

VINTAGE PETROLEUM INC
Form 10-Q
November 14, 2002

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 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 September 30, 2002

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 1-10578

VINTAGE PETROLEUM, INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of incorporation or organization)

73-1182669
(I.R.S. Employer Identification No.)

110 West Seventh Street
(Address of principal executive offices)

Tulsa, Oklahoma

74119-1029
(Zip Code)

(918) 592-0101
(Registrant's telephone number, including area code)

NOT APPLICABLE
(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 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 the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

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Class
Common Stock, \$.005 Par Value

Outstanding at November 13, 2002
63,320,272

PART I
FINANCIAL INFORMATION

2

ITEM 1. FINANCIAL STATEMENTS**VINTAGE PETROLEUM, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands, except shares
and per share amounts)
(Unaudited)

ASSETS

	September 30, 2002	December 31, 2001
	<u> </u>	<u> </u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 16,375	\$ 14,568
Accounts receivable		
Oil and gas sales	94,782	74,435
Joint operations and other	11,836	12,041
Derivative financial instruments receivable		4,701
Prepays and other current assets	27,850	37,635
Assets to be sold		9,172
	<u> </u>	<u> </u>
Total current assets	150,843	152,552
	<u> </u>	<u> </u>
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Oil and gas properties, successful efforts method	2,538,295	2,490,666
Oil and gas gathering systems and plants	22,368	20,508
Other	26,472	25,494
	<u> </u>	<u> </u>
	2,587,135	2,536,668
Less accumulated depreciation, depletion and amortization	922,981	809,522
	<u> </u>	<u> </u>
	1,664,154	1,727,146
	<u> </u>	<u> </u>
GOODWILL, net	96,861	156,990
	<u> </u>	<u> </u>
OTHER ASSETS, net	55,238	60,100
	<u> </u>	<u> </u>
	\$ 1,967,096	\$ 2,096,788
	<u> </u>	<u> </u>

See notes to unaudited consolidated financial statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**(In thousands, except shares
and per share amounts)

(Unaudited)

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>September 30, 2002</u>	<u>December 31, 2001</u>
CURRENT LIABILITIES:		
Revenue payable	\$ 27,500	\$ 25,625
Accounts payable - trade	37,944	61,047
Current income taxes payable	17,218	21,638
Short-term debt	5,455	17,320
Derivative financial instruments payable	11,491	
Other payables and accrued liabilities	62,243	46,172
	<u>161,851</u>	<u>171,802</u>
LONG-TERM DEBT	<u>924,215</u>	<u>1,010,673</u>
DEFERRED INCOME TAXES	<u>171,090</u>	<u>166,662</u>
OTHER LONG-TERM LIABILITIES	<u>6,100</u>	<u>18,208</u>
STOCKHOLDERS' EQUITY, per accompanying statement:		
Preferred stock, \$.01 par, 5,000,000 shares authorized, zero shares issued and outstanding		
Common stock, \$.005 par, 160,000,000 shares authorized, 63,404,972 and 63,081,322 shares issued and 63,328,972 and 63,081,322 outstanding, respectively	317	315
Capital in excess of par value	326,163	324,077
Retained earnings	409,451	428,443
Accumulated other comprehensive loss	(29,426)	(21,632)
	<u>706,505</u>	<u>731,203</u>
Less unamortized cost of restricted stock awards	2,665	1,760
	<u>703,840</u>	<u>729,443</u>
	<u>\$ 1,967,096</u>	<u>\$ 2,096,788</u>

See notes to unaudited consolidated financial statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
REVENUES:				
Oil and gas sales	\$ 157,137	\$ 173,227	\$ 438,265	\$ 588,610
Gas marketing	15,482	20,481	45,215	115,295
Oil and gas gathering and processing	1,671	794	4,524	15,100
Gain (loss) on disposition of assets	(450)		17,259	24
Foreign currency exchange gain (loss)	(694)	(544)	3,408	(301)
Other income (expense)	(562)	(66)	674	2,673
	<u>172,584</u>	<u>193,892</u>	<u>509,345</u>	<u>721,401</u>
COSTS AND EXPENSES:				
Lease operating, including production and export taxes	52,229	58,314	157,269	159,062
Exploration costs	5,638	9,516	21,566	15,178
Gas marketing	15,192	20,540	43,937	112,163
Oil and gas gathering and processing	1,795	1,299	5,077	15,776
General and administrative	12,258	12,954	38,258	36,883
Depreciation, depletion and amortization	43,767	48,072	140,236	116,060
Impairment of oil and gas properties		10,706		10,706
Amortization of goodwill		4,417		7,191
Interest	20,048	19,867	58,226	46,658
Loss on early extinguishment of debt			8,154	
	<u>150,927</u>	<u>185,685</u>	<u>472,723</u>	<u>519,677</u>
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	<u>21,657</u>	<u>8,207</u>	<u>36,622</u>	<u>201,724</u>
PROVISION (BENEFIT) FOR INCOME TAXES:				
Current	7,210	6,370	19,004	56,565
Deferred	(2,307)	(4,457)	(16,402)	15,650
	<u>4,903</u>	<u>1,913</u>	<u>2,602</u>	<u>72,215</u>
Income from continuing operations before cumulative effect of change in accounting principle	<u>16,754</u>	<u>6,294</u>	<u>34,020</u>	<u>129,509</u>
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax	<u>14,941</u>	<u>(52)</u>	<u>14,485</u>	<u>(350)</u>
Income before cumulative effect of change in accounting principle	<u>31,695</u>	<u>6,242</u>	<u>48,505</u>	<u>129,159</u>
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE			(60,547)	
NET INCOME (LOSS)	<u>\$ 31,695</u>	<u>\$ 6,242</u>	<u>\$ (12,042)</u>	<u>\$ 129,159</u>

See notes to unaudited consolidated financial statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS**(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
BASIC INCOME (LOSS) PER SHARE:				
Income from continuing operations before cumulative effect of change in accounting principle	\$.26	\$.10	\$.54	\$ 2.06
Income (loss) from discontinued operations	.24		.23	(.01)
Income before cumulative effect of change in accounting principle	.50	.10	.77	2.05
Cumulative effect of change in accounting principle			(.96)	
Net income (loss)	\$.50	\$.10	\$ (.19)	\$ 2.05
DILUTED INCOME (LOSS) PER SHARE:				
Income from continuing operations before cumulative effect of change in accounting principle	\$.26	\$.10	\$.53	\$ 2.03
Income (loss) from discontinued operations	.24		.23	(.01)
Income before cumulative effect of change in accounting principle	.50	.10	.76	2.02
Cumulative effect of change in accounting principle			(.95)	
Net income (loss)	\$.50	\$.10	\$ (.19)	\$ 2.02
Weighted average common shares outstanding:				
Basic	63,335	63,080	63,181	63,003
Diluted	63,977	64,068	63,661	64,092

See notes to unaudited consolidated financial statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
AND COMPREHENSIVE INCOME (LOSS)****FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002****(In thousands)****(Unaudited)**

	<u>Common Stock</u>		<u>Treasury</u>	<u>Capital</u>	<u>Unamortized</u>	<u>Retained</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Stock</u>	<u>In</u>	<u>Restricted</u>			
			<u>Shares</u>	<u>Excess</u>	<u>Stock</u>		<u>Income</u>	
				<u>of Par</u>	<u>Awards</u>		<u>(Loss)</u>	
				<u>Value</u>				
BALANCE AT								
DECEMBER 31, 2001	63,081	\$ 315		\$ 324,077	\$ (1,760)	\$ 428,443	\$ (21,632)	\$ 729,443
Comprehensive income (loss):								
Net loss						(12,042)		(12,042)
Foreign currency translation adjustment							1,585	1,585
Change in value of derivatives, net of tax							(9,379)	(9,379)
Total comprehensive loss								(19,836)
Exercise of stock options and resulting tax effects	63	1		513				514
Issuance of restricted stock	261	1		2,879	(2,880)			
Amortization of restricted stock awards						1,126		1,126
Forfeiture of restricted stock and other			76	(1,306)	849			(457)
Cash dividends declared (\$.115 per share)						(6,950)		(6,950)
BALANCE AT								
SEPTEMBER 30, 2002	63,405	\$ 317	76	\$ 326,163	\$ (2,665)	\$ 409,451	\$ (29,426)	\$ 703,840

See notes to unaudited consolidated financial statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Nine Months Ended September 30,	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (12,042)	\$ 129,159
Adjustments to reconcile net income (loss) to cash provided by operating activities		
(Income) loss from discontinued operations, net of tax	(14,485)	350
Cumulative effect of change in accounting principle	60,547	
Depreciation, depletion and amortization	140,236	116,060
Impairment of oil and gas properties		10,706
Amortization of goodwill		7,191
Exploration costs	21,566	15,178
Provision (benefit) for deferred income taxes	(16,402)	15,650
Foreign currency exchange (gain) loss	(3,408)	301
Gain on dispositions of assets	(17,259)	(24)
Loss on early extinguishment of debt	8,154	
Other non-cash items	188	462
	<u>167,095</u>	<u>295,033</u>
Decrease (increase) in receivables	(31,274)	62,026
Increase (decrease) in payables and accrued liabilities	13,343	(67,529)
Other working capital changes	7,321	(21,549)
	<u>156,485</u>	<u>267,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures		
Oil and gas properties	(91,077)	(214,479)
Gathering systems and other	(4,384)	(3,971)
Proceeds from sale of oil and gas properties	22,856	24
Purchase of companies, net of cash acquired		(478,417)
Proceeds from sale of company, net of cash sold	39,314	
Other	(1,216)	(9,644)
	<u>(34,507)</u>	<u>(706,487)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	514	1,216
Issuance of 8 1/4% Senior Notes due 2012	350,000	
Partial redemption of 9% Senior Subordinated Notes due 2005	(103,000)	
Issuance of 7 7/8% Senior Subordinated Notes due 2011		199,930
Advances on revolving credit facility and other borrowings	208,827	719,090
Payments on revolving credit facility and other borrowings	(557,192)	(480,880)
Dividends paid	(6,952)	(5,981)
Transaction costs on debt issuance	(9,887)	
	<u>(117,690)</u>	<u>433,375</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2,481)	(363)

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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,807	(5,494)
CASH AND CASH EQUIVALENTS, beginning of period	14,568	19,506
CASH AND CASH EQUIVALENTS, end of period	\$ 16,375	\$ 14,012