

SPINNAKER EXPLORATION CO
Form 10-Q
August 13, 2003
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

- x Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2003.
- .. 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 001-16009

SPINNAKER EXPLORATION COMPANY

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

76-0560101
(I.R.S. Employer Identification No.)

1200 Smith Street, Suite 800

Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 759-1770

(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

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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

The number of shares outstanding of the registrant's common stock, par value \$0.01 per share, on August 13, 2003 was 33,223,733.

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For the Three and Six Months Ended June 30, 2003

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	As of June 30, 2003	As of December 31, 2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,218	\$ 32,543
Accounts receivable, net of allowance for doubtful accounts of \$3,232 at June 30, 2003 and December 31, 2002, respectively	26,915	37,572
Other	8,280	11,438
	<u>54,413</u>	<u>81,553</u>
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full-cost accounting:		
Proved properties	1,032,619	879,840
Unproved properties and properties under development, not being amortized	160,582	141,326
Other	15,218	14,461
	<u>1,208,419</u>	<u>1,035,627</u>
Less Accumulated depreciation, depletion and amortization	(341,427)	(274,773)
	<u>866,992</u>	<u>760,854</u>
Total property and equipment	866,992	760,854
OTHER ASSETS	159	308
	<u>921,564</u>	<u>842,715</u>
Total assets	\$ 921,564	\$ 842,715
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 28,298	\$ 29,453
Accrued liabilities and other	48,910	38,542
Hedging liabilities	19,157	19,917
Asset retirement obligations, current portion	1,262	
	<u>97,627</u>	<u>87,912</u>
Total current liabilities	97,627	87,912
ASSET RETIREMENT OBLIGATIONS	28,855	
DEFERRED INCOME TAXES	75,605	61,826
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding at June 30, 2003 and December 31, 2002, respectively		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 33,231,981 shares issued and 33,220,137 shares outstanding at June 30, 2003 and 33,184,463 shares issued and 33,171,759 shares outstanding at December 31, 2002	332	332
Additional paid-in capital	596,817	596,087
Retained earnings	134,663	109,337
Less: Treasury stock, at cost, 11,844 shares at June 30, 2003 and 12,704 shares at December 31, 2002	(30)	(32)

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Accumulated other comprehensive loss	(12,305)	(12,747)
Total equity	719,477	692,977
Total liabilities and equity	\$ 921,564	\$ 842,715

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

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(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
REVENUES	\$ 55,931	\$ 37,164	\$ 127,602	\$ 69,764
EXPENSES:				
Lease operating expenses	5,208	3,734	10,701	7,143
Depreciation, depletion and amortization natural gas and oil properties	31,242	21,231	64,077	38,608
Depreciation and amortization other	322	210	633	383
Accretion expense	569		1,064	
Gain on settlement of asset retirement obligations	(171)		(171)	
General and administrative	3,001	2,733	6,040	5,411
Total expenses	40,171	27,908	82,344	51,545
INCOME FROM OPERATIONS	15,760	9,256	45,258	18,219
OTHER INCOME (EXPENSE):				
Interest income	62	620	127	664
Interest expense, net	(153)	(155)	(302)	(449)
Total other income (expense)	(91)	465	(175)	215
INCOME BEFORE INCOME TAXES	15,669	9,721	45,083	18,434
Income tax expense	5,641	3,499	16,230	6,636
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	10,028	6,222	28,853	11,798
Cumulative effect of change in accounting principle			(3,527)	
NET INCOME	\$ 10,028	\$ 6,222	\$ 25,326	\$ 11,798
BASIC INCOME PER COMMON SHARE:				
Income before cumulative effect of change in accounting principle	\$ 0.30	\$ 0.19	\$ 0.87	\$ 0.39
Cumulative effect of change in accounting principle (Note 3)			(0.11)	
NET INCOME PER COMMON SHARE	\$ 0.30	\$ 0.19	\$ 0.76	\$ 0.39
DILUTED INCOME PER COMMON SHARE:				
Income before cumulative effect of change in accounting principle	\$ 0.30	\$ 0.18	\$ 0.85	\$ 0.38
Cumulative effect of change in accounting principle			(0.10)	
NET INCOME PER COMMON SHARE	\$ 0.30	\$ 0.18	\$ 0.75	\$ 0.38

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WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	33,207	33,030	33,199	30,200
Diluted	33,859	34,162	33,776	31,330

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

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SPINNAKER EXPLORATION COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 25,326	\$ 11,798
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	64,710	38,991
Accretion expense	1,064	
Gain on settlement of asset retirement obligations	(171)	
Deferred income tax expense	15,970	6,936
Cumulative effect of change in accounting principle	3,527	
Other	132	490
Change in operating assets and liabilities:		
Accounts receivable	10,657	(16,345)
Accounts payable and accrued liabilities	5,891	