

Edgar Filing: Matador Resources Co - Form 10-Q

Matador Resources Co
Form 10-Q
May 06, 2016

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 March 31, 2016

OR

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 001-35410

Matador Resources Company
(Exact name of registrant as specified in its charter)

Texas 27-4662601
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

5400 LBJ Freeway, Suite 1500 75240
Dallas, Texas
(Address of principal executive offices) (Zip Code)
(972) 371-5200
(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 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Edgar Filing: Matador Resources Co - Form 10-Q

As of May 5, 2016, there were 93,283,434 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

Table of Contents

MATADOR RESOURCES COMPANY
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2016
INDEX

	Page
<u>PART I — FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements - Unaudited</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets at March 31, 2016 and December 31, 2015</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2016 and 2015</u>	<u>4</u>
<u>Condensed Consolidated Statement of Changes in Shareholders' Equity for the Three Months Ended March 31, 2016</u>	<u>5</u>
<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2016 and 2015</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>30</u>
<u>Item 4. Controls and Procedures</u>	<u>31</u>
<u>PART II — OTHER INFORMATION</u>	<u>32</u>
<u>Item 1. Legal Proceedings</u>	<u>32</u>
<u>Item 1A. Risk Factors</u>	<u>32</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>32</u>
<u>Item 6. Exhibits</u>	<u>32</u>
<u>SIGNATURES</u>	<u>33</u>

Table of Contents

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements — Unaudited

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS - UNAUDITED

(In thousands, except par value and share data)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash	\$ 118,329	\$ 16,732
Restricted cash	510	44,357
Accounts receivable		
Oil and natural gas revenues	14,748	16,616
Joint interest billings	16,807	16,999
Other	5,548	10,794
Derivative instruments	11,966	16,284
Lease and well equipment inventory	1,928	2,022
Prepaid expenses	3,250	3,203
Total current assets	173,086	127,007
Property and equipment, at cost		
Oil and natural gas properties, full-cost method		
Evaluated	2,192,053	2,122,174
Unproved and unevaluated	381,915	387,504
Other property and equipment	108,731	86,387
Less accumulated depletion, depreciation and amortization	(1,693,044)	(1,583,659)
Net property and equipment	989,655	1,012,406
Other assets		
Derivative instruments	60	—
Other assets	1,351	1,448
Total other assets	1,411	1,448
Total assets	\$ 1,164,152	\$ 1,140,861
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 5,930	\$ 10,966
Accrued liabilities	84,495	92,369
Royalties payable	12,518	16,493
Amounts due to affiliates	3,898	5,670
Derivative instruments	299	—
Advances from joint interest owners	3,225	700
Deferred gain on plant sale	5,367	4,830
Amounts due to joint ventures	3,115	2,793
Income taxes payable	385	2,848
Other current liabilities	161	161
Total current liabilities	119,393	136,830
Long-term liabilities		
Senior unsecured notes payable	391,553	391,254
Asset retirement obligations	17,177	15,166
Amounts due to joint ventures	3,634	3,956
Derivative instruments	2,282	—

Edgar Filing: Matador Resources Co - Form 10-Q

Deferred gain on plant sale	100,896	102,506
Other long-term liabilities	4,065	2,190
Total long-term liabilities	519,607	515,072
Commitments and contingencies (Note 10)		
Shareholders' equity		
Common stock - \$0.01 par value, 120,000,000 shares authorized; 93,327,432 and 85,567,021 shares issued; and 93,271,423 and 85,564,435 shares outstanding, respectively	933	856
Additional paid-in capital	1,169,860	1,026,077
Retained deficit	(646,584)	(538,930)
Total Matador Resources Company shareholders' equity	524,209	488,003
Non-controlling interest in subsidiaries	943	956
Total shareholders' equity	525,152	488,959
Total liabilities and shareholders' equity	\$1,164,152	\$1,140,861

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

3

Table of Contents

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - UNAUDITED

(In thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Oil and natural gas revenues	\$43,926	\$62,465
Realized gain on derivatives	7,063	18,504
Unrealized loss on derivatives	(6,839)	(8,557)
Total revenues	44,150	72,412
Expenses		
Production taxes and marketing	7,902	7,049
Lease operating	15,489	13,046
Depletion, depreciation and amortization	28,923	46,470
Accretion of asset retirement obligations	264	112
Full-cost ceiling impairment	80,462	67,127
General and administrative	13,163	13,413
Total expenses	146,203	147,217
Operating loss	(102,053)	(74,805)
Other income (expense)		
Net gain (loss) on asset sales and inventory impairment	1,065	(97)
Interest expense	(7,197)	(2,070)
Interest and other income	518	384
Total other expense	(5,614)	(1,783)
Loss before income taxes	(107,667)	(76,588)
Income tax (benefit) provision		
Deferred	—	(26,390)
Total income tax (benefit) provision	—	(26,390)
Net loss	(107,667)	(50,198)
Net loss (income) attributable to non-controlling interest in subsidiaries	13	(36)
Net loss attributable to Matador Resources Company shareholders	\$(107,654)	\$(50,234)
Earnings (loss) per common share		
Basic	\$(1.26)	\$(0.68)
Diluted	\$(1.26)	\$(0.68)
Weighted average common shares outstanding		
Basic	85,305	73,819
Diluted	85,305	73,819

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

Table of Contents

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - UNAUDITED

(In thousands)

For the Three Months Ended March 31, 2016

	Common Stock Shares	Common Amount	Additional paid-in capital	Retained deficit	Treasury Stock Shares	Treasury Amount	Total shareholders' equity attributable to Matador Resources Company	Non-controlling interest in subsidiary	Total shareholders' equity
Balance at January 1, 2016	85,567	\$ 856	\$ 1,026,077	\$(538,930)	2	\$ —	\$ 488,003	\$ 956	\$ 488,959
Issuance of common stock	7,500	75	142,275	—	—	—	142,350	—	142,350
Cost to issue equity	—	—	(830)	—	—	—	(830)	—	(830)
Stock-based compensation expense related to equity-based awards	—	—	2,340	—	—	—	2,340	—	2,340
Stock options exercised	2	—	—	—	—	—	—	—	—
Restricted stock issued	249	2	(2)	—	—	—	—	—	—
Restricted stock forfeited	—	—	—	—	54	—	—	—	—
Vesting of restricted stock units	9	—	—	—	—	—	—	—	—
Current period net loss	—	—	—	(107,654)	—	—	(107,654)	(13)	(107,667)
Balance at March 31, 2016	93,327	\$ 933	\$ 1,169,860	\$(646,584)	56	\$ —	\$ 524,209	\$ 943	\$ 525,152

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

Table of Contents

Matador Resources Company and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - UNAUDITED

(In thousands)

	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net loss	\$(107,667)	\$(50,198)
Adjustments to reconcile net loss to net cash provided by operating activities		
Unrealized loss on derivatives	6,839	8,557
Depletion, depreciation and amortization	28,923	46,470
Accretion of asset retirement obligations	264	112
Full-cost ceiling impairment	80,462	67,127
Stock-based compensation expense	2,243	2,337
Deferred income tax (benefit) provision	—	(26,390)
Amortization of debt issuance cost	300	—
Net (gain) loss on asset sales and inventory impairment	(1,065)	97
Changes in operating assets and liabilities		
Accounts receivable	7,307	2,140
Lease and well equipment inventory	150	(112)
Prepaid expenses	(47)	(364)
Other assets	97	193