Signatures -----	Title -----	Date ----
/s/ D. Scott Singdahlsen ----- D. Scott Singdahlsen	President, Chief Executive Officer and Chairman Of The Board	January 14, 2003
/s/ Andrew P. Calerich ----- Andrew P. Calerich	Vice-President and Chief Financial Officer	January 14, 2003

14

CERTIFICATIONS

I, D. Scott Singdahlsen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PYR Energy Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 14, 2003

/s/ D. Scott Singdahlsen

-----  
D. Scott Singdahlsen  
Chief Executive Officer

15

I, Andrew P. Calerich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PYR Energy Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based

## Edgar Filing: PYR ENERGY CORP - Form 10-Q

on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: January 14, 2003

/s/ Andrew P. Calerich

-----  
Andrew P. Calerich  
Chief Financial Officer