RAM ENERGY RESOURCES INC
Form 10-Q/A
December 04, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
Amendment No. 1

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

For the quarterly period ended September 30, 2009
OR

o **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: 000-50682
RAM Energy Resources, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**1311**	**20-0700684**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5100 East Skelly Drive, Suite 650, Tulsa, OK 74135
(Address of principal executive offices)
(918) 663-2800
(Registrant s telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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 twelve 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 þ No o

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 o No o

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 o	Accelerated Filer þ	Non-Accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

At November 5, 2009, 76,865,587 shares of the Registrant s Common Stock were outstanding.

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Explanatory Note

We hereby amend and restate in their entirety the following items of our Quarterly Report on Form 10-Q for the period ended September 30, 2009 as originally filed with the Securities and Exchange Commission on November 5, 2009 (our Original Report): (i) Item 1 of Part I Financial Statements, (ii) Item 2 of Part I, Management s Discussion and Analysis of Financial Condition and Results of Operations, (iii) Item 4 of Part I, Controls and Procedures, (iv) Item 6 of Part II, Exhibits, and we have also updated the signature page and the certifications of our Chief Executive Officer and Chief Financial Officer in Exhibits 31.1, 31.2, 32.1 and 32.2. No other sections of our Original Report are affected by this amendment.

Subsequent to the filing of our Original Report, we determined that our estimate of proved oil and natural gas reserves for the year ended December 31, 2008 overstated our estimated net proved reserve quantities by 1.4 MMBoe, and understated the future net revenues from proved oil and natural gas properties discounted at 10%, or PV-10 Value, by $10.7 million. These errors in our proved reserve estimates carried forward in the reserve estimate for the quarter ended March 31, 2009, resulting in overstated estimated net proved reserve quantities, and understated PV-10 Value. These reserve estimate errors resulted in an overstatement of impairment expense, and income tax benefit and an understatement of depreciation and amortization expense on our financial statements for the nine months ended September 30, 2009. These adjustments to the financial statements are all non-cash. Additionally, depreciation and amortization expense for the three months ended September 30, 2009 was understated. As a result of these errors, we have made certain adjustments to our September 30, 2009 condensed consolidated financial statements and are restating such financial statements in this Form 10-Q/A. These adjustments include a decrease in net loss of $6.9 million, or $.09 per share, a decrease in impairment expense of $11.3 million, an increase in depreciation and amortization expense of $0.6 million and a decrease in income tax benefit of $3.9 million for the nine months ended September 30, 2009. The effects of these adjustments are more fully described in Note A.7 to the restated condensed consolidated financial statements presented in this Form 10-Q/A.

For the convenience of the reader, the Company is re-filing the Original Report, in its entirety in this Form 10-Q/A. This Form 10-Q/A continues to speak as of the date of the Original Report and other than with respect to the restatement of the Company s financial statements and other financial information as described above does not reflect events occurring after the filing of the Original Report. The financial and other information contained in the Original Report should no longer be relied upon.

Third Quarter 2009 Form 10-Q/A Report
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ITEM 1 FINANCIAL STATEMENTS

RAM Energy Resources, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)

	September 30, 2009 As Restated (unaudited)	December 31, 2008 As Restated
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 116	$ 164
Cash, restricted	-	16,000
Accounts receivable:		
Oil and natural gas sales, net of allowance of $50 ($50 at December 31, 2008)	11,141	8,702
Joint interest operations, net of allowance of $515 ($515 at December 31, 2008)	795	818
Other, net of allowance of $35 ($35 at December 31, 2008)	1,329	4,045
Derivative assets	1,012	21,006
Prepaid expenses	1,568	2,330
Deferred tax asset	3,705	-
Other current contingencies	-	2,816
Other current assets	4,083	4,141
Total current assets	23,749	60,022
PROPERTIES AND EQUIPMENT, AT COST:		
Proved oil and natural gas properties and equipment, using full cost accounting	699,162	683,341
Other property and equipment	9,237	9,460
	708,399	692,801
Less accumulated depreciation, amortization and impairment	(455,267)	(383,476)
Total properties and equipment	253,132	309,325
OTHER ASSETS:		
Deferred tax asset	40,224	24,018
Derivative assets	-	4,531
Deferred loan costs, net of accumulated amortization of $2,402 ($1,282 at December 31, 2008)	5,219	4,015
Other	1,969	2,053
Total assets	$ 324,293	$ 403,964
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable:		
Trade	$ 13,390	$ 26,370

Oil and natural gas proceeds due others	8,015	7,218
Other	27	982
Accrued liabilities:		
Compensation	1,760	2,893
Interest	2,889	865
Franchise taxes	942	1,300
Income taxes	224	399
Contingencies	-	16,000
Deferred income taxes	-	5,779
Asset retirement obligations	1,043	1,093
Long-term debt due within one year	142	160
Total current liabilities	28,432	63,059
OIL & NATURAL GAS PROCEEDS DUE OTHERS	1,740	2,523
DERIVATIVE LIABILITIES	936	-
LONG-TERM DEBT	250,285	250,536
ASSET RETIREMENT OBLIGATIONS	30,430	29,106
COMMITMENTS AND CONTINGENCIES	900	900
STOCKHOLDERS EQUITY (DEFICIT):		
Common stock, $0.0001 par value, 100,000,000 shares authorized, 80,648,674 and 79,423,574, shares issued, 76,865,587 and 78,532,134 shares outstanding at September 30, 2009 and December 31, 2008, respectively	8	8
Additional paid-in capital	222,432	220,800
Treasury stock - 3,783,087 shares (891,440 shares at December 31,2008) at cost	(6,167)	(4,027)
Accumulated deficit	(204,703)	(158,941)
Stockholders equity	11,570	57,840
Total liabilities and stockholders equity	$ 324,293	$ 403,964

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

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RAM Energy Resources, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share amounts)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2009 As Restated	2008	2009 As Restated	2008
REVENUES AND OTHER OPERATING INCOME:				
Oil and natural gas sales				
Oil	$ 18,276	$ 34,483	$ 45,740	$ 100,127
Natural gas	4,607	13,980	15,564	40,207
NGLs	2,999	5,729	7,134	14,945
Realized gains (losses) on derivatives	483	(5,054)	19,032	(14,590)
Unrealized gains (losses) on derivatives	(1,283)	34,302	(26,085)	(4,765)
Other	49	69	177	280
Total revenues and other operating income	25,131	83,509	61,562	136,204
OPERATING EXPENSES:				
Oil and natural gas production taxes	1,320	3,070	3,119	8,840
Oil and natural gas production expenses	9,772	9,727	28,976	28,507
Depreciation and amortization	7,909	10,955	24,377	32,757
Accretion expense	513	552	1,449	1,630
Impairment	-	-	47,613	-
Share-based compensation	539	602	1,632	2,081
General and administrative, overhead and other expenses, net of operator s overhead fees	4,247	4,962	12,337	16,018
Total operating expenses	24,300	29,868	119,503	89,833
Operating income (loss)	831	53,641	(57,941)	46,371
OTHER INCOME (EXPENSE):				
Interest expense	(5,561)	(4,817)	(12,770)	(19,176)
Interest income	40	38	69	186
Other income (expense)	10	(6,733)	(529)	(7,087)
EARNINGS (LOSS) BEFORE INCOME TAXES	(4,680)	42,129	(71,171)	20,294
INCOME TAX PROVISION (BENEFIT)	(1,561)	13,641	(25,409)	(1,809)
Net earnings (loss)	$ (3,119)	$ 28,488	$ (45,762)	$ 22,103

BASIC EARNINGS (LOSS) PER SHARE	$	(0.04)	$	0.37	$	(0.61)	$	0.32
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING		74,505,534		76,972,191		75,487,262		68,482,312
DILUTED EARNINGS (LOSS) PER SHARE	$	(0.04)	$	0.37	$	(0.61)	$	0.32
DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING		74,505,534		77,287,370		75,487,262		68,788,850

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

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RAM Energy Resources, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine months ended September 30,	
	2009 As Restated	2008
OPERATING ACTIVITIES:		
Net income (loss)	$ (45,762)	$ 22,103
Adjustments to reconcile net income (loss) to net cash provided by operating activities-		
Depreciation and amortization	24,377	32,757
Amortization of deferred loan costs and Senior Notes discount	1,120	899
Non-cash interest	829	-
Accretion expense	1,449	1,630
Impairment	47,613	-
Unrealized loss on derivatives and premium amortization	27,242	4,765
Deferred income tax benefit	(25,690)	(1,880)
Share-based compensation	1,632	2,081
Loss on disposal of other property, equipment and subsidiary	89	174
Other expense	448	6,917
Changes in operating assets and liabilities		
Accounts receivable	166	(2,825)
Prepaid expenses and other assets	1,137	(575)
Derivative premiums	(1,781)	(1,704)
Accounts payable and proceeds due others	(13,915)	6,753
Accrued liabilities and other	(15,468)	(2,180)
Restricted cash	16,000	-
Income taxes payable	(176)	(309)
Asset retirement obligations	(287)	(354)
Total adjustments	64,785	46,149
Net cash provided by operating activities	19,023	68,252
INVESTING ACTIVITIES:		
Payments for oil and natural gas properties and equipment	(21,728)	(66,739)
Proceeds from sales of oil and natural gas properties	6,156	886
Payments for other property and equipment	(504)	(1,086)
Proceeds from sales of other property and equipment	433	19
Proceeds from sale of subsidiary, net of cash	-	308
Other	-	149
Net cash used in investing activities	(15,643)	(66,463)
FINANCING ACTIVITIES:		
Payments on long-term debt	(24,120)	(158,234)

Proceeds from borrowings on long-term debt	23,022	69,253
Payments for deferred loan costs	(2,324)	(60)
Stock repurchased	(6)	(76)
Warrants exercised	-	86,614
Net cash used in financing activities	(3,428)	(2,503)
DECREASE IN CASH AND CASH EQUIVALENTS	(48)	(714)
CASH AND CASH EQUIVALENTS, beginning of period	164	6,873
CASH AND CASH EQUIVALENTS, end of period	$ 116	$ 6,159
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for income taxes	$ 457	$ 380
Cash paid for interest	$ 9,011	$ 20,994
DISCLOSURE OF NON CASH INVESTING AND FINANCING ACTIVITIES:		
Asset retirement obligations	$ 115	$ 1,846
Payment-in-kind interest	$ 829	$ -

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

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RAM Energy Resources, Inc.
Notes to unaudited condensed consolidated financial statements

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND BASIS OF PRESENTATION

1. *Basis of Financial Statements*

The accompanying unaudited condensed consolidated financial statements present the financial position at September 30, 2009 and December 31, 2008 and the results of operations and cash flows for the three and nine month periods ended September 30, 2009 and 2008 of RAM Energy Resources, Inc. and its subsidiaries (the Company). These condensed consolidated financial statements include all adjustments, consisting of normal and recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the financial position and the results of operations for the indicated periods. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year ending December 31, 2009. Reference is made to the Company s consolidated financial statements for the year ended December 31, 2008 included in the Company s Amendment No. 1 to the Annual Report on Form 10-K/A, for an expanded discussion of the Company s financial disclosures and accounting policies.

2. *Nature of Operations and Organization*

The Company operates exclusively in the upstream segment of the oil and gas industry with activities including the drilling, completion, and operation of oil and gas wells. The Company conducts the majority of its operations in the states of Texas, Louisiana, Oklahoma, and West Virginia.

3. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions that, in the opinion of management of the Company, are significant include oil and natural gas reserves, amortization relating to oil and natural gas properties, asset retirement obligations, contingent litigation settlements, derivative instrument valuations and income taxes. The Company evaluates its estimates and assumptions on a regular basis. Estimates are based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in preparation of the Company s financial statements. In addition, alternatives can exist among various accounting methods. In such cases, the choice of accounting method can have a significant impact on reported amounts.

4. *Earnings (loss) per Common Share*

Basic earnings (loss) per share are computed by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted earnings (loss) per share reflect the potential dilution that could occur if unvested restricted stock awards became totally vested, calculated using the treasury stock method. Potential common shares in the diluted loss per share are excluded for the periods presented as their effect would be anti-dilutive. A reconciliation of net income (loss) and weighted average shares used in computing basic and diluted net income (loss) per share is as follows for the three and nine months ended September 30 (in thousands, except share and per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
	As Restated		As Restated	
Net income (loss)	$ (3,119)	$ 28,488	$ (45,762)	$ 22,103
Weighted average shares - basic	74,505,534	76,972,191	75,487,262	68,482,312
Dilutive effect of unvested stock grants	-	315,179	-	306,538
Weighted average shares dilutive	74,505,534	77,287,370	75,487,262	68,788,850
Basic earnings (loss) per share	$ (0.04)	$ 0.37	$ (0.61)	$ 0.32
Diluted earnings (loss) per share	$ (0.04)	$ 0.37	$ (0.61)	$ 0.32

5. *Subsequent Events*

The Company evaluates events and transactions that occur after the balance sheet date but before the financial statements are issued. The Company evaluated such events and transactions through November 5, 2009 when the financial statements were filed electronically with the Securities and Exchange Commission.

6. *New Accounting Pronouncements*

In June 2009, the Financial Accounting Standards Board (the FASB) implemented the Accounting Standards Codification ™ (the Codification) establishing the Codification as the single official source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles (GAAP), other than guidance issued by the Securities and Exchange Commission. The Codification became effective for interim and annual periods ending after September 15, 2009. As the Codification was not intended to change or alter existing GAAP, adoption did not have any substantive impact on the Company s financial position or results of operations. However, as a result of the Company s implementation of the Codification during the quarter ended September 30, 2009, previous references to new accounting standards and literature are no longer applicable in the footnotes to the consolidated financial statements and references will now refer to the appropriate topic of the Codification.

In December 2007 the FASB revised authoritative guidance on business combinations, as set forth in Topic 805 of the Codification. The revised guidance resulted in significant changes in financial accounting and reporting of business combination transactions. The guidance establishes principles and requirements for how an acquirer in a business combination: (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Adoption of the revised guidance on January 1, 2009 did not have an impact on current financial position or results of operations, but will impact the accounting for any future acquisitions.

In December 2007, the FASB issued authoritative guidance on noncontrolling interest in consolidated financial statements, as set forth in Topic 810 of the Codification. This guidance established accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Additionally, the guidance clarifies that a noncontrolling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, consolidated net income is to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. Disclosure is also required on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interest. Adoption of the guidance on January 1, 2009 did not impact the Company s financial position or results of operations.

In March 2008, the FASB issued authoritative guidance changing the disclosure requirements for derivative instruments and hedging activities, as set forth in Topic 815 of the Codification. Among other requirements, the guidance requires enhanced disclosures about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for, and (iii) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. Adoption of the guidance on January 1, 2009 required enhanced disclosures about the Company s derivative instruments as disclosed in Note G.

In April 2009, the FASB issued authoritative guidance on interim disclosures about the fair value of financial instruments. The guidance requires quarterly disclosure of information about the fair value of certain financial instruments, as set forth in Topic 825 of the Codification. Adoption of the guidance during the second quarter of 2009 did not impact the Company s financial position or results of operations.

In May 2009, the FASB issued authoritative guidance on subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued or available to be issued. The guidance is set forth in Topic 855 of the Codification and is effective for fiscal years and interim periods after June 15, 2009. Adoption of the guidance in the second quarter of 2009 did not impact the Company s financial position or results of operations.

On December 31, 2008, the Securities and Exchange Commission (SEC) issued Release No. 33-8995, *Modernization of Oil and Gas Reporting,* which revises disclosure requirements for oil and gas companies. In addition to changing the definition and disclosure requirements for oil and gas reserves, the new rules change the requirements for determining oil and gas reserve quantities. These rules permit the use of new technologies to determine proved reserves under certain criteria and allow companies to disclose their probable and possible reserves. The new rules also require companies to report the independence and qualifications of their reserves preparer or auditor and file reports when a third party is relied upon to prepare reserves estimates or conducts a reserves audit. The new rules also require that oil and gas reserves be reported and the full cost ceiling limitation be calculated using a twelve-month average price rather than period-end prices. The new rule is effective for annual reports on Form 10-K for fiscal years ending on or after December 31, 2009. The new rules may not be applied to quarterly reports prior to the first annual report in which the revised disclosures are required. The Company plans to implement the new requirements in its Annual Report on Form 10-K for the year ending December 31, 2009. The Company is currently evaluating the impact of this new rule on its consolidated financial statements and related disclosures. Additionally, the FASB issued its proposed updates to oil and gas accounting rules to align the oil and gas estimation and disclosure requirements of Extractive Industries-Oil & Gas Topic 932 of the Codification with the requirements of the SEC s revised rule, Modernization of Oil and Gas Reporting. The public comment period for the FASB s proposed updates ended October 15, 2009; however, no final guidance has been issued by the FASB. We will comply with any new accounting and disclosure requirements once they become effective.

7. *Restatement of Previously Reported Consolidated Financial Statements*

Subsequent to filing the Company s Form 10-Q for the period ended September 30, 2009, the Company detected an error in the calculation of its crude oil and natural gas proved reserve estimates for the periods ended December 31, 2008 and March 31, 2009. These reserve estimate errors resulted in overstatements of impairment expense and tax benefit and understatement of depreciation and amortization expense for the nine months ended September 30, 2009. The reserve estimate errors were primarily due to certain uneconomic properties not being excluded from the estimates of reserves. Additionally, as a result of the prior period financial statement errors the net book value used to calculate depletion expense for the third quarter of 2009 was not correctly stated, resulting in an error in the calculation of depletion and income tax benefit.

On November 24, 2009 management and the audit committee of the Company s Board of Directors concluded that adjustment to the historical financial statements was required; therefore, the Company restated its consolidated balance sheet and the related statement of operations, statement of stockholders equity and statement of cash flows as of and for the year ended December 31, 2008 on Form 10-K/A, restated the condensed consolidated balance sheet, condensed consolidated statements of operations and cash flows as of and for the three months ended March 31, 2009, restated the condensed consolidated balance sheet, condensed consolidated statements of operations and cash flows as of and for the three months and six months ended June 30, 2009 and restated the accompanying condensed consolidated balance sheet, condensed consolidated statements of operations and cash flows as of and for the three and nine months ended September 30, 2009. These adjustments to the financial statements are all non-cash.

The following tables show the effects of the adjustments made to the Company s Consolidated Balance Sheets as of September 30, 2009 and its Consolidated Statements of Operations and Statements of Cash Flows for the three months and nine months ended September 30, 2009.

Consolidated Balance Sheet line item (in thousands):

	As of September 30, 2009		
	Previously Reported	Adjustments	As Restated

Accumulated depreciation, amortization and impairment	$(478,839)	$23,572	$(455,267)
Total properties and equipment	$ 229,560	$23,572	$ 253,132
Deferred tax asset	$ 48,823	$ (8,599)	$ 40,224
Total assets	$ 309,320	$14,973	$ 324,293
Accumulated deficit	$(219,676)	$14,973	$(204,703)
Stockholders equity (deficit)	$ (3,403)	$14,973	$ 11,570
Total liabilities and stockholders equity	$ 309,320	$14,973	$ 324,293

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Consolidated Statement of Operations line item (in thousands except per share amounts):

	For the three months ended September 30, 2009		For the nine months ended September 30, 2009
	Previously	Adjust-	