

Resolute Energy Corp  
Form 10-Q  
August 06, 2018  
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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, 2018

OR

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

Commission File No. 001-34464

RESOLUTE ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware  
(State or other Jurisdiction of

27-0659371  
(I.R.S. Employer

Incorporation or Organization)

Identification Number)

1700 Lincoln Street, Suite 2800 Denver, CO  
(Address of Principal Executive Offices)

80203  
(Zip Code)

(303) 534-4600

(Registrant's telephone number, including area code)

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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 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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a small reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

No

As of July 31, 2018, 23,166,491 shares of the Registrant’s \$0.0001 par value Common Stock were outstanding.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. The use of any statements containing the words “expect,” “estimate,” “project,” “budget,” “forecast,” “anticipate,” “intend,” “plan,” “may,” “will,” “could,” “should,” “poised,” “believes,” “predicts,” “potent” similar expressions are intended to identify such statements; however the absence of these words does not mean the statements are not forward-looking. Forward-looking statements included in this report relate to, among other things, anticipated production in 2018; anticipated capital expenditures and activity in 2018; future leverage ratios; the impact and amount of contingency payments from the parent of the Aneth Field purchaser; potential proceeds from a midstream transaction with the Bronco properties; future earnout payments; future infrastructure and other capital projects; our financial condition and management of the Company in the current commodity price environment, including expectations regarding price and basis differential fluctuations; future financial and operating results; liquidity and availability of capital; future borrowing base adjustments and the effect thereof; future pad drilling timing and plans and expected resulting cost savings and production impact; future production, reserve growth and decline rates; our plans and expectations regarding our development activities including drilling and completing wells, the number of such potential projects, locations and anticipated acreage held by production by the end of 2018; the potential impact of well interference and the effectiveness of operational adjustments to mitigate it; the prospectivity of our properties and acreage; and the anticipated accounting treatment of various activities. Although we believe that these statements are based upon reasonable current assumptions, no assurance can be given that the future results covered by the forward-looking statements will be achieved. Forward-looking statements can be subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by the forward-looking statements. The forward-looking statements in this report are primarily, although not exclusively, located under the heading “Risk Factors.” All forward-looking statements speak only as of the date made. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Except as required by law, we undertake no obligation to update any forward-looking statement. Factors that could cause actual results to differ materially from our expectations include, among others, those factors referenced in the “Risk Factors” section of this report, if any, in our Annual Report on Form 10-K for the year ended December 31, 2017, as amended (“Form 10-K”), and such things as:

- the Company’s ability to successfully implement its strategy to create long-term stockholder value;
  - volatility of oil and gas prices, including extended periods of depressed prices that would adversely affect our revenue, income, cash flow from operations and liquidity and the discovery, estimation and development of, and our ability to replace oil and gas reserves;
- a lack of available capital and financing, including the capital needed to pursue our operations and other development plans for our properties, on acceptable terms, including as a result of a reduction in the borrowing base under our revolving credit facility;
- increases in the differentials between index oil on gas prices and the prices we receive;
- disruptions to, capacity constraints in or other limitations on the pipeline systems that deliver our oil, NGL and gas and other processing and transportation considerations;
- the success of the development plan for and production from our oil and gas properties;
- the completion, timing and success of drilling on our properties;
- the potential for downspacing, infill or multi-lateral drilling in the Permian Basin or obstacles thereto;
- the completion and success of exploratory drilling on our properties;
- the timing and amount of future production of oil and gas;
- changes in our production mix of oil and gas;
- risks related to our level of indebtedness;
- our ability to fulfill our obligations under our revolving credit facility, the senior notes and any additional indebtedness we may incur;
- constraints imposed on our business and operations by our revolving credit facility and senior notes which may limit our ability to execute our business strategy;

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future write downs of reserves and the carrying value of our oil and gas properties;  
potential operational disruption caused by the actions of stockholder activists;  
acquisitions and other business opportunities (or lack thereof) that may be presented to and pursued by us, and the risk that any opportunity currently being pursued will fail to consummate or encounter material complications;  
risks associated with unanticipated liabilities assumed, or title, environmental or other problems resulting from, our acquisitions;  
our future cash flow, liquidity and financial position;

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- the success of our business and financial strategy, hedging strategies and plans;
- risks associated with rising interest rates;
- inaccuracies in reserve estimates;
- operational problems, or uninsured or underinsured losses affecting our operations or financial results;
  - the amount, nature and timing of our capital expenditures, including future development costs;
- the impact of any U.S. or global economic recession;
- the ability to sell or otherwise monetize assets at values and on terms that are advantageous to us;
- our ability to achieve the growth and benefits we expect from our acquisitions;
- availability of, or delays related to, drilling, completion and production, personnel, supplies and equipment;
- risks and uncertainties in the application of available horizontal drilling and completion techniques;
- uncertainty surrounding occurrence and timing of identifying drilling locations and necessary capital to drill such locations;
- our ability to fund and develop our estimated proved undeveloped reserves and resources;
- the effect of third party activities on our oil and gas operations, including our dependence on third party-owned water sourcing, gathering and disposal, oil gathering and gas gathering and processing systems;
- the concentration of our credit risk as the result of depending on one primary oil purchaser and one primary gas purchaser in the Delaware Basin;
- our operating costs and other expenses;
- our success in marketing oil and gas;
- the impact and costs related to compliance with, or changes in, laws or regulations governing our oil and gas operations and the potential for increased regulation of drilling and completion techniques, underground injection or fracturing operations;
- our relationship with the local communities in the areas where we operate;
- the availability of water and our ability to adequately treat and dispose of water while and after drilling and completing wells;
- potential regulation of waste water injection intended to address seismic activity;
- the concentration of our producing properties in a single geographic area;
- potential changes to regulations affecting derivatives instruments;
- environmental liabilities under existing or future laws and regulations;
- the impact of climate change regulations on oil and gas production and demand;
- potential changes in income tax deductions and credits currently available to the oil and gas industry;
- the impact of weather and the occurrence of disasters, such as fires, explosions, floods and other events and natural disasters;
- competition in the oil and gas industry and failure to keep pace with technological development;
- actions, announcements and other developments in OPEC and in other oil and gas producing countries;
- risks relating to our joint interest partners' and other counterparties' inability to fulfill their contractual commitments;
- loss of senior management or key technical personnel;
- the impact of long-term incentive programs, including performance-based awards and stock appreciation rights;
- timing of issuance of permits and rights of way, including the effects of any government shut-downs;
- potential power disruptions or supply limitations in the electrical infrastructure serving our operations;
- timing of installation of gathering infrastructure in areas of new exploration and development;
- potential breakdown of equipment and machinery relating to the gathering and compression infrastructure;
- losses possible from pending or future litigation;
- cybersecurity risks;
- the risk of a transaction that could trigger a change of control under our debt agreements;
- risks related to our common stock, potential declines in stock prices and potential future dilution to stockholders;
- risk factors discussed or referenced in this report; and
- other factors, many of which are beyond our control.



Additionally, the Securities and Exchange Commission (“SEC”) requires oil and gas companies, in filings made with the SEC, to disclose proved reserves, which are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, under existing economic conditions, operating methods and governmental regulations. The SEC permits the optional disclosure of probable and possible reserves. From time to time, we may elect to disclose “probable” reserves and “possible” reserves, excluding their valuation, in our SEC filings, press releases and investor presentations. The SEC defines “probable” reserves as “those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are likely as not to be recovered.” The SEC defines “possible” reserves as “those additional reserves that are less certain to be recovered than probable reserves.” The Company applies these definitions when estimating probable and possible reserves. Statements of reserves are only estimates and may not correspond to the ultimate quantities of oil and gas recovered. Any reserves estimates or potential resources disclosed in our public filings, press releases and investor presentations that are not specifically designated as being estimates of proved reserves may include estimated reserves not necessarily calculated in accordance with, or contemplated by, the SEC’s reserves reporting guidelines.

SEC rules prohibit us from including resource estimates in our public filings with the SEC. Our potential resource estimates include estimates of hydrocarbon quantities for (i) new areas for which we do not have sufficient information to date to classify as proved, probable or possible reserves, (ii) other areas to take into account the level of certainty of recovery of the resources and (iii) uneconomic proved, probable or possible reserves. Potential resource estimates do not take into account the certainty of resource recovery and are therefore not indicative of the expected future recovery and should not be relied upon for such purpose. Potential resources might never be recovered and are contingent on exploration success, technical improvements in drilling access, commerciality and other factors. In our press releases and investor presentations, we sometimes include estimates of quantities of oil and gas using certain terms, such as “resource,” “resource potential,” “EUR,” “oil in place,” or other descriptions of volumes of reserves, which terms include quantities of oil and gas that may not meet the SEC definition of proved, probable and possible reserves. These estimates are by their nature more speculative than estimates of proved reserves and accordingly are subject to substantially greater risk of being recovered by Resolute. The Company believes its potential resource estimates are reasonable, but such estimates have not been reviewed by independent engineers. Furthermore, estimates of potential resources may change significantly as development provides additional data, and actual quantities that are ultimately recovered may differ substantially from prior estimates.

Production rates, including “early time” rates, 24-hour peak IP rates, 30-day peak IP rates, 60-day peak IP rates, 90-day peak IP rates, 120-day peak IP rates and 150-day peak IP rates for both our wells and for those wells that are located near to our properties are limited data points in each well’s productive history and represent three stream gross production. These rates are sometimes actual rates and sometimes extrapolated or normalized rates. As such, the rates for a particular well may change as additional data becomes available. Peak production rates are not necessarily indicative or predictive of future production rates, EUR or economic rates of return from such wells and should not be relied upon for such purpose. Equally, the way we calculate and report peak IP rates and the methodologies employed by others may not be consistent, and thus the values reported may not be directly and meaningfully comparable. Lateral lengths described are indicative only. Actual completed lateral lengths depend on various considerations such as lease line offsets. Standard length laterals, sometimes referred to as 5,000 foot laterals, are laterals with completed length generally between 4,000 feet and 5,500 feet. Mid length laterals, sometimes referred to as 7,500 foot laterals, are laterals with completed length generally between 6,000 feet and 8,000 feet. Long laterals, sometimes referred to as 10,000 foot laterals, are laterals with completed length generally longer than 8,000 feet.

You are urged to consider closely the disclosure in this Form 10-Q and in our Form 10-K, in particular the factors described under “Risk Factors.”





TABLE OF CONTENTS

PART I -	<u>FINANCIAL INFORMATION</u>	1
Item 1.	<u>Financial Statements</u>	1
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	35
Item 4.	<u>Controls and Procedures</u>	37
PART II -	<u>OTHER INFORMATION</u>	38
Item 1.	<u>Legal Proceedings</u>	38
Item 1 A.	<u>Risk Factors</u>	38
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	38
Item 3.	<u>Defaults Upon Senior Securities</u>	38
Item 4.	<u>Mine Safety Disclosures</u>	38
Item 5.	<u>Other Information</u>	38