

CABOT OIL & GAS CORP
Form 10-Q
October 27, 2006
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2006

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

Commission file number 1-10447

CABOT OIL & GAS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

04-3072771
(I.R.S. Employer
Identification Number)

1200 Enclave Parkway, Houston, Texas 77077

(Address of principal executive offices including Zip Code)

(281) 589-4600

(Registrant's telephone number, including area code)

Edgar Filing: CABOT OIL & GAS CORP - Form 10-Q

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 and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

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

As of October 24, 2006, there were 47,914,159 shares of Common Stock, Par Value \$.10 Per Share, outstanding.

Table of Contents

CABOT OIL & GAS CORPORATION

INDEX TO FINANCIAL STATEMENTS

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Statement of Operations for the Three Months and Nine Months Ended September 30, 2006 and 2005</u>	3
<u>Condensed Consolidated Balance Sheet at September 30, 2006 and December 31, 2005</u>	4
<u>Condensed Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2006 and 2005</u>	5
<u>Notes to the Condensed Consolidated Financial Statements</u>	6
<u>Report of Independent Registered Public Accounting Firm on Review of Interim Financial Information</u>	26
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	45
<u>Item 4. Controls and Procedures</u>	46
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	46
<u>Item 1A. Risk Factors</u>	46
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
<u>Item 6. Exhibits</u>	48
<u>Signatures</u>	49

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****CABOT OIL & GAS CORPORATION****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)**

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
<i>(In thousands, except per share amounts)</i>				
OPERATING REVENUES				
Natural Gas Production	\$ 140,261	\$ 121,477	\$ 436,931	\$ 337,566
Brokered Natural Gas	17,075	18,756	67,389	60,768
Crude Oil and Condensate	26,435	21,336	80,283	57,250
Other	973	188	5,703	2,131
	184,744	161,757	590,306	457,715
OPERATING EXPENSES				
Brokered Natural Gas Cost	15,282	16,550	59,924	53,549
Direct Operations - Field and Pipeline	19,893	14,246	55,478	43,171
Exploration	13,561	16,665	39,972	47,396
Depreciation, Depletion and Amortization	32,088	26,578	96,815	79,346
Impairment of Unproved Properties	3,826	4,092	11,289	11,146
General and Administrative	10,715	9,679	38,079	27,339
Taxes Other Than Income	14,366	14,939	44,439	37,053
	109,731	102,749	345,996	299,000
Gain on Sale of Assets	229,733	15	229,944	74
INCOME FROM OPERATIONS	304,746	59,023	474,254	158,789
Interest Expense and Other	6,978	5,339	19,151	15,461
Income Before Income Taxes and Cumulative Effect of Accounting Change	297,768	53,684	455,103	143,328
Income Tax Expense	108,748	19,928	165,651	53,388
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	189,020	33,756	289,452	89,940
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAX (Note 11)			(403)	
NET INCOME	\$ 189,020	\$ 33,756	\$ 289,049	\$ 89,940
Basic Earnings Per Share - Before Accounting Change	\$ 3.92	\$ 0.69	\$ 5.96	\$ 1.84
Diluted Earnings Per Share - Before Accounting Change	\$ 3.84	\$ 0.68	\$ 5.85	\$ 1.81
Basic Loss Per Share - Accounting Change	\$	\$	\$ (0.01)	\$
Diluted Loss Per Share - Accounting Change	\$	\$	\$ (0.01)	\$
Basic Earnings Per Share	\$ 3.92	\$ 0.69	\$ 5.95	\$ 1.84
Diluted Earnings Per Share	\$ 3.84	\$ 0.68	\$ 5.84	\$ 1.81
Weighted Average Common Shares Outstanding	48,230	48,951	48,548	48,865
Diluted Common Shares (Note 5)	49,162	49,665	49,508	49,613

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

Table of Contents**CABOT OIL & GAS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)**

	September 30,	December 31,
<i>(In thousands, except share amounts)</i>	2006	2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 322,123	\$ 10,626
Accounts Receivable	104,157	168,248
Inventories	41,120	24,616
Deferred Income Taxes	8,333	15,674
Derivative Contracts	58,415	1,736
Other	12,859	9,412
Total Current Assets	547,007	230,312
Properties and Equipment, Net (Successful Efforts Method)	1,390,182	1,238,055
Deferred Income Taxes	25,190	19,587
Derivative Contracts	9,725	164
Other Assets	7,856	7,252
	\$ 1,979,960	\$ 1,495,370
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts Payable	\$ 137,333	\$ 140,006
Current Portion of Long-Term Debt	20,000	20,000
Deferred Income Taxes	22,968	941
Derivative Contracts	16	22,478
Income Taxes Payable	89,887	41
Accrued Liabilities	35,339	35,118
Total Current Liabilities	305,543	218,584
Long-Term Debt	380,000	320,000
Deferred Income Taxes	330,855	289,381
Other Liabilities	53,778	67,194
Commitments and Contingencies (Note 6)		
Stockholders Equity		
Common Stock:		
Authorized 120,000,000 and 80,000,000 Shares of \$.10 Par Value in 2006 and 2005, respectively		
Issued 50,510,809 Shares and 50,081,983 Shares in 2006 and 2005, respectively	5,051	5,008
Additional Paid-in Capital	414,201	397,349
Retained Earnings	535,383	252,167
Accumulated Other Comprehensive Income / (Loss)	40,839	(15,115)
Less Treasury Stock, at Cost:		
2,602,350 and 1,513,850 Shares in 2006 and 2005, respectively	(85,690)	(39,198)
Total Stockholders Equity	909,784	600,211
	\$ 1,979,960	\$ 1,495,370

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

Table of Contents**CABOT OIL & GAS CORPORATION****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 289,049	\$ 89,940
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Cumulative Effect of Accounting Change	403	
Depreciation, Depletion and Amortization	96,815	79,346
Impairment of Unproved Properties	11,289	11,146
Deferred Income Tax Expense	31,514	18,225
Gain on Sale of Assets	(229,944)	(74)
Exploration Expense	39,972	47,396
Unrealized Loss on Derivatives		2,051
Stock-Based Compensation Expense and Other	11,859	7,154
Changes in Assets and Liabilities:		
Accounts Receivable	64,090	(6,086)
Inventories	(16,504)	(11,424)
Other Current Assets	(3,447)	1,167
Other Assets	(438)	(203)
Accounts Payable and Accrued Liabilities	(34,137)	1,516
Income Taxes Payable	95,278	3,292
Other Liabilities	6,007	3,665
Stock-Based Compensation Tax Benefit	(5,756)	
Net Cash Provided by Operating Activities	356,050	247,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(344,620)	(241,504)
Proceeds from Sale of Assets	322,987	996
Exploration Expense	(39,972)	(47,396)
Net Cash Used in Investing Activities	(61,605)	(287,904)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Debt	195,000	85,000
Decrease in Debt	(135,000)	(75,000)
Increase in Book Overdrafts		25,691
Sale of Common Stock Proceeds	3,620	4,088
Stock-Based Compensation Tax Benefit	5,756	
Purchase of Treasury Stock	(46,492)	(571)
Dividends Paid	(5,832)	(5,254)
Net Cash Provided by Financing Activities	17,052	33,954
Net Increase / (Decrease) in Cash and Cash Equivalents	311,497	(6,839)
Cash and Cash Equivalents, Beginning of Period	10,626	10,026
Cash and Cash Equivalents, End of Period	\$ 322,123	\$ 3,187

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

Table of Contents

CABOT OIL & GAS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. FINANCIAL STATEMENT PRESENTATION

During interim periods, Cabot Oil & Gas Corporation (the Company) follows the same accounting policies used in its Annual Report to Stockholders and its Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission (SEC). People using financial information produced for interim periods are encouraged to refer