

FOREST OIL CORP
Form 10-Q/A
October 01, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)
(Mark One)

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

For the quarterly period ended March 31, 2014

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 1-13515

FOREST OIL CORPORATION
(Exact name of registrant as specified in its charter)
New York 25-0484900
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)
707 17th Street, Suite 3600 80202
Denver, Colorado (Zip Code)
(Address of principal executive offices)

Registrant's telephone number, including area code: (303) 812-1400

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
(Do not check if a 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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As of May 2, 2014 there were 119,028,774 shares of the registrant's common stock, par value \$.10 per share, outstanding.

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March 31, 2014

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EXPLANATORY NOTE

As previously disclosed in Item 8.01 of our Current Report on Form 8-K filed on August 11, 2014 (the “Form 8-K”), Forest’s management has determined that certain material weaknesses existed in our internal control over financial reporting at year end 2013. Our independent registered public accounting firm, Ernst & Young LLP (“EY”) has reached the same conclusion. Accordingly, we disclosed that our internal control over financial reporting was ineffective at December 31, 2013, and that both management’s assessment of, and EY’s report on, internal control over financial reporting as of December 31, 2013, included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed on February 26, 2014 (the “Form 10-K”), should no longer be relied upon. We also disclosed management’s determination that Forest’s disclosure controls and procedures were not effective at a reasonable level as of December 31, 2013 and March 31, 2014. Finally, we disclosed that EY and Forest would perform additional testing of Forest’s (i) internal control over financial reporting for the year ended December 31, 2013 and (ii) financial statements for each of the three years included in the Form 10-K.

The additional testing of Forest’s internal control over financial reporting, and the financial statements, has now been completed. We note that the additional testing did not result in a restatement of the financial statements included in the Form 10-K or in the Form 10-Q for the quarterly period ended March 31, 2014 (the Original 10-Q). Forest has filed Amendment No. 1 (the “Form 10-K/A”) to the Form 10-K to (i) disclose the material weaknesses in our internal control over financial reporting that have been identified since the date of the Form 10-K and (ii) include an audit opinion by EY that has been amended, relative to the audit opinion included in the Form 10-K, to include disclosure regarding EY’s opinion of our ability to continue to operate as a going concern. We are now filing this Amendment No. 1 (this “Form 10-Q/A”) to the Original 10-Q, also to address the material weaknesses and “going concern” issues identified above.

This Form 10-Q/A sets forth the Original 10-Q in its entirety; however, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Form 10-Q/A amends and restates only the following Items of the Original 10-Q, and only with respect to matters relating to the material weaknesses in internal control over financial reporting and the going concern disclosure:

Part I

Item 1. Financial Statements

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Item 4. Controls and Procedures

Part II

Item 6. Exhibits

With respect to Part II, Item 6, we are including for filing with this Form 10-Q/A only (i) certifications from our Chief Executive Officer and Chief Financial Officer as Exhibits 31.1, 31.2, 32.1, and 32.2, and (ii) various exhibits related to XBRL. In addition, we are enhancing the disclosure in Part I, Item 2 in order to comply with comments received from the staff of the Securities and Exchange Commission. As noted above, the additional testing on the financial statements and on our internal control over financial reporting did not result in a restatement of the financial statements included in the Form 10-K or in the Original 10-Q.

Except as otherwise set forth in this Explanatory Note, this Form 10-Q/A does not modify or update other disclosures presented in the Original 10-Q, except as necessary to make the disclosure herein consistent with updated disclosures contained in the Form 10-K/A. Accordingly, except for the items identified above, this Form 10-Q/A speaks as of May 6, 2014, the filing date of the Original 10-Q, and any forward-looking statements represent management’s views as of the date of the Original 10-Q and should not be assumed to be correct as of any date thereafter. This Form 10-Q/A should be read in conjunction with our other filings made with the Securities and Exchange Commission subsequent to the date of the Original 10-Q.

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

FOREST OIL CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Thousands, Except Share Amounts)

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$48,328	\$66,192
Accounts receivable	32,840	35,654
Derivative instruments	713	5,192
Other current assets	23,871	6,756
Total current assets	105,752	113,794
Property and equipment, at cost:		
Oil and natural gas properties, full cost method of accounting:		
Proved, net of accumulated depletion of \$8,480,853 and \$8,460,589	776,413	753,079
Unproved	54,612	53,645
Net oil and natural gas properties	831,025	806,724
Other property and equipment, net of accumulated depreciation and amortization of \$46,991 and \$50,058	10,693	11,845
Net property and equipment	841,718	818,569
Deferred income taxes	1,762	2,230
Goodwill	134,434	134,434
Derivative instruments	2,216	400
Other assets	16,305	48,525
	\$1,102,187	\$1,117,952
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$149,525	\$141,107
Accrued interest	13,445	6,654
Derivative instruments	9,598	4,542
Deferred income taxes	1,762	2,230
Other current liabilities	5,847	12,201
Total current liabilities	180,177	166,734
Long-term debt	800,171	800,179
Asset retirement obligations	24,337	22,629
Derivative instruments	672	—
Other liabilities	61,945	73,941
Total liabilities	1,067,302	1,063,483
Shareholders' equity:		
Preferred stock, none issued and outstanding	—	—
Common stock, 119,099,106 and 119,399,983 shares issued and outstanding	11,910	11,940
Capital surplus	2,556,277	2,554,997
Accumulated deficit	(2,523,077) (2,502,070
Accumulated other comprehensive loss	(10,225) (10,398

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Total shareholders' equity	34,885	54,469
	\$1,102,187	\$1,117,952

See accompanying Notes to Condensed Consolidated Financial Statements.

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FOREST OIL CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)
 (In Thousands, Except Per Share Amounts)

	Three Months Ended		
	March 31,		
	2014	2013	
Revenues:			
Oil, natural gas, and natural gas liquids sales	\$64,457	\$118,042	
Interest and other	737	132	
Total revenues	65,194	118,174	
Costs, expenses, and other:			
Lease operating expenses	14,510	21,204	
Production and property taxes	3,225	2,216	
Transportation and processing costs	2,515	3,280	
General and administrative	8,240	20,014	
Depreciation, depletion, and amortization	21,415	48,543	
Interest expense	16,011	36,128	
Realized and unrealized losses on derivative instruments, net	12,851	25,580	
Other, net	8,648	28,820	
Total costs, expenses, and other	87,415	185,785	
Loss before income taxes	(22,221) (67,611)
Income tax (benefit) expense	(1,214) 337)
Net loss	\$(21,007) \$(67,948)
Basic loss per common share	\$(.18) \$(.59)
Diluted loss per common share			