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Matador Resources Co
Form 10-Q
November 06, 2015

UNITED STATES
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 September 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 001-35410

Matador Resources Company
(Exact name of registrant as specified in its charter)

Texas 27-4662601
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5400 LBJ Freeway, Suite 1500 75240
Dallas, Texas (Zip Code)
(Address of principal executive offices)
(972) 371-5200
(Registrant's telephone number, including area code)

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 Exchange Act). Yes No

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As of November 4, 2015, there were 85,557,957 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(In thousands, except par value and share data)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets		
Cash	\$ 13,887	\$ 8,407
Restricted cash	450	609
Accounts receivable		
Oil and natural gas revenues	23,743	28,976
Joint interest billings	13,361	6,925
Other	9,426	9,091
Derivative instruments	28,165	55,549
Assets held for sale	32,413	—
Lease and well equipment inventory	2,106	1,212
Prepaid expenses	2,989	1,649
Total current assets	126,540	112,418
Property and equipment, at cost		
Oil and natural gas properties, full-cost method		
Evaluated	2,018,241	1,617,913
Unproved and unevaluated	392,299	264,419
Other property and equipment	60,589	43,472
Less accumulated depletion, depreciation and amortization	(1,329,082)	(603,732)
Net property and equipment	1,142,047	1,322,072
Other assets		
Derivative instruments	2,028	—
Deferred income taxes	9,676	—
Other assets	231	—
Total other assets	11,935	—
Total assets	\$ 1,280,522	\$ 1,434,490
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 16,012	\$ 17,526
Accrued liabilities	102,327	109,502
Royalties payable	21,737	14,461
Advances from joint interest owners	306	—
Amounts due to Joint Ventures	2,250	—
Deferred income taxes	10,426	19,751
Income taxes payable	—	444
Other current liabilities	223	103
Total current liabilities	153,281	161,787
Long-term liabilities		
Borrowings under Credit Agreement	—	338,199
Senior unsecured notes payable	390,959	—
Asset retirement obligations	13,413	11,640
Amounts due to Joint Ventures	4,500	—

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Deferred income taxes	—	53,783
Other long-term liabilities	1,765	2,540
Total long-term liabilities	410,637	406,162
Commitments and contingencies (Note 11)		
Shareholders' equity		
Common stock - \$0.01 par value, 120,000,000 and 80,000,000 shares authorized; 85,687,475 and 73,373,744 shares issued; and 85,520,957 and 73,342,777 shares outstanding, respectively	857	734
Additional paid-in capital	1,023,425	724,819
Retained (deficit) earnings	(308,529)	140,855
Total Matador Resources Company shareholders' equity	715,753	866,408
Non-controlling interest in subsidiary	851	133
Total shareholders' equity	716,604	866,541
Total liabilities and shareholders' equity	\$ 1,280,522	\$ 1,434,490

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

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Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Oil and natural gas revenues	\$71,815	\$96,617	\$222,128	\$274,605
Realized gain (loss) on derivatives	19,862	(701)	52,146	(5,458)
Unrealized gain (loss) on derivatives	6,733	16,293	(25,356)	7,950
Total revenues	98,410	112,209	248,918	277,097
Expenses				
Production taxes and marketing	9,291	8,617	26,598	23,739
Lease operating	14,917	13,691	42,912	34,747
Depletion, depreciation and amortization	45,237	35,143	143,477	90,970
Accretion of asset retirement obligations	182	130	427	371
Full-cost ceiling impairment	285,721	—	581,874	—
General and administrative	12,151	8,099	38,523	23,417
Total expenses	367,499	65,680	833,811	173,244
Operating (loss) income	(269,089)	46,529	(584,893)	103,853
Other income (expense)				
Net loss on asset sales and inventory impairment	—	—	(97)	—
Interest expense	(7,229)	(673)	(15,168)	(3,685)
Interest and other income	999	267	1,885	715
Total other expense	(6,230)	(406)	(13,380)	(2,970)
(Loss) income before income taxes	(275,319)	46,123	(598,273)	100,883
Income tax (benefit) provision				
Current	(295)	(156)	(295)	2,658
Deferred	(33,010)	16,660	(148,750)	34,017
Total income tax (benefit) provision	(33,305)	16,504	(149,045)	36,675
Net (loss) income	(242,014)	29,619	(449,228)	64,208
Net income attributable to non-controlling interest in subsidiary	(45)	—	(156)	—
Net (loss) income attributable to Matador Resources Company shareholders	\$(242,059)	\$29,619	\$(449,384)	\$64,208
Earnings (loss) per common share				
Basic	\$(2.86)	\$0.40	\$(5.58)	\$0.93
Diluted	\$(2.86)	\$0.40	\$(5.58)	\$0.92
Weighted average common shares outstanding				
Basic	84,685	73,341	80,481	69,185
Diluted	84,685	74,028	80,481	69,879

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

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Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED

(In thousands)

For the Nine Months Ended September 30, 2015

	Common Stock Shares	Common Stock Amount	Preferred Stock Shares	Preferred Stock Amount	Additional paid-in capital	Retained earnings (deficit)	Treasury Stock Shares	Treasury Stock Amount	Total shareholders' equity attributable to Matador Resources Company	Non-control- ling interest in subsidiary	Total shareholders' equity
Balance at January 1, 2015	73,374	\$ 734	—	\$ —	\$ 724,819	\$ 140,855	31	\$ —	\$ 866,408	\$ 133	\$ 866,541
Issuance of common stock	10,329	104	—	—	260,148	—	—	—	260,252	—	260,252
Issuance of preferred stock	—	—	150	1	32,489	—	—	—	32,490	—	32,490
Cost to issue equity	—	—	—	—	(1,151)	—	—	—	(1,151)	—	(1,151)
Conversion of preferred stock to common stock	1,500	15	(150)	(1)	(14)	—	—	—	—	—	—