

HALCON RESOURCES CORP
Form 10-Q
July 31, 2015

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

ý **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

o **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: 001-35467

Halcón Resources Corporation

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial
Classification Code Number)
1000 Louisiana Street, Suite 6700, Houston, TX 77002
(Address of principal executive offices)

20-0700684
(I.R.S. Employer
Identification Number)

(832) 538-0300
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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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 twelve 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

(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

At July 27, 2015, 590,218,771 shares of the Registrant's Common Stock were outstanding.

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Special note regarding forward-looking statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws. All statements, other than statements of historical facts, concerning, among other things, planned capital expenditures, potential increases in oil and natural gas production, the number and location of wells to be drilled in the future, future cash flows and borrowings, pursuit of potential acquisition or divestiture opportunities, our financial position, business strategy and other plans and objectives for future operations, are forward-looking statements. These forward-looking statements are identified by their use of terms and phrases such as "may," "expect," "estimate," "project," "plan," "objective," "believe," "predict," "intend," "achievable," "anticipate," "will," "continue," "potential," "should," "could" and similar terms and phrases. Although we believe that the expectations reflected in these forward-looking statements are reasonable, they do involve certain assumptions, risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements. Readers should consider carefully the risks described under the "Risk Factors" section of our previously filed Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and the other disclosures contained herein and therein, which describe factors that could cause our actual results to differ from those anticipated in the forward-looking statements, including, but not limited to, the following factors:

volatility in commodity prices for oil and natural gas, including continued declines in the price for oil;

our ability to generate sufficient cash flow from operations and to borrow or access other sources of capital to enable us to fund our operations, satisfy our obligations and fully develop our undeveloped acreage positions;

we have substantial indebtedness and may incur more debt;

higher levels of indebtedness make us more vulnerable to economic downturns and adverse developments in our business;

our ability to replace our oil and natural gas reserves;

our ability to successfully integrate acquired oil and natural gas businesses and operations;

the possibility that acquisitions and divestitures may involve unexpected costs or delays, and that acquisitions may not achieve intended benefits and may divert management's time and energy;

our ability to successfully develop our large inventory of undeveloped acreage in our resource plays;

access to and availability of water and other treatment materials to carry out fracture stimulations in our resource plays;

access to adequate gathering systems, processing facilities, transportation take-away capacity to move our production to market and marketing outlets to sell our production at market prices;

the presence or recoverability of estimated oil and natural gas reserves and the actual future production rates and associated costs;

contractual limitations that affect our management's discretion in managing our business, including covenants that, among other things, limit our ability to incur debt, make investments and pay cash dividends;

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the potential for production decline rates for our wells to be greater than we expect;

our ability to retain key members of senior management, board members, and key technical employees;

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competition, including competition for acreage in resource play holdings;

environmental risks;

drilling and operating risks;

exploration and development risks;

the possibility that the industry may be subject to future regulatory or legislative actions (including additional taxes and changes in environmental regulations);

general economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business, may be less favorable than expected, including the possibility that economic conditions in the United States will worsen and that capital markets are disrupted, which could adversely affect demand for oil and natural gas and make it difficult to access capital;

social unrest, political instability or armed conflict in major oil and natural gas producing regions outside the United States, such as the Middle East, and armed conflict or acts of terrorism or sabotage;

other economic, competitive, governmental, regulatory, legislative, including federal, state and tribal regulations and laws, geopolitical and technological factors that may negatively impact our business, operations or oil and natural gas prices;

the insurance coverage maintained by us may not adequately cover all losses that we may sustain;

title to the properties in which we have an interest may be impaired by title defects;

senior management's ability to execute our plans to meet our goals;

the cost and availability of goods and services, such as drilling rigs, fracture stimulation services and tubulars; and

our dependency on the skill, ability and decisions of third party operators of the oil and natural gas properties in which we have a non-operated working interest.

All forward-looking statements are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this document. Other than as required under the securities laws, we do not assume a duty to update these forward-looking statements, whether as a result of new information, subsequent events or circumstances, changes in expectations or otherwise.

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements (Unaudited)****HALCÓN RESOURCES CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Operating revenues:				
Oil, natural gas and natural gas liquids sales:				
Oil	\$ 158,110	\$ 304,212	\$ 282,523	\$ 560,241
Natural gas	5,578	10,308	12,537	19,717
Natural gas liquids	3,889	9,364	7,957	18,123
Total oil, natural gas and natural gas liquids sales	167,577	323,884	303,017	598,081
Other	447	3,260	1,201	4,212
Total operating revenues	168,024	327,144	304,218	602,293
Operating expenses:				
Production:				
Lease operating	25,233	30,968	59,018	67,606
Workover and other	3,731	3,988	6,845	6,777
Taxes other than income	12,903	30,310	25,144	54,470
Gathering and other	7,746	5,898	21,492	10,659
Restructuring	309		2,230	987
General and administrative	22,662	27,743	47,071	60,541
Depletion, depreciation and accretion	101,194	133,470	220,338	253,378
Full cost ceiling impairment	948,633		1,502,636	61,165
Other operating property and equipment impairment		3,477		3,789
Total operating expenses	1,122,411	235,854	1,884,774	519,372
Income (loss) from operations	(954,387)	91,290	(1,580,556)	82,921
Other income (expenses):				
Net gain (loss) on derivative contracts	(87,564)	(121,042)	12,184	(154,698)
Interest expense and other, net	(60,922)	(37,725)	(122,229)	(68,664)
Gain (loss) on extinguishment of debt	22,766		22,766	
Gain (loss) on extinguishment of Convertible Note and modification of February 2012 Warrants	(8,219)		(8,219)	
Total other income (expenses)	(133,939)	(158,767)	(95,498)	(223,362)
Income (loss) before income taxes	(1,088,326)	(67,477)	(1,676,054)	(140,441)
Income tax benefit (provision)	(286)		(199)	
Net income (loss)	(1,088,612)	(67,477)	(1,676,253)	(140,441)
Series A preferred dividends	(4,902)	(4,960)	(9,803)	(9,919)
Preferred dividends and accretion on redeemable noncontrolling interest	(11,067)	(896)	(19,718)	(896)
Net income (loss) available to common stockholders	\$ (1,104,581)	\$ (73,333)	\$ (1,705,774)	\$ (151,256)

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Net income (loss) per share of common stock:

Basic	\$	(2.03)	\$	(0.18)	\$	(3.53)	\$	(0.37)
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Diluted	\$	(2.03)	\$	(0.18)	\$	(3.53)	\$	(0.37)
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Weighted average common shares outstanding: