

Gastar Exploration Inc.
Form 10-Q
August 06, 2015
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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 June 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: 001-35211

GASTAR EXPLORATION INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware (State or other jurisdiction of incorporation or organization) | 38-3531640 (I.R.S. Employer Identification No.) |
|---|---|

| | |
|--|---------------------|
| 1331 Lamar Street, Suite 650 Houston, Texas (Address of principal executive offices) (713) 739-1800 (Registrant's telephone number, including area code) | 77010 (Zip 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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |

(Do not check if a smaller reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The total number of outstanding common shares, \$0.001 par value per share, as of August 3, 2015 was 80,142,118.

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GASTAR EXPLORATION INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015
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On November 14, 2013, Gastar Exploration Ltd., an Alberta, Canada corporation, changed its jurisdiction of incorporation to the State of Delaware and changed its name to “Gastar Exploration, Inc.” On January 31, 2014, Gastar Exploration, Inc. merged with and into Gastar Exploration USA, Inc., its direct subsidiary, as part of a reorganization to eliminate Gastar Exploration, Inc.’s holding company corporate structure. Pursuant to the merger agreement, shares of Gastar Exploration, Inc.’s common stock were converted into an equal number of shares of common stock of Gastar Exploration USA, Inc., and Gastar Exploration USA, Inc. changed its name to “Gastar Exploration Inc.” Gastar Exploration Inc. owns and continues to conduct Gastar Exploration, Inc.’s business in substantially the same manner as was being conducted prior to the merger.

Unless otherwise indicated or required by the context, (i) for any date or period prior to the January 31, 2014 merger described above, “Gastar,” the “Company,” “we,” “us,” “our” and similar terms refer collectively to Gastar Exploration, Inc.(formerly known as Gastar Exploration Ltd.) and its subsidiaries, including Gastar Exploration Inc. (formerly known as Gastar Exploration USA, Inc.), and for any date or period after January 31, 2014, such terms refer collectively to Gastar Exploration Inc. and its subsidiaries, (ii) “Gastar USA” refers to Gastar Exploration USA, Inc., which until January 31, 2014 was a first-tier subsidiary of Gastar Exploration, Inc. and its primary operating company, (iii) “Parent” refers to Gastar Exploration, Inc., (iv) all dollar amounts appearing in this Form 10-Q are stated in United States dollars (“U.S. dollars”) unless otherwise noted and (v) all financial data included in this Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). General information about us can be found on our website at www.gastar.com. The information available on or through our website, or about us on any other website, is neither incorporated into, nor part of, this report. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other filings that we make with the U.S. Securities and Exchange Commission (“SEC”), as well as any amendments and exhibits to those reports, will be available free of charge through our website as soon as reasonably practicable after we file or furnish them to the SEC. Information is also available on the SEC website at www.sec.gov for our U.S. filings.

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Glossary of Terms

| | |
|-------------|---|
| AMI | Area of mutual interest, an agreed designated geographic area where joint venturers or other industry partners have a right of participation in acquisitions and operations |
| Bbl | Barrel of oil, condensate or NGLs |
| Bbl/d | Barrels of oil, condensate or NGLs per day |
| Bcf | One billion cubic feet of natural gas |
| Bcfe | One billion cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf |
| Boe | One barrel of oil equivalent determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or NGLs |
| Boe/d | Barrels of oil equivalent per day |
| Btu | British thermal unit, typically used in measuring natural gas energy content |
| CRP | Central receipt point |
| FASB | Financial Accounting Standards Board |
| Gross acres | Refers to acres in which we own a working interest |
| Gross wells | Refers to wells in which we have a working interest |
| MBbl | One thousand barrels of oil, condensate or NGLs |
| MBbl/d | One thousand barrels of oil, condensate or NGLs per day |
| MBoe | One thousand barrels of oil equivalent, calculated by converting natural gas volumes on the basis of 6 Mcf of natural gas per barrel |
| MBoe/d | One thousand barrels of oil equivalent per day |
| Mcf | One thousand cubic feet of natural gas |
| Mcf/d | One thousand cubic feet of natural gas per day |
| Mcfe | One thousand cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf |
| MMBtu/d | One million British thermal units per day |
| MMcf | One million cubic feet of natural gas |

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| | |
|-----------|---|
| MMcf/d | One million cubic feet of natural gas per day |
| MMcfe | One million cubic feet of natural gas equivalent, calculated by converting liquids volumes on the basis of 1/6th of a barrel of oil, condensate or NGLs per Mcf |
| MMcfe/d | One million cubic feet of natural gas equivalent per day |
| Net acres | Refers to our proportionate interest in acreage resulting from our ownership in gross acreage |
| Net wells | Refers to gross wells multiplied by our working interest in such wells |
| NGLs | Natural gas liquids |
| NYMEX | New York Mercantile Exchange |
| PBU | Performance based unit comprising one of our compensation plan awards |
| psi | Pounds per square inch |
| U.S. | United States of America |
| U.S. GAAP | Accounting principles generally accepted in the United States of America |

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GASTAR EXPLORATION INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 2015 (Unaudited) | December 31, 2014 |
|--|-----------------------------------|----------------------|
| | (in thousands, except share data) | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$9,378 | \$ 11,008 |
| Accounts receivable, net of allowance for doubtful accounts of \$0, respectively | 16,431 | 30,841 |
| Commodity derivative contracts | 13,159 | 19,687 |
| Prepaid expenses | 686 | 2,083 |
| Total current assets | 39,654 | 63,619 |
| PROPERTY, PLANT AND EQUIPMENT: | | |
| Oil and natural gas properties, full cost method of accounting: | | |
| Unproved properties, excluded from amortization | 123,162 | 128,274 |
| Proved properties | 1,208,229 | 1,124,367 |
| Total oil and natural gas properties | 1,331,391 | 1,252,641 |
| Furniture and equipment | 3,055 | 3,010 |
| Total property, plant and equipment | 1,334,446 | 1,255,651 |
| Accumulated depreciation, depletion and amortization | (694,054) | (563,351) |
| Total property, plant and equipment, net | 640,392 | 692,300 |
| OTHER ASSETS: | | |
| Commodity derivative contracts | 9,996 | 7,815 |
| Deferred charges, net | 2,889 | 2,586 |
| Advances to operators and other assets | 795 | 9,474 |
| Total other assets | 13,680 | 19,875 |
| TOTAL ASSETS | \$693,726 | \$ 775,794 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 13,333 | \$ 28,843 |
| Revenue payable | 6,770 | 9,122 |
| Accrued interest | 3,553 | 3,528 |
| Accrued drilling and operating costs | | |