

SPINNAKER EXPLORATION CO
Form 10-Q
November 12, 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 September 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)

1200 Smith Street, Suite 800
Houston, Texas
(Address of principal executive offices)

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

77002
(Zip Code)

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(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 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 November 12, 2003 was 33,273,061.

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SPINNAKER EXPLORATION COMPANY

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For the Three and Nine Months Ended September 30, 2003

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(In thousands, except share and per share data)

	As of September 30, 2003	As of December 31, 2002
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,645	\$ 32,543
Accounts receivable, net of allowance for doubtful accounts of \$3,232 at September 30, 2003 and December 31, 2002, respectively	26,700	37,572
Other	4,348	11,438
Total current assets	41,693	81,553
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full-cost accounting:		
Proved properties	1,104,228	879,840
Unproved properties and properties under development, not being amortized	146,492	141,326
Other	16,550	14,461
	1,267,270	1,035,627
Less Accumulated depreciation, depletion and amortization	(372,679)	(274,773)
Total property and equipment	894,591	760,854
OTHER ASSETS	83	308
Total assets	\$ 936,367	\$ 842,715
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 26,721	\$ 29,453
Accrued liabilities and other	44,062	38,542
Hedging liabilities	5,514	19,917
Asset retirement obligations, current portion	850	
Total current liabilities	77,147	87,912
LONG-TERM DEBT	18,000	
ASSET RETIREMENT OBLIGATIONS	29,638	
DEFERRED INCOME TAXES	78,235	61,826
COMMITMENTS AND CONTINGENCIES		
EQUITY:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; no shares issued and outstanding at September 30, 2003 and December 31, 2002, respectively		
Common stock, \$0.01 par value; 50,000,000 shares authorized; 33,250,276 shares issued and 33,238,752 shares outstanding at September 30, 2003 and 33,184,463 shares issued and 33,171,759 shares outstanding at December 31, 2002	333	332

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Additional paid-in capital	597,087	596,087
Retained earnings	139,485	109,337
Less: Treasury stock, at cost, 11,524 shares at September 30, 2003 and 12,704 shares at December 31, 2002	(29)	(32)
Accumulated other comprehensive loss	(3,529)	(12,747)
Total equity	<u>733,347</u>	<u>692,977</u>
Total liabilities and equity	<u>\$ 936,367</u>	<u>\$ 842,715</u>

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		Nine Months	
	Ended September 30,		Ended September 30,	
	2003	2002	2003	2002
REVENUES	\$ 50,138	\$ 51,588	\$ 177,740	\$ 121,322
EXPENSES:				
Lease operating expenses	7,322	5,237	18,023	12,380
Depreciation, depletion and amortization natural gas and oil properties	30,399	31,929	94,476	70,537
Depreciation and amortization other	333	246	966	629
Accretion expense	529		1,593	
Gain on settlement of asset retirement obligations	(90)		(261)	
General and administrative	3,925	2,976	9,965	8,387
Charges related to Enron bankruptcy		128		128
Total expenses	42,418	40,516	124,762	92,061
INCOME FROM OPERATIONS	7,720	11,042	52,978	29,261
OTHER INCOME (EXPENSE):				
Interest income	49	272	176	936
Interest expense, net	(234)	(148)	(536)	(597)
Total other income (expense)	(185)	124	(360)	339
INCOME BEFORE INCOME TAXES	7,535	11,166	52,618	29,600
Income tax expense	2,713	4,020	18,943	10,656
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	4,822	7,146	33,675	18,944
Cumulative effect of change in accounting principle (Note 3)			(3,527)	
NET INCOME	\$ 4,822	\$ 7,146	\$ 30,148	\$ 18,944
BASIC INCOME PER COMMON SHARE:				
Income before cumulative effect of change in accounting principle	\$ 0.15	\$ 0.22	\$ 1.02	\$ 0.61
Cumulative effect of change in accounting principle			(0.11)	
NET INCOME PER COMMON SHARE	\$ 0.15	\$ 0.22	\$ 0.91	\$ 0.61
DILUTED INCOME PER COMMON SHARE:				
Income before cumulative effect of change in accounting principle	\$ 0.14	\$ 0.21	\$ 0.99	\$ 0.59
Cumulative effect of change in accounting principle			(0.10)	

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NET INCOME PER COMMON SHARE	\$ 0.14	\$ 0.21	\$ 0.89	\$ 0.59
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
Basic	33,226	33,160	33,208	31,198
Diluted	33,865	34,038	33,806	32,118

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)

	Nine Months	
	Ended September 30,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 30,148	\$ 18,944
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	95,442	71,166
Accretion expense	1,593	
Gain on settlement of asset retirement obligations	(261)	
Deferred income tax expense	18,683	10,956
Cumulative effect of change in accounting principle	3,527	