

CONTINENTAL RESOURCES INC

Form S-1/A

March 16, 2007

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As filed with the Securities and Exchange Commission on March 16, 2007

Registration No. 333-132257

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 5

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Continental Resources, Inc.

(Exact name of registrant as specified in charter)

Oklahoma
(State or other jurisdiction of
incorporation or organization)

1311
(Primary Standard Industrial

Classification Code Number)
302 N. Independence

Enid, Oklahoma 73701

(580) 233-8955

73-0767549
(I.R.S. Employer

Identification Number)

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(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Mark E. Monroe

President and Chief Operating Officer

302 N. Independence

Enid, Oklahoma 73701

(580) 233-8955

(Address, including zip code, and telephone number, including area code, of agent for service)

With a copy to:

David P. Oelman

Joseph A. Hall

Vinson & Elkins L.L.P.

Davis Polk & Wardwell

1001 Fannin, Suite 2300

450 Lexington Avenue

Houston, Texas 77002-6760

New York, New York 10017

(713) 758-2222

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Approximate date of commencement of proposed sale to the public: As soon as practicable on or after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities nor does it seek an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated March 16, 2007

PROSPECTUS

Shares

Continental Resources, Inc.

Common Stock

This is our initial public offering of common stock. The selling shareholder identified in this prospectus is offering shares of our common stock. We will not receive any proceeds from the sale of the shares by the selling shareholder. The estimated initial public offering price is between \$ and \$ per share.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol CXP.

Investing in our common stock involves a high degree of risk. See **Risk Factors** beginning on page 11.

Per share Total

Initial public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds to selling shareholder(1)	\$	\$

(1) Expenses, other than underwriting discounts, associated with the offering will be paid by us.

The selling shareholder has granted the underwriters an option for a period of 30 days to purchase up to _____ additional shares of common stock to cover overallocments, if any. If such option is exercised in full, the total underwriting discount will be \$ _____ and the total proceeds to the selling shareholder will be \$ _____.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on _____, 2007.

JPMorgan

Citigroup

UBS Investment Bank

Merrill Lynch & Co.

Raymond James

, 2007

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Cautionary Statement Regarding Forward-Looking Statements

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this prospectus, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words could, believe, anticipate, intend, estimate, expect, project and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about our:

business strategy;

reserves;

technology;

financial strategy;

oil and natural gas realized prices;

timing and amount of future production of oil and natural gas;

the amount, nature and timing of capital expenditures;

drilling of wells;

competition and government regulations;

marketing of oil and natural gas;

exploitation or property acquisitions;

costs of exploiting and developing our properties and conducting other operations;

general economic conditions;

uncertainty regarding our future operating results; and

plans, objectives, expectations and intentions contained in this prospectus that are not historical.

All forward-looking statements speak only as of the date of this prospectus. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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Industry and Market Data

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Some data are also based on our good faith estimates. Although we believe these third-party sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness.

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Prospectus Summary

This summary highlights information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including Risk Factors and our historical consolidated financial statements and the notes to those historical consolidated financial statements included elsewhere in this prospectus. Unless the context otherwise requires, references in this prospectus to Continental Resources, we, us, our, ours or company refer to Continental Resources, Inc. and its subsidiary.

We have provided definitions for the oil and natural gas terms used in this prospectus in the Glossary of Oil and Natural Gas Terms beginning on page A-1 of this prospectus. Unless otherwise indicated, the information contained in this prospectus assumes that the underwriters do not exercise their overallocation option to purchase additional shares.

Our Business

We are an independent oil and natural gas exploration and production company with operations in the Rocky Mountain, Mid-Continent and Gulf Coast regions of the United States. We focus our exploration activities in large new or developing plays that provide us the opportunity to acquire undeveloped acreage positions for future drilling operations. We have been successful in targeting large repeatable resource plays where horizontal drilling, advanced fracture stimulation and enhanced recovery technologies provide the means to economically develop and produce oil and natural gas reserves from unconventional formations. As a result of these efforts, we have grown substantially through the drillbit, adding 96.2 MMBoe of proved oil and natural gas reserves through extensions and discoveries from January 1, 2001 through December 31, 2006 compared to 5.1 MMBoe added through proved reserve purchases during that same period.

As of December 31, 2006, our estimated proved reserves were 118.3 MMBoe, with estimated proved developed reserves of 87.1 MMBoe, or 74% of our total estimated proved reserves. Crude oil comprised 83% of our total estimated proved reserves. At December 31, 2006, we had 1,772 scheduled drilling locations on the 1,775,000 gross (1,071,000 net) acres that we held. For the year ended December 31, 2006, we generated revenues of \$483.7 million, and operating cash flows of \$417.0 million.

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The following table summarizes our total estimated proved reserves, PV-10 and net producing wells as of December 31, 2006, average daily production for the three months ended December 31, 2006 and the reserve-to-production ratio in our principal regions. Our reserve estimates as of December 31, 2006 are based primarily on a reserve report prepared by Ryder Scott Company, L.P., our independent reserve engineers. In preparing its report, Ryder Scott Company, L.P. evaluated properties representing approximately 83% of our PV-10. Our technical staff evaluated properties representing the remaining 17% of our PV-10.

	At December 31, 2006				Average daily production		
	Proved reserves (MBoe)	Percent of total	PV-10(1) (in millions)	Net producing wells	Fourth quarter 2006 (Boe per day)	Percent of total	Annualized reserve/production index(2)
Rocky Mountain:							
Red River units	66,527	56%	\$ 791	201	11,732	44%	15.5
Bakken field	25,623	22%	441	66	7,905	30%	8.9
Other	9,077	8%	104	233	1,717	7%	14.5
Mid-Continent	16,894	14%	244	672	4,280	16%	10.8
Gulf Coast	228		4	19	869	3%	0.7
Total	118,349	100%	\$ 1,584	1,191	26,503	100%	12.2

- (1) PV-10 is a non GAAP financial measure and generally differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes on future net revenues. However, our PV-10 and our Standardized Measure are equivalent because we are a subchapter S-corporation. In connection with the closing of this offering, we will convert to a subchapter C-corporation. Our pro-forma Standardized Measure, assuming our conversion to a subchapter C-corporation, was \$1.0 billion at December 31, 2006. Neither PV-10 nor Standardized Measure represents an estimate of the fair market value of our oil and gas properties. We and others in the industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies without regard to the specific tax characteristics of such entities.
- (2) The Annualized Reserve/Production Index is the number of years proved reserves would last assuming current production continued at the same rate. This index is calculated by dividing annualized fourth quarter 2006 production into the proved reserve quantity at December 31, 2006.

The following table provides additional information regarding our key development areas:

	At December 31, 2006				2007 Budget		
	Developed acres		Undeveloped acres		Scheduled drilling locations(1)	Wells planned for drilling	Capital expenditures (in millions)
	Gross	Net	Gross	Net			
Rocky Mountain:							
Red River units	144,309	128,484			133	44	\$ 152
Bakken field	81,761	60,176	581,846	342,321	804	58	113
Other	49,010	38,534	375,185	213,516	66	11	14
Mid-Continent	147,681	94,214	335,982	175,780	762	146	115

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Gulf Coast	41,450	11,869	17,368	6,360	7	3	6
Total	464,211	333,277	1,310,381	737,977	1,772	262	\$ 400

- (1) Scheduled drilling locations represent total gross locations specifically identified and scheduled by management as an estimate of our future multi-year drilling activities on existing acreage. Of the total locations shown in the table, 249 are classified as PUDs. As of March 1, 2007, we have commenced drilling 84 locations shown in the table, including 55 PUD locations. Our actual drilling activities may change depending on oil and natural gas prices, the availability of capital, costs, drilling results, regulatory approvals and other factors. See Risk Factors Risks Relating to the Oil and Natural Gas Industry and Our Business.

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Our Business Strategy

Our goal is to increase shareholder value by finding and developing crude oil and natural gas reserves at costs that provide an attractive rate of return on our investment. The principal elements of our business strategy are:

Growth Through Drilling. Substantially all of our annual capital expenditures are invested in drilling projects and acreage and seismic acquisitions.

Internally Generate Prospects. Our technical staff has internally generated substantially all of the opportunities for the investment of our capital. Because we have been an early entrant in new or emerging plays, our costs to acquire undeveloped acreage have generally been less than those of later entrants into a developing play.

Focus on Unconventional Oil and Natural Gas Resource Plays. Our experience with horizontal drilling, advanced fracture stimulation and enhanced recovery technologies allows us to commercially develop unconventional oil and natural gas resource plays, such as the Red River B dolomite, Bakken Shale and Woodford Shale formations.

Acquire Significant Acreage Positions in New or Developing Plays. Our technical staff is focused on identifying and testing new unconventional oil and natural gas resource plays where significant reserves could be developed if commercial production rates can be achieved through advanced drilling, fracture stimulation and enhanced recovery techniques.

Our Business Strengths

We have a number of strengths that we believe will help us successfully execute our strategies:

Large Drilling and Acreage Inventory. Our large number of identified drilling locations in all of our areas of operations provide for a multi-year drilling inventory.

Horizontal Drilling and Enhanced Recovery Experience. In 1992, we drilled our initial horizontal well, and we have drilled over 350 horizontal wells since that time. We also have substantial experience with enhanced recovery methods and currently serve as the operator of 48 waterflood units and eight high-pressure air injection units.

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Control Operations Over a Substantial Portion of our Assets and Investments. As of December 31, 2006, we operated properties comprising 95% of our PV-10. By controlling operations, we are able to more effectively manage the cost and timing of exploration and development of our properties.

Experienced Management Team. Our senior management team has extensive expertise in the oil and gas industry. Our seven senior officers have an average of 26 years of oil and gas industry experience.

Strong Financial Position. As of March 13, 2007, we had outstanding borrowings under our credit facility of approximately \$215.5 million. We believe that our planned exploration and development activities will be funded substantially from our operating cash flows.

Recent Events

Cash Dividends. On January 10, 2007, we declared a cash dividend of approximately \$18.8 million to our shareholders for tax purposes and, subject to forfeiture, to holders of unvested restricted stock. On January 31,

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2007, we paid \$18.7 million of the dividend declared. On March 6, 2007, we declared a cash dividend of approximately \$33.3 million payable in April 2007 to our shareholders of record as of March 15, 2007, for tax purposes and, subject to forfeiture, to holders of unvested restricted stock. In connection with the completion of this offering, we will convert from a subchapter S-corporation to a subchapter C-corporation, and we do not anticipate paying any additional cash dividends on our common stock in the foreseeable future.

Risk Factors

Investing in our common stock involves risks that include the speculative nature of oil and natural gas exploration, competition, volatile oil and natural gas prices and other material factors. You should read carefully the section entitled "Risk Factors" beginning on page 12 for an explanation of these risks before investing in our common stock. In particular, the following considerations may offset our business strengths or have a negative effect on our business strategy as well as on activities on our properties, which could cause a decrease in the price of our common stock and result in a loss of all or a portion of your investment:

A substantial or extended decline in oil and natural gas prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Reserve estimates depend on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

The results of enhanced recovery methods are uncertain.

Our development and exploitation projects require substantial capital expenditures. We may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in our oil and natural gas reserves.

If oil and natural gas prices decrease, we may be required to take write-downs of the carrying values of our oil and natural gas properties.

A substantial portion of our producing properties are located in the Rocky Mountains, making us vulnerable to risks associated with operating in one major geographic area.

Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our cash flows and results of operations.

The unavailability or high cost of additional drilling rigs, equipment, supplies, personnel and oilfield services could adversely affect our ability to execute our exploration and development plans within our budget and on a timely basis.

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We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations; we may not be insured for, or our insurance may be inadequate to protect us against, these risks.

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The inability of our significant customers to meet their obligations to us may adversely affect our financial results.

Following this offering, our Chairman and Chief Executive Officer will own approximately % of our outstanding common stock, giving him influence and control in corporate transactions and other matters.

For a discussion of other considerations that could negatively affect us, including risks related to this offering and our common stock, see Risk Factors and Cautionary Statement Regarding Forward-Looking Statements.

Corporate History and Information

Continental Resources, Inc. is incorporated under the laws of the State of Oklahoma. We were originally formed in 1967 to explore, develop and produce oil and natural gas properties in Oklahoma. Through 1993, our activities and growth remained focused primarily in Oklahoma. In 1993, we expanded our activity into the Rocky Mountain and Gulf Coast regions. Through drilling success and strategic acquisitions, approximately 86% of our estimated proved reserves as of December 31, 2006 are located in the Rocky Mountain region.

We are currently a subchapter S-corporation under the rules and regulations of the Internal Revenue Service. However, upon the consummation of this offering, we will have more shareholders than the IRS rules and regulations governing S-corporations allow, and, therefore, we will convert automatically from a subchapter S-corporation to a subchapter C-corporation. In connection with this conversion, we will record a charge to earnings (estimated to be approximately \$178.8 million as if the conversion occurred on December 31, 2006) to recognize deferred taxes.

In addition, concurrent with the closing of this offering, we will effect an 11 for 1 stock split of our shares in the form of a stock dividend.

Our principal executive offices are located at 302 N. Independence, Enid, Oklahoma 73701, and our telephone number at that address is (580) 233-8955.

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The Offering

Common Stock Offered:

By the selling shareholder: shares

Overallotment option granted by the selling shareholder: shares

Common stock to be owned by the selling shareholder after the offering: shares (or shares if the underwriters' overallotment option is exercised in full)

Common stock to be outstanding after the offering: 159,155,799 shares

Use of Proceeds:

We will not receive any proceeds from the sale of the shares of common stock by the selling shareholder. See Use of Proceeds.

Dividend Policy:

We do not anticipate paying any cash dividends on our common stock. See Dividend Policy.

New York Stock Exchange Symbol:

CXP

Other Information About This Prospectus:

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Unless specifically stated otherwise, the information in this prospectus:

is adjusted to reflect an 11 for 1 stock split of our shares of common stock to be effected in the form of a stock dividend concurrent with the consummation of this offering;

assumes no exercise of the underwriters' overallotment option to purchase additional shares; and

assumes an initial public offering price of \$, which is the midpoint of the range set forth on the front cover of this prospectus.

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This section presents our summary historical and pro forma consolidated financial data. The summary historical consolidated financial data presented below is not intended to replace our historical consolidated financial statements.

The following historical consolidated financial data, as it relates to each of the fiscal years ended December 31, 2004 through 2006, has been derived from our audited historical consolidated financial statements for such periods. You should read the following summary historical consolidated financial data in connection with Capitalization, Management's Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and related notes included elsewhere in this prospectus. The summary historical consolidated results are not necessarily indicative of results to be expected in future periods.

The summary pro forma financial data reflect the tax effects of our conversion, concurrent with the closing of this offering, from a subchapter S-corporation to a subchapter C-corporation and the earnings per share impact of our 11 for 1 stock split to be effected in the form of a stock dividend concurrent with the closing of this offering.

	Year ended December 31,		
	2004	2005	2006
	(in thousands, except per share amounts)		
Statement of operations data:			
Revenues:			
Oil and natural gas sales	\$ 181,435	\$ 361,833	\$ 468,602
Crude oil marketing and trading(1)	226,664		
Oil and natural gas service operations	10,811	13,931	15,050
Total revenues	418,910	375,764	483,652
Operating costs and expenses:			
Production expense	43,754	52,754	62,865
Production tax	12,297	16,031	22,331
Exploration expense	12,633	5,231	19,738
Crude oil marketing and trading(1)	227,210		
Oil and gas service operations	6,466	7,977	8,231
Depreciation, depletion, amortization and accretion	38,627	49,802	65,428
Property impairments	11,747	6,930	11,751
General and administrative(2)	12,400	31,266	23,016
(Gain) loss on sale of assets	150	(3,026)	(290)
Total operating costs and expenses	\$ 365,284	\$ 166,965	\$ 213,070
Income from operations	\$ 53,626	\$ 208,799	\$ 270,582
Other income (expense)			