

Midstates Petroleum Company, Inc.
Form 10-Q
August 14, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

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: 001-35512

MIDSTATES PETROLEUM COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

4400 Post Oak Parkway, Suite 1900
Houston, Texas
(Address of principal executive offices)

45-3691816
(I.R.S. Employer
Identification No.)

77027
(Zip Code)

(713) 595-9400

(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

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

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The number of shares outstanding of our common stock at August 8, 2012 is shown below:

Class	Number of shares outstanding
Common stock, \$0.01 par value	66,549,563

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MIDSTATES PETROLEUM COMPANY, INC.
QUARTERLY REPORT ON
FORM 10-Q
FOR THE SIX MONTHS ENDED JUNE 30, 2012

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GLOSSARY OF OIL AND NATURAL GAS TERMS

Bbl: One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to oil, condensate or natural gas liquids.

Boe: Barrels of oil equivalent, with 6,000 cubic feet of natural gas being equivalent to one barrel of oil.

Boe/d: Barrels of oil equivalent per day.

Completion: The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Dry hole: A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production do not exceed production expenses and taxes.

Exploratory well: A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir.

MMBoe: One million barrels of oil equivalent.

Net acres: The percentage of total acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

NYMEX: The New York Mercantile Exchange.

Proved reserves: Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. The area of the reservoir considered as proved includes (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are

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limited by the lowest known hydrocarbons, LKH, as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil, HKO, elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Reasonable certainty: A high degree of confidence.

Recompletion: The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

Reserves: Estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible as of a given date by application of development projects to known accumulations.

Reservoir: A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Spud or Spudding: The commencement of drilling operations of a new well.

Wellbore: The hole drilled by the bit that is equipped for oil or gas production on a completed well. Also called well or borehole.

Working interest: The right granted to the lessee of a property to explore for and to produce and own oil, gas, or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

Table of Contents**PART I - FINANCIAL INFORMATION****MIDSTATES PETROLEUM COMPANY, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)****(In thousands, except share amounts)**

	June 30, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,689	\$ 7,344
Accounts receivable:		
Oil and gas sales	18,777	23,792
Severance tax refund	275	3,413
Other	515	249
Prepayments	5,350	2,642
Inventory	6,496	5,713
Commodity derivative contracts	12,038	4,957
Total current assets	55,140	48,110
PROPERTY AND EQUIPMENT:		
Oil and gas properties, on the basis of full-cost accounting:		
Proved properties	833,172	644,393
Unevaluated properties	95,600	76,857
Other property and equipment	2,168	1,672
Less accumulated depreciation, depletion, and amortization	(204,752)	(148,843)
Net property and equipment	726,188	574,079
OTHER ASSETS:		
Commodity derivative contracts	6,247	588
Security deposit and other noncurrent assets	3,660	1,879
Total other assets	9,907	2,467
TOTAL	\$ 791,235	\$ 624,656
LIABILITIES AND MEMBERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,122	\$ 35,731
Accrued liabilities	62,985	37,524
Commodity derivative contracts	360	12,599
Total current liabilities	90,467	85,854
LONG-TERM LIABILITIES:		
Asset retirement obligations	9,398	7,627
Commodity derivative contracts	10,178	10,178
Long-term debt	151,700	234,800
Deferred income taxes	168,917	168,917
Other long-term liabilities	614	695

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Total long-term liabilities	330,629	253,300
COMMITMENTS AND CONTINGENCIES (Note 12)		
STOCKHOLDERS /MEMBERS EQUITY		
Capital contributions		322,496
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, no shares issued or outstanding, respectively		
Common stock, \$0.01 par value, 300,000,000 shares authorized, 66,549,563 shares issued and outstanding, respectively	665	
Additional paid-in-capital	536,352	
Retained deficit/accumulated loss	(166,878)	(36,994)
Total stockholders /members equity	370,139	285,502
TOTAL	\$ 791,235	\$ 624,656

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

Table of Contents**MIDSTATES PETROLEUM COMPANY, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(In thousands, except per share amounts)**

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2012	2011	2012	2011
REVENUES:				
Oil sales	\$ 48,056	\$ 45,994	\$ 93,138	\$ 81,577
Natural gas sales	2,379	4,962	5,829	9,035
Natural gas liquid sales	3,901	3,171	10,173	5,216
Gains (Losses) on commodity derivative contracts net	48,143	10,477	23,478	(18,119)
Other	103	60	207	114
Total revenues	102,582	64,664	132,825	77,823
EXPENSES:				
Lease operating and workover	5,921	3,669	12,388	6,275
Severance and other taxes	6,272	5,370	11,648	9,495
Asset retirement accretion	164	39	298	86
General and administrative	4,956	10,641	11,019	14,544
Depreciation, depletion, and amortization	27,882	21,266	55,909	39,884
Total expenses	45,195	40,985	91,262	70,284
OPERATING INCOME	57,387	23,679	41,563	7,539
OTHER INCOME (EXPENSE)				
Interest income	143	4	150	12
Interest expense net of amounts capitalized	(990)	(134)	(2,680)	(134)
Total other income (expense)	(847)	(130)	(2,530)	(122)
INCOME BEFORE TAXES	56,540	23,549	39,033	7,417
Income tax expense	168,917		168,917	
NET INCOME (LOSS)	\$ (112,377)	\$ 23,549	\$ (129,884)	\$ 7,417
Pro forma loss per share:				
Basic and Diluted (Note 10)	\$ (1.85)	N/A	\$ (2.39)	N/A
Pro forma weighted average shares outstanding:				
Basic and Diluted (Note 10)	60,887	N/A	54,261	N/A

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

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MIDSTATES PETROLEUM COMPANY, INC.

CONDENSED STATEMENT OF CHANGES IN STOCKHOLDERS /MEMBERS EQUITY

(Unaudited)

(In thousands)

	Common Stock		Capital	Additional Paid-	Retained	Total Stockholders /
	Number of Shares	Amount	Contributions	in-Capital	Deficit/ Accumulated Loss	Members Equity
Balance as of December 31, 2011		\$	\$	322,496	\$ (36,994)	\$ 285,502
Issuance of common stock	47,634,353	476	(476)			

**DESCRIPTION
OF
SECURITIES**

We will set forth in the applicable prospectus supplement a description of the debt securities, common stock, preferred stock, warrants, depositary shares, purchase contracts or units that may be offered under this prospectus.

A document called the Indenture will govern debt securities

offered
under this
prospectus.
Unless we
specify
otherwise in
the
applicable
prospectus
supplement,
the
Indenture is
a contract
between us
and The
Bank of
New York
Mellon, as
successor to
JPMorgan
Chase Bank,
N.A.,
formerly
known as
The Chase
Manhattan
Bank, which
acts as
Trustee. We
have filed a
copy of the
Indenture
with the
SEC. See
Where You
Can Find
More
Information
for
information
on how to
obtain a
copy.

**SELLING
SECURITY
HOLDERS**

We will set
forth
information

about selling
security
holders,
where
applicable,
in a
prospectus
supplement,
in a
post-effective
amendment,
or in filings
we make
with the
SEC under
the
Securities
Exchange
Act of 1934,
as amended,
that are
incorporated
by
reference.

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**LEGAL
MATTERS**

Gibson,
Dunn &
Crutcher
LLP or such
other
counsel as
may be
identified in
the
applicable
prospectus
supplement
will pass
upon the
validity of
any
securities
issued under
this
prospectus.
Any
underwriters
will be
represented
by their own
legal
counsel.

EXPERTS

The
consolidated
financial
statements
of Marriott
International,
Inc.
appearing in
Marriott
International,
Inc. 's Annual
Report
(Form 10-K)
for the fiscal

year ended
December 30,
2011, and
the
effectiveness
of Marriott
International,
Inc. s
internal
control over
financial
reporting as
of
December 30,
2011, have
been audited
by Ernst &
Young LLP,
independent
registered
public
accounting
firm, as set
forth in their
reports
thereon,
included
therein, and
incorporated
herein by
reference.
Such
financial
statements
are, and
audited
financial
statements
to be
included in
subsequently
filed
documents
will be,
incorporated
herein in
reliance
upon the
reports of
Ernst &
Young LLP

pertaining to
such
financial
statements
and the
effectiveness
of our
internal
control over
financial
reporting as
of the
respective
dates (to the
extent
covered by
consents
filed with
the
Securities
and
Exchange
Commission)
given on the
authority of
such firm as
experts in
accounting
and
auditing.

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\$

**Marriott
International,
Inc.**

%
**Series N
Notes due
20**

**PROSPECTUS
SUPPLEMENT**

**J.P.
Morgan**

**Deutsche
Bank
Securities**

**Wells
Fargo
Securities**

October ,
2014