

GULFPORT ENERGY CORP  
Form 8-K  
October 09, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): October 9, 2012

**GULFPORT ENERGY CORPORATION**

(Exact Name of Registrant as Specified in Charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**000-19514**  
(Commission  
File Number)

**73-1521290**  
(I.R.S. Employer  
Identification Number)

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14313 North May Avenue

Suite 100

Oklahoma City, OK  
(Address of principal executive offices)

(405) 848-8807

73134  
(Zip code)

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act

**Item 1.01. Entry into a Material Definitive Agreement.**

Effective as of October 9, 2012, Gulfport Energy Corporation ( Gulfport ) entered into a Fifth Amendment (the Fifth Amendment ) to its senior secured revolving credit agreement, originally dated as of September 30, 2010, as subsequently amended (the Credit Agreement ), among Gulfport, as borrower, The Bank of Nova Scotia, as administrative agent and letter of credit issuer and lead arranger, and certain lenders and agents party thereto. The Fifth Amendment (a) modified certain covenants in the Credit Agreement to permit Gulfport to undertake its recently announced offering of senior notes due 2020 to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act ), and to certain non-U.S. persons in accordance with Regulation S under the Securities Act (the Note Offering ) and (b) provided for a reduction in the borrowing base to an amount to be determined upon completion of the Note Offering. The preceding summary of the Fifth Amendment is qualified in its entirety by reference to the full text of such agreement, a copy of which is attached as Exhibit 10.1 hereto and incorporated herein by reference.

An affiliate of Scotia Capital (USA) Inc. acts as administrative agent, letter of credit issuer and sole lead manager and affiliates of each of Credit Suisse (USA) LLC, Deutsche Bank Securities, Inc., IBERIA Capital Partners L.L.C. and KeyBanc Capital Markets Inc. act as lenders under the Credit Agreement and will receive a portion of the net proceeds of the proposed Note Offering, if completed. Amegy Bank National Association is also a lender under the Credit Agreement and is acting as a financial advisor to Gulfport in connection with the proposed Note Offering. Certain lenders under the Credit Agreement or their affiliates have entered, and may in the future enter, into hedging transactions with Gulfport or its affiliates, in the ordinary course of business, for which they have received and will receive customary compensation.

**Item 7.01. Regulation FD Disclosure.**

On October 9, 2012, Gulfport issued a press release announcing production results on its Shugert 1-1H well in the Utica Shale and provided an operational update. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K.

**Item 8.01. Other Events.**

Gulfport previously reported that on May 7, 2012 it entered into a Contribution Agreement (the Contribution Agreement ) with Diamondback Energy, Inc. ( Diamondback ), pursuant to which Gulfport agreed to contribute to Diamondback, prior to the closing of Diamondback 's pending initial public offering (the Diamondback IPO ), all of Gulfport 's oil and gas interests in the Permian Basin, which represented approximately 67% of Gulfport 's proved reserves as of December 31, 2011, in exchange for (i) shares of common stock representing 35% of Diamondback 's outstanding common stock immediately prior to the closing of the Diamondback IPO and (ii) \$63.6 million in the form of a non-interest bearing promissory note, which will be repaid in full upon the closing of the Diamondback IPO with a portion of the net proceeds from the Diamondback IPO, which consideration is subject to certain post-closing adjustments. As previously reported, Gulfport 's obligation to make this contribution is contingent upon, among other conditions, Gulfport 's satisfaction with the terms of the Diamondback IPO and is subject to certain customary closing conditions. If this contribution is completed, Gulfport would be required under Item 2.01 of Form 8-K to provide certain pro forma financial information illustrating the effect of Gulfport 's contribution of its oil and gas interests in the Permian Basin to Diamondback in connection with the Diamondback IPO. Such pro forma financial information is included as Item 9.01 of this Current Report on Form 8-K and is incorporated herein by reference. This pro forma financial information also illustrates the effect of the proposed Note Offering. None of Gulfport 's contribution to Diamondback, the Diamondback IPO or the Note Offering has been completed at this time, and there is no assurance that any of these transactions will be completed.

**Item 9.01. Financial Statements and Exhibits**

*(b) Pro Forma Financial Information.*

Unaudited Pro Forma Financial Statements of Gulfport giving effect to (a) Gulfport's contribution of its Permian Basin oil and gas interests to Diamondback in connection with the Diamondback IPO and (b) the Note Offering.

*(d) Exhibits.*

<b>Number</b>	<b>Exhibit</b>
10.1	Fifth Amendment to Credit Agreement, effective as of October 9, 2012, among Gulfport Energy Corporation, as borrower, The Bank of Nova Scotia, as administrative agent and letter of credit issuer and lead arranger, and certain lenders and agents party thereto.
99.1	Press release dated October 9, 2012 entitled Gulfport Energy Reports Utica Shale Results and Provides Operational Update.

**GULFPORT ENERGY CORPORATION**

**Introduction to the Unaudited Pro Forma Financial Statements**

The following unaudited pro forma financial information is presented to illustrate the effect of Gulfport Energy Corporation's (the "Company") (1) contribution of its oil and gas interests in the Permian Basin to Diamondback Energy, Inc. ("Diamondback") in connection with Diamondback's initial public offering (the "Diamondback IPO") in exchange for (i) shares of common stock representing 35% of Diamondback's outstanding common stock immediately prior to the closing of the Diamondback IPO and (ii) \$63,590,050 in the form of a non-interest bearing promissory note to be repaid in full upon the closing of the Diamondback IPO and (2) the offering of \$250 million aggregate principal amount of senior notes (the "note") on Gulfport's historical financial position and operating results. The unaudited pro forma balance sheet as of June 30, 2012 is based on the historical statements of the Company as of June 30, 2012 after giving effect to the transactions as if they had occurred on June 30, 2012. The unaudited pro forma statements of operations for the six months ended June 30, 2012 and the fiscal year ended December 31, 2011 are based on the historical financial statements of the Company for such periods after giving effect to the transactions as if they had occurred on January 1, 2011. The unaudited pro forma financial information should be read in conjunction with the Company's historical consolidated financial statements and notes thereto included in the Company's reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

The preparation of the unaudited pro forma consolidated financial information is based on financial statements prepared in accordance with accounting principles generally accepted in the United States of America. These principles require the use of estimates that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

The unaudited pro forma consolidated financial information is provided for illustrative purposes only and does not represent what the actual results of operations or the financial position of the Company would have been had the transactions occurred on the respective dates assumed, nor is it indicative of the Company's future operating results or financial position. The pro forma adjustments reflected in the accompanying unaudited pro forma consolidated financial information reflect estimates and assumptions that the Company's management believes to be reasonable.

## GULFPORT ENERGY CORPORATION

## UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

At June 30, 2012

	As Reported	Senior Note Offering Adjustments	Diamondback Contribution Adjustments	Pro Forma as Adjusted
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 6,613,000	\$ 174,500,000 (1)	\$ 63,590,000 (4)	\$ 244,703,000
Accounts receivable - oil and gas	23,269,000			23,269,000
Accounts receivable - related parties	27,182,000			27,182,000
Prepaid expenses and other current assets	3,136,000			3,136,000
Short-term derivative instruments	9,714,000			9,714,000
<b>Total current assets</b>	<b>69,914,000</b>	<b>174,500,000</b>	<b>63,590,000</b>	<b>308,004,000</b>
Property and equipment:				
Oil and natural gas properties, full-cost accounting, \$199,598,000 and \$184,565,000 excluded from amortization as reported and pro forma as adjusted, respectively	1,219,376,000		(194,133,000) (5), (6)	1,025,243,000
Other property and equipment	8,387,000			8,387,000
Accumulated depletion, depreciation, amortization and impairment	(620,182,000)			(620,182,000)
<b>Property and equipment, net</b>	<b>607,581,000</b>		<b>(194,133,000)</b>	<b>413,448,000</b>
Other assets				
Equity investments	185,934,000		142,200,000 (7)	328,134,000
Note receivable - related party	1,595,000			1,595,000
Other assets	5,776,000	7,500,000 (2)		13,276,000
<b>Total other assets</b>	<b>193,305,000</b>	<b>7,500,000</b>	<b>142,200,000</b>	<b>343,005,000</b>
Deferred tax asset	1,000,000			1,000,000
<b>Total assets</b>	<b>\$ 871,800,000</b>	<b>\$ 182,000,000</b>	<b>\$ 11,657,000</b>	<b>\$ 1,065,457,000</b>

<b>Liabilities and Stockholders Equity</b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 95,689,000	\$	\$	\$ 95,689,000
Asset retirement obligation - current	60,000			60,000
Current maturities of long-term debt	145,000			145,000
<b>Total current liabilities</b>	<b>95,894,000</b>			<b>95,894,000</b>
Asset retirement obligation - long-term	13,120,000		(1,144,000) (6)	11,976,000
Long-term debt, net of current maturities	70,072,000	182,000,000 (3)		252,072,000
<b>Total liabilities</b>	<b>179,086,000</b>	<b>182,000,000</b>	<b>(1,144,000)</b>	<b>359,942,000</b>

Commitments and contingencies

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Preferred stock, \$.01 par value; 5,000,000  
authorized, 30,000 authorized as redeemable 12%  
cumulative preferred stock, Series A; 0 issued and  
outstanding

Stockholders' equity:

Common stock \$.01 par value, 100,000,000  
authorized, 55,687,845 issued and outstanding in  
2012

	557,000		557,000
Paid-in capital	606,853,000		606,853,000
Accumulated other comprehensive income (loss)	8,771,000		8,771,000
Retained earnings (accumulated deficit)	76,533,000	12,801,000 (8)	89,334,000

<b>Total stockholders' equity</b>	<b>692,714,000</b>	<b>12,801,000</b>	<b>705,515,000</b>
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<b>Total liabilities and stockholders' equity</b>	<b>\$ 871,800,000</b>	<b>\$ 182,000,000</b>	<b>\$ 11,657,000</b>	<b>\$ 1,065,457,000</b>
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Notes:

- (1) To adjust cash for the estimated receipt of proceeds from the issuance of notes, net of assumed repayment of outstanding indebtedness under the Company's revolving credit facility and estimated issuance costs.
- (2) To adjust for estimated deferred issuance costs.
- (3) To adjust long-term debt, net of current maturities for the issuance of notes and the assumed repayment of outstanding indebtedness under the Company's revolving credit facility.
- (4) To adjust cash for the repayment of the non-interest bearing promissory note by Diamondback upon the closing of the Diamondback IPO.
- (5) To adjust for the oil and gas properties contributed to Diamondback.
- (6) To eliminate the non-current portion of asset retirement obligation related to assets contributed to Diamondback.
- (7) To adjust for the equity investment in Diamondback the Company will receive upon closing of the Diamondback IPO.
- (8) Gain on contribution of assets to Diamondback.



## GULFPORT ENERGY CORPORATION

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2012

	Gulfport Historical	Senior Note Offering Adjustments	Diamondback Contribution Adjustments	Pro Forma
<b>Revenues:</b>				
Oil and condensate sales	\$ 129,024,000	\$	\$ (12,280,000) (2)	\$ 116,744,000
Gas sales	1,154,000		(437,000) (2)	717,000
Natural gas liquids sales	1,500,000		(1,475,000) (2)	25,000
Other income	108,000			108,000
	131,786,000		(14,192,000)	117,594,000
<b>Costs and expenses:</b>				
Lease operating expenses	11,563,000		(3,914,000) (2)	7,649,000
Production taxes	15,341,000		(735,000) (2)	14,606,000
Depreciation, depletion, and amortization	45,047,000		8,386,000 (3)	53,433,000
General and administrative	6,272,000			6,272,000
Accretion expense	353,000		(20,000) (4)	333,000
	78,576,000		3,717,000	82,293,000
<b>INCOME FROM OPERATIONS:</b>	53,210,000		(17,909,000)	35,301,000
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense	627,000	9,565,000 (1)		10,192,000
Interest income	(31,000)			(31,000)
Loss from equity method investments	628,000		(2,869,000) (5)	(2,241,000)
	1,224,000	9,565,000	(2,869,000)	7,920,000
<b>INCOME BEFORE INCOME TAXES</b>	51,986,000	(9,565,000)	(15,040,000)	27,381,000
<b>INCOME TAX EXPENSE</b>				
<b>NET INCOME</b>	\$ 51,986,000	\$ (9,565,000)	\$ (15,040,000)	\$ 27,381,000
<b>NET INCOME PER COMMON SHARE:</b>				
Basic	\$ 0.93			\$ 0.49
Diluted	\$ 0.93			\$ 0.49
Weighted average common shares outstanding Basic	55,641,241			55,641,241
Weighted average common shares outstanding Diluted	56,175,248			56,175,248

Notes:

- (1) To adjust interest expense for issuance of notes and amortization of estimated deferred issuance costs and to eliminate historical interest on the Company's revolving credit facility.
- (2) To eliminate the revenues and direct operating expense for the assets contributed.
- (3) To adjust historical depletion expense associated with oil and gas properties contributed.
- (4) To eliminate historical accretion expense associated with the oil and gas properties contributed.

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- (5) To adjust for the gain on equity investment for the Company's estimated share of Diamondback's net income based on Diamondback's pro forma condensed consolidated statement of operations for the six months ended June 30, 2012.

## GULFPORT ENERGY CORPORATION

## UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2011

	Gulfport Historical	Senior Note Offering Adjustments	Diamondback Contribution Adjustments	Pro Forma
<b>Revenues:</b>				
Oil and condensate sales	\$ 222,025,000	\$	\$ (18,932,000)(2)	\$ 203,093,000
Gas sales	3,838,000		(1,070,000)(2)	2,768,000
Natural gas liquids sales	3,090,000		(3,050,000)(2)	40,000
Other income	301,000			301,000
	229,254,000		(23,052,000)	206,202,000
<b>Costs and expenses:</b>				
Lease operating expenses	20,897,000		(5,484,000)(2)	15,413,000
Production taxes	26,333,000		(1,276,000)(2)	25,057,000
Depreciation, depletion, and amortization	62,320,000		8,673,000 (3)	70,993,000
General and administrative	8,074,000			8,074,000
Accretion expense	666,000		(32,000)(4)	634,000
	118,290,000		1,881,000	120,171,000
<b>INCOME FROM OPERATIONS:</b>	110,964,000		(24,933,000)	86,031,000
<b>OTHER (INCOME) EXPENSE:</b>				
Interest expense	1,400,000	18,988,000 (1)		20,388,000
Interest income	(186,000)			(186,000)
Loss from equity method investments	1,418,000		(1,186,000)(5)	232,000
	2,632,000	18,988,000	(1,186,000)	20,434,000
<b>INCOME BEFORE INCOME TAXES</b>	108,332,000	(18,988,000)	(23,747,000)	65,597,000
<b>INCOME TAX EXPENSE (BENEFIT)</b>	(90,000)			(90,000)
<b>NET INCOME</b>	\$ 108,422,000	\$ (18,988,000)	\$ (23,747,000)	\$ 65,687,000
<b>NET INCOME PER COMMON SHARE:</b>				
Basic	\$ 2.22			\$ 1.35
Diluted	\$ 2.20			\$ 1.33
Weighted average common shares outstanding Basic	48,754,840			48,754,840
Weighted average common shares outstanding Diluted	49,206,963			49,206,963

Notes:

- (1) To adjust interest expense for issuance of notes and amortization of estimated deferred issuance costs and to eliminate historical interest on the Company's revolving credit facility.
- (2) To eliminate the revenues and direct operating expense for the assets contributed.
- (3) To adjust historical depletion expense associated with oil and gas properties contributed.

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- (4) To eliminate historical accretion expense associated with the oil and gas properties contributed.
- (5) To adjust for the gain on equity investment for the Company's estimated share of Diamondback's net income based on Diamondback's pro forma condensed consolidated statement of operations for the year ended December 31, 2011.

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GULFPORT ENERGY CORPORATION

Date: October 9, 2012

By: /s/ MICHAEL G. MOORE  
Michael G. Moore  
Chief Financial Officer

**Exhibit Index**

Number	Exhibit
10.1	Fifth Amendment to Credit Agreement, effective as of October 9, 2012, among Gulfport Energy Corporation, as borrower, The Bank of Nova Scotia, as administrative agent and letter of credit issuer and lead arranger, and certain lenders and agents party thereto.
99.1	Press release dated October 9, 2012 entitled Gulfport Energy Reports Utica Shale Results and Provides Operational Update.