

Contango Oil & Gas Announces Third Quarter 2021 Financial Results and Capital Program Update

15.11.2021 | [GlobeNewswire](#)

FORT WORTH, Nov. 15, 2021 - [Contango Oil & Gas Company](#) (NYSE American: MCF) ("Contango" or the "Company") announced today its financial results for the third quarter ended September 30, 2021.

Third Quarter 2021 Highlights and Recent Developments

- Production sales of 2,426 MBoe for the third quarter of 2021, or 26.4 MBoe per day, compared to 1,587 MBoe, or 17.2 MBoe per day in the prior year quarter.
- Net loss was \$15.2 million for the current year quarter, compared to a net loss of \$6.8 million in the prior year quarter. Adjusting both quarters to exclude pre-tax, non-cash mark-to-market losses related to our commodity price derivatives of \$35.5 million and \$13.0 million, respectively, net income before income taxes would have been approximately \$19.2 million and \$6.9 million for the current and prior year quarters, respectively.
- Adjusted EBITDAX (a non-GAAP measure, as defined and presented herein) for the current year quarter of \$31.6 million, compared to \$15.8 million in the prior year quarter.
- On August 31, 2021, the Company closed on the acquisition from ConocoPhillips of low decline, conventional gas assets in the Wind River Basin of Wyoming (the "Wind River Basin Acquisition"). Upon closing, Contango acquired an estimated 446 Bcfe of PDP reserves for a net consideration paid, after customary closing adjustments, of approximately \$62.6 million. See Note 3 - "Acquisitions and Dispositions" in our recently filed Form 10-Q for the third quarter of 2021 for further information.
- In light of the Pending Independence Merger (defined below), on October 28, 2021, the Company and the lenders under its credit agreement entered into a waiver letter which, among other things, postpones the November scheduled redetermination of the Company's borrowing base until on or about February 1, 2022. As of September 30, 2021, the Company had availability under its credit agreement of \$129.1 million. See Note 10 - "Long-Term Debt" and Note 13 - "Subsequent Events" in our recently filed Form 10-Q for the third quarter of 2021 for further information.
- On November 3, 2021, the Company filed and mailed its definitive proxy statement for the Special Meeting of the Stockholders of the Company in connection with the definitive agreement to combine with Independence Energy, LLC ("Independence") in an all-stock transaction (the "Pending Independence Merger"). The Special Meeting of the Stockholders to vote on the approval of the Pending Independence Merger has been scheduled for December 6, 2021. In light of the Pending Independence Merger, Contango no longer plans to update financial guidance. See Note 3 - "Acquisitions and Dispositions" and Note 13 - "Subsequent Events" in our recently filed Form 10-Q for the third quarter of 2021 for further information.

Management Commentary

Wilkie S. Colyer, the Company's Chief Executive Officer, said, "Our team has been very busy in identifying, closing and integrating acquisitions during the current year, as evidenced by the closing of the Mid-Con and Silvertip acquisitions in the first quarter, the signing and closing of the acquisition of the Wind River Basin assets from ConocoPhillips in the third quarter and the signing of the transaction agreement for the Company's pending merger with Independence Energy LLC, a subsidiary of KKR, in the second quarter. Assuming the Pending Independence Merger is approved by Contango stockholders at the Special Meeting of the Stockholders on December 6, 2021, the Pending Independence Merger is expected to close the following day, and the combined team will be strategically and financially positioned to continue a very active role in the consolidation of the energy sector. Contango's success in closing attractive, PDP-heavy acquisitions, cutting costs on both legacy and acquired properties, and increasing cash flow through low risk,

high return capital spending, has allowed it to greatly expand our financial flexibility and acquisition dry powder, and increase the value of our reserves. Through the pending combination of Contango and Independence, Contango shareholders are positioned to participate in the combined company's ability to pursue its consolidation strategy on a much larger scale and at a meaningfully lower cost of capital. Our team at Contango is excited about playing a large part in that industry consolidator role on behalf of Contango and Independence shareholders as a subsidiary of the combined business."

Summary of Third Quarter Financial Results

Net loss for the three months ended September 30, 2021 was \$15.2 million, or \$(0.08) per basic and diluted share, compared to a net loss of \$6.8 million, or \$(0.05) per basic and diluted share, for the prior year quarter. Pre-tax net loss for the three months ended September 30, 2021 was \$16.3 million, compared to a pre-tax net loss of \$6.1 million for the prior year quarter. Adjusting the comparable 2021 and 2020 quarters for pre-tax, non-cash mark-to-market losses related to our commodity price derivatives of \$35.5 million and \$13.0 million, respectively, net income before income taxes would have been approximately \$19.2 million for the current year quarter compared to net income before income taxes of \$6.9 million for the comparable 2020 quarter.

Average weighted shares outstanding were approximately 199.1 million and 131.7 million for the current and prior year quarters, respectively. Shares outstanding increased primarily due to the sale of approximately 40.6 million shares of common stock of the Company in two offerings in the fourth quarter of 2020 in conjunction with the announcement of the Mid-Con Acquisition and the Silvertip Acquisition in that quarter and approximately 25.5 million shares of common stock issued to Mid-Con shareholders at the close of the Mid-Con Acquisition in January 2021.

The Company reported Adjusted EBITDAX, a non-GAAP measure defined below, of approximately \$31.6 million for the three months ended September 30, 2021, compared to \$15.8 million for the same period last year, an increase attributable primarily to the incremental contribution from the properties we acquired in the Mid-Con Acquisition and the Silvertip Acquisition in the first quarter of 2021 and the Wind River Basin Acquisition in the third quarter of 2021. Recurring Adjusted EBITDAX (defined below as Adjusted EBITDAX exclusive of non-recurring business combination expenses and strategic advisory fees and legal judgments) was \$35.2 million for the 2021 quarter, compared to \$16.2 million for the 2020 quarter.

Revenues for the third quarter of 2021 were approximately \$99.9 million compared to \$31.3 million for the third quarter of 2020, an increase attributable primarily to higher commodity prices and an approximate 53% increase in production sales resulting from the properties acquired in the Mid-Con Acquisition, the Silvertip Acquisition, and the Wind River Basin Acquisition.

Production sales for the three months ended September 30, 2021 were approximately 2.4 MMBoe (52% liquids), or 26.4 MBoe per day, compared to approximately 1.6 MMBoe (48% liquids), or 17.2 MBoe per day in the prior year quarter. The third quarter production sales were higher than the upper end of guidance provided by the Company for the quarter, primarily as a result of the properties acquired in the Wind River Basin Acquisition, which closed on August 31, 2021. Net oil production sales were approximately 9,000 barrels per day for the three months ended September 30, 2021, compared to approximately 4,800 barrels per day in the prior year quarter, an increase attributable to the production from the properties acquired in the Mid-Con Acquisition and the Silvertip Acquisition, which closed on January 21, 2021 and February 1, 2021, respectively. Net natural gas production sales increased to approximately 76.7 MMcf per day during the three months ended September 30, 2021, compared with approximately 53.8 MMcf per day during the three months ended September 30, 2020 primarily due to production from the properties acquired in the Wind River Basin Acquisition. Net natural gas liquids ("NGLs") production sales increased to approximately 4,500 barrels per day during the three months ended September 30, 2021, compared to approximately 3,500 barrels per day in the prior year quarter due to the new, higher liquid content production acquired in the Silvertip Acquisition.

The weighted average equivalent sales price realized for the three months ended September 30, 2021 was \$40.18 per Boe compared to \$19.13 per Boe for the three months ended September 30, 2020. The increase in the third quarter 2021 realized prices was primarily attributable to an improvement in the economy and higher realized commodity prices in 2021 brought about by domestic vaccination programs that have helped reduce the spread of COVID-19. The lower prior year prices were attributable to the decline in realized commodity prices in early 2020 as a result of the spread of the COVID-19 pandemic and its negative impact

on the global demand for oil and natural gas. The realized price of crude oil averaged \$67.39 per Bbl in the current year quarter compared to an average \$39.30 per Bbl in the prior year quarter. The realized price of natural gas averaged \$3.72 per Mcf in the current year quarter compared to an average of \$1.60 per Mcf in the prior year quarter, and the realized price of NGLs averaged \$36.30 per Bbl in the current year quarter compared to an average of \$15.73 per Bbl in the prior year quarter.

Operating expenses for the three months ended September 30, 2021 were approximately \$44.9 million, compared to \$14.6 million for the same period last year, an increase attributable primarily to the properties acquired in the Mid-Con Acquisition, the Silvertip Acquisition, and the Wind River Basin Acquisition. Included in operating expenses are direct lease operating expenses, transportation and processing costs, workover expenses, production and ad valorem taxes and other expenses related to plants and pipelines. Operating expenses, exclusive of production and ad valorem taxes of \$6.9 million and \$1.5 million for the respective 2021 and 2020 quarters, were approximately \$38.0 million for the 2021 quarter compared to approximately \$13.1 million for the prior year quarter. The third quarter operating expenses were higher than the upper end of guidance provided by the Company for the quarter, primarily as a result of the production enhancing workovers.

DD&A expense for the three months ended September 30, 2021 was \$9.8 million, or \$4.03 per Boe, compared to \$6.2 million, or \$3.90 per Boe, for the 2020 quarter. The higher depletion expense and rate per Boe in the current year quarter was primarily due to the liquids-heavy properties acquired in the Mid-Con Acquisition and the Silvertip Acquisition.

Total G&A expenses were \$14.6 million, or \$6.02 per Boe, for the three months ended September 30, 2021, compared to \$8.7 million, or \$5.48 per Boe, for the prior year quarter. Recurring G&A expenses (defined as Total G&A expenses, exclusive of business combination expenses and non-recurring strategic advisory fees of \$2.9 million and \$0.3 million for the current year and prior year quarters, respectively, and legal judgments of \$0.7 million and \$0.1 million for the current year and prior year quarters, respectively) were \$11.0 million, or \$4.52 per Boe, for the current year quarter compared to Recurring G&A expenses of \$8.3 million, or \$5.22 per Boe for the prior year quarter. The increase from the prior year is primarily due to the costs of additional personnel, systems costs and other administrative expenses resulting from growth related to the Mid-Con Acquisition and the Silvertip Acquisition, as well as higher non-cash stock-based compensation expense in the current year quarter due to annual incentive grants being awarded to a larger employee base. Recurring Cash G&A expenses (defined as Recurring G&A expenses exclusive of non-cash stock-based compensation of \$3.2 million and \$1.8 million for the respective 2021 and 2020 quarters) were \$7.8 million for the current year quarter, compared to \$6.5 million for the prior year quarter.

Loss on derivatives for the three months ended September 30, 2021 was approximately \$48.4 million. Of this amount, \$35.5 million was attributable to a non-cash mark-to-market loss resulting from the reduction in the value of our hedges due to the improvement in benchmark commodity prices and to \$12.9 million in realized losses on derivative settlements during the quarter. Loss on derivatives for the three months ended September 30, 2020 was approximately \$7.4 million, of which \$13.0 million was a non-cash mark-to-market loss, partially offset by \$5.6 million in realized gains.

2021 Capital Program & Capital Resources

Due to strengthening oil prices in 2021, and our identification of more cost-efficient methods of drilling and completing our Permian Basin wells, in the second quarter of 2021, we resumed a conservative, one-rig drilling program in the Southern Delaware Basin. In May 2021, we began drilling the first of three single-pad wells originally planned in the Permian region. Based on recent success by other operators adjacent to our position, we decided to drill one of the three wells in this first pad to the Second Bone Spring formation, which is our first well drilled to that formation. Due to the success and efficiency in the drilling of these first three wells and the improved oil price market, we commenced spudding a second three-well pad in July 2021 as part of our 2021 Permian drilling program. The first two wells, both drilled to the Wolfcamp A formation, were drilled to an average total measured depth of 20,440 feet with an average lateral length of 9,700 feet and 48 stages of fracture stimulation. The third well, drilled to the Second Bone Spring formation, was drilled to a total measured depth of 19,090 feet with a lateral length of 9,574 feet and 47 stages of fracture stimulation. These three wells were brought online in mid-October and are still being evaluated at this time. We plan to begin completion operations on the second three wells in late November, with first production expected in January 2022.

Capital costs for the three months ended September 30, 2021 were approximately \$12.2 million and included

\$8.0 million in expenditures related to the drilling of the Southern Delaware Basin wells and \$3.8 million in expenditures related to redevelopment activities on recently acquired properties in our Midcontinent, Permian and Rockies regions. We also incurred \$0.4 million in expenditures in unproved offshore prospect costs during the third quarter of 2021.

We currently forecast our total 2021 capital expenditure budget to be approximately \$30.0 - \$34.0 million, including planned expenditures for the recompletion and redevelopment of shut-in wells acquired in the Mid-Con Acquisition, the Silvertip Acquisition, and the Wind River Basin Acquisition, facility upgrades in numerous areas, waterflood development in our Mid-Continent region and select drilling in the West Texas Permian (expected 3 net locations, 6 gross locations), among other things. This forecast does not account for the Pending Independence Merger. The capital expenditure program will continue to be evaluated for revision throughout the remainder of the year. We believe that we will have the financial resources to further increase the currently planned 2021 capital expenditure budget, when and if deemed appropriate, including as a result of changes in commodity prices, economic conditions or operational factors.

On August 6, 2021, we received notice from the Small Business Administration that our loan received from the Paycheck Protection Program in 2020 for approximately \$3.4 million was forgiven in its entirety. For the three and nine months ended September 30, 2021, we recorded other income of \$3.4 million for the loan forgiveness within "Gain on extinguishment of debt" on our consolidated statements of operations. See Note 10 - "Long-Term Debt" in our recently filed Form 10-Q for the third quarter of 2021 for further information.

As of September 30, 2021, we had \$118.0 million outstanding under the Company's Credit Agreement, \$2.9 million in outstanding letters of credit and borrowing availability of approximately \$129.1 million. The Credit Agreement matures on September 17, 2024. We were in compliance with the covenants to our Credit Agreement as of September 30, 2021.

In light of the Pending Independence Merger, on October 28, 2021, the Company and the lenders under its Credit Agreement entered into a waiver letter which, among other things, postpones the November scheduled redetermination of the Company's borrowing base until on or about February 1, 2022. See Note 10 - "Long-Term Debt" and Note 13 - "Subsequent Events" in our recently filed Form 10-Q for the third quarter of 2021 for further information.

Derivative Instruments

As of September 30, 2021, we had the following financial derivative contracts in place with members of our bank group, or with third-party counterparties under an unsecured line of credit with no collateral requirements or margin call provisions.

Commodity	Period	Derivative	Volume/Quarter	Weighted Average Price/Unit
Oil	Q4 2021	Swap	547,251 Bbls	\$ 57.06 (1)
Oil	Q1 2022	Swap	585,000 Bbls	\$ 56.34 (1)
Oil	Q2 2022	Swap	473,000 Bbls	\$ 52.92 (1)
Oil	Q3 2022	Swap	417,000 Bbls	\$ 51.27 (1)
Oil	Q4 2022	Swap	407,000 Bbls	\$ 51.86 (1)
Oil	Q1 2023	Swap	380,000 Bbls	\$ 53.15 (1)
Oil	Q2 2023	Swap	150,000 Bbls	\$ 58.43 (1)
Oil	Q4 2021	Collar	60,251 Bbls	\$ 52.00 - 58.80 (1)
Natural Gas	Q4 2021	Swap	3,975,000 MMBtus	\$ 2.89 (2)
Natural Gas	Q1 2022	Swap	3,990,000 MMBtus	\$ 2.78 (2)
Natural Gas	Q2 2022	Swap	4,375,000 MMBtus	\$ 2.77 (2)
Natural Gas	Q3 2022	Swap	3,650,000 MMBtus	\$ 2.73 (2)
Natural Gas	Q4 2022	Swap	3,800,000 MMBtus	\$ 2.57 (2)
Natural Gas	Q1 2023	Swap	2,850,000 MMBtus	\$ 2.73 (2)
Natural Gas	Q2 2023	Swap	3,000,000 MMBtus	\$ 2.73 (2)
Natural Gas	Q4 2021	Collar	400,000 MMBtus	\$ 3.00 - 3.41 (2)

Natural Gas Q1 2022 Collar	510,000	MMBtus	\$ 3.00	- 3.41	(2)
Natural Gas Q1 2023 Collar	550,000	MMBtus	\$ 2.63	- 3.01	(2)

(1) Based on West Texas Intermediate crude oil prices.

(2) Based on Henry Hub NYMEX natural gas prices.

As of September 30, 2021, the mark to market value of our hedge portfolio was a net liability of \$94.2 million, as reflected in the Company's balance sheet as of September 30, 2021.

As of September 30, 2021, the Company's oil derivative contracts include hedges for 0.6 MMBbls of remaining 2021 production with an average floor price of \$56.56 per barrel, 1.9 MMBbls of 2022 production with an average floor price of \$53.39 per barrel and 0.5 MMBbls of production during the first half of 2023 with an average floor price of \$54.64 per barrel. As of September 30, 2021, the Company's natural gas derivative contracts include 4.4 Bcf of remaining 2021 production with an average floor price of \$2.90 per MMBtu, 16.3 Bcf of 2022 production with an average floor price of \$2.78 per MMBtu and 6.4 Bcf of natural gas during the first half of 2023 at an average floor price of \$2.72 per MMBtu. Approximately 95% of the Company's hedges are swaps, and the Company has no three-way collars or short puts.

Selected Financial and Operating Data

The following table reflects certain comparative financial and operating data for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,			Nine Months Ended September 30,	
	2021	2020	% Change	2021	2020
<i>Total Volumes Sold:</i>					
Oil and condensate (MBbls)	832	443	88 %	2,373	1,309
Natural gas (MMcf)	7,056	4,953	42 %	17,081	15,068
Natural gas liquids (MBbls)	418	318	31 %	1,175	956
Thousand barrels of oil equivalent (MBoe)	2,426	1,587	53 %	6,395	4,776
<i>Daily Sales Volumes:</i>					
Oil and condensate (MBbls)	9.0	4.8	88 %	8.7	4.8
Natural gas (MMcf)	76.7	53.8	43 %	62.6	55.0
Natural gas liquids (MBbls)	4.5	3.5	29 %	4.3	3.5
Thousand barrels of oil equivalent (MBoe)	26.4	17.2	53 %	23.4	17.4
<i>Average Sales Price:</i>					
Oil and condensate (per Bbl)	\$ 67.39	\$ 39.30	71 %	\$ 62.89	\$ 36.76
Natural gas (per Mcf)	\$ 3.72	\$ 1.60	133 %	\$ 3.25	\$ 1.51
Natural gas liquids (per Bbl)	\$ 36.30	\$ 15.73	131 %	\$ 30.42	\$ 12.47
Total (per Boe)	\$ 40.18	\$ 19.13	110 %	\$ 37.62	\$ 17.33
<i>Average Selected Costs (\$ per Boe)</i>					
Operating expenses ⁽¹⁾	\$ 15.64	\$ 8.23	90 %	\$ 14.40	\$ 9.38
Production and ad valorem taxes	\$ 2.86	\$ 0.97	195 %	\$ 2.63	\$ 0.86
General and administrative expense (cash)	\$ 4.70	\$ 4.37	8 %	\$ 4.90	\$ 4.57
Interest expense	\$ 0.66	\$ 0.67	(1) %	\$ 0.65	\$ 0.93
<i>Net Loss (thousands)</i>	<i>\$(15,200)</i>	<i>\$(6,805)</i>		<i>\$(52,135)</i>	<i>\$(140,094)</i>
<i>Adjusted EBITDAX ⁽²⁾ (thousands)</i>	<i>\$ 31,610</i>	<i>\$ 15,827</i>		<i>\$ 84,734</i>	<i>\$ 36,936</i>
<i>Weighted Average Shares Outstanding (thousands)</i>					
Basic	199,136	131,686		196,867	131,493
Diluted	199,136	131,686		196,867	131,493

(1) Operating expense includes direct lease operating expenses, transportation, workover and other expense for plants and pipelines.

(2) Adjusted EBITDAX is a non-GAAP financial measure. See below for reconciliation to net loss.

[Contango Oil & Gas Company](#)

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2021	December 31, 2020
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 3,084	\$ 1,383
Accounts receivable, net	101,271	37,862
Current derivative asset	-	2,996
Other current assets	7,372	4,565
Net property and equipment	443,928	101,903
Non-current assets	17,428	21,558
TOTAL ASSETS	\$ 573,083	\$ 170,267
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts payable and accrued liabilities	173,608	83,970
Current derivative liability	71,702	1,317
Current asset retirement obligations	5,193	4,249
Long-term debt	118,000	12,369
Long-term derivative liability	22,467	1,648
Asset retirement obligations	126,076	48,523
Lease liabilities	3,673	2,624
Total shareholders' equity	52,364	15,567
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 573,083	\$ 170,267

[Contango Oil & Gas Company](#)

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(unaudited)			
REVENUES				
Oil and condensate sales	\$ 56,044	\$ 17,415	\$ 149,246	\$ 48,127
Natural gas sales	26,241	7,930	55,556	22,718
Natural gas liquids sales	15,175	5,003	35,735	11,918
Other operating revenues	2,467	1,000	2,980	1,000
Total revenues	99,927	31,348	243,517	83,763
EXPENSES				
Operating expenses	44,916	14,586	108,901	48,859
Exploration expenses	174	(227)	458	11,344
Depreciation, depletion and amortization	9,792	6,185	30,391	24,131
Impairment and abandonment of oil and natural gas properties	258	47	712	145,925
General and administrative expenses	14,599	8,699	39,441	24,186
Total expenses	69,739	29,290	179,903	254,445

OTHER INCOME (EXPENSE)				
Loss from investment in affiliates, net of income taxes	(1,093)	(126)	(1,897)	(13)
Gain from sale of assets	113	38	461	4,471
Interest expense	(1,598)	(1,057)	(4,156)	(4,421)
Gain (loss) on derivatives, net	(48,390)	(7,369)	(117,951)	30,526
Gain on extinguishment of debt	3,369	-	3,369	-
Other income	1,145	319	3,714	1,456
Total other income (expense)	(46,454)	(8,195)	(116,460)	32,019
NET LOSS BEFORE INCOME TAXES	(16,266)	(6,137)	(52,846)	(138,663)
Income tax benefit (provision)	1,066	(668)	711	(1,431)
NET LOSS	\$ (15,200)	\$ (6,805)	\$ (52,135)	\$ (140,094)

Non-GAAP Financial Measures

This news release includes certain non-GAAP financial information as defined by the U.S. Securities and Exchange Commission (the "SEC") rules. Pursuant to SEC requirements, reconciliations of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP) are included in this press release.

Adjusted EBITDAX represents net income (loss) before interest expense, taxes, depreciation, depletion and amortization, impairment of properties and oil and gas exploration expenses ("EBITDAX") as further adjusted to reflect the items set forth in the table below and is a measure required to be used in determining our compliance with financial covenants under our credit facility. Recurring Adjusted EBITDAX represents Adjusted EBITDAX exclusive of non-recurring business combination and strategic advisory fees and legal judgments.

We have included Adjusted EBITDAX in this release to provide investors with a supplemental measure of our operating performance and information about the calculation of some of the financial covenants that are contained in our credit agreement. We believe Adjusted EBITDAX is an important supplemental measure of operating performance because it eliminates items that have less bearing on our operating performance and therefore highlights trends in our core business that may not otherwise be apparent when relying solely on GAAP financial measures. We also believe that securities analysts, investors and other interested parties frequently use Adjusted EBITDAX in the evaluation of companies, many of which present Adjusted EBITDAX when reporting their results. Adjusted EBITDAX is a material component of the covenants that are imposed on us by our credit agreement. We are subject to financial covenant ratios that are calculated by reference to Adjusted EBITDAX. Non-compliance with the financial covenants contained in our credit agreement could result in a default, an acceleration in the repayment of amounts outstanding and a termination of lending commitments. Our management and external users of our financial statements, such as investors, commercial banks, research analysts and others, also use Adjusted EBITDAX to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
- the feasibility of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

The following table reconciles net loss to EBITDAX, Adjusted EBITDAX and Recurring Adjusted EBITDAX for the periods presented:

Three Months Ended		Nine Months Ended	
September 30,		September 30,	
2021	2020	2021	2020

	(in thousands)			
Net loss	\$ (15,200)	\$ (6,805)	\$ (52,135)	\$ (140,094)
Interest expense	1,598	1,057	4,156	4,421
Income tax provision (benefit)	(1,066)	668	(711)	1,431
Depreciation, depletion and amortization	9,792	6,185	30,391	24,131
Impairment of oil and natural gas properties	-	60	178	145,938
Exploration expense	174	(227)	458	11,344
EBITDAX	\$ (4,702)	\$ 938	\$ (17,663)	\$ 47,171
Non-cash mark-to-market loss (gain) on derivative instruments	\$ 35,500	\$ 13,037	\$ 96,240	\$ (8,155)
Non-cash stock-based compensation charges	3,201	1,764	8,090	2,378
Loss (gain) on sale of assets and investment in affiliates	980	88	1,436	(4,458)
Gain on extinguishment of debt	(3,369)	-	(3,369)	-
Adjusted EBITDAX	\$ 31,610	\$ 15,827	\$ 84,734	\$ 36,936
Non-recurring business combination expenses and strategic fees	\$ 2,914	\$ 326	\$ 6,667	\$ 2,553
Non-recurring legal judgments	708	90	708	246
Recurring Adjusted EBITDAX	\$ 35,232	\$ 16,243	\$ 92,109	\$ 39,735

In addition to Adjusted EBITDAX and Recurring Adjusted EBITDAX, we may provide additional non-GAAP financial measures, including Operating expenses exclusive of production and ad valorem taxes, Recurring G&A expenses, Recurring Cash G&A expenses, net income before income taxes adjusted for pre-tax, non-cash mark-to-market losses related to commodity price derivatives, because our management believes providing investors with this information gives additional insights into our profitability, cash flows and expenses.

Adjusted EBITDAX, Recurring Adjusted EBITDAX and other non-GAAP measures in this release are not presentations made in accordance with generally accepted accounting principles, or GAAP. As discussed above, we believe that the presentation of non-GAAP financial measures in this release is appropriate. However, when evaluating our results, you should not consider the non-GAAP financial measures in isolation of, or as a substitute for, measures of our financial performance as determined in accordance with GAAP, such as net loss. For example, Adjusted EBITDAX has material limitations as a performance measure because it excludes items that are necessary elements of our costs and operations. Because other companies may calculate Adjusted EBITDAX differently than we do, Adjusted EBITDAX as presented in this release is not comparable to similarly-titled measures reported by other companies.

Teleconference Call

In light of the previously announced Special Meeting of Shareholders of Contango scheduled to be held on December 6, 2021, whereby Contango shareholders will vote on the Proposed Merger with Independence Energy, LLC, the Company will not host a conference call to discuss the contents of the third quarter earnings release.

About Contango Oil & Gas Company

[Contango Oil & Gas Company](http://contango.com) is a Fort Worth, Texas based, independent oil and natural gas company whose business is to maximize production and cash flow from its onshore properties primarily located in its Midcontinent, Permian, Rockies and other smaller onshore areas and its offshore properties in the shallow waters of the Gulf of Mexico and utilize that cash flow to explore, develop and acquire oil and natural gas properties across the United States. Additional information is available on the Company's website at <http://contango.com>. Information on our website is not part of this release.

ADDITIONAL INFORMATION AND WHERE TO FIND IT

This communication may be deemed to be offering or solicitation material in respect of the proposed merger (the "Proposed Merger"). The Proposed Merger will be submitted to the stockholders of Contango for their consideration. In connection with the Proposed Merger, New PubCo and Contango have filed (1) a definitive

proxy statement/prospectus (the "Proxy Statement/Prospectus") with the SEC in connection with the Company Stockholder Approval (as defined in the Transaction Agreement) and (2) a registration statement on Form S-4 (the "Registration Statement") with the SEC, in which the Proxy Statement/Prospectus is included as a prospectus of New PubCo. New PubCo and Contango also intend to file other relevant documents with the SEC regarding the Proposed Merger. The definitive Proxy Statement/Prospectus has been mailed to Contango's stockholders. BEFORE MAKING ANY VOTING OR INVESTMENT DECISION WITH RESPECT TO THE PROPOSED MERGER, INVESTORS AND STOCKHOLDERS OF CONTANGO ARE URGED TO READ THE DEFINITIVE PROXY STATEMENT/PROSPECTUS REGARDING THE PROPOSED MERGER (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND OTHER RELEVANT MATERIALS CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER.

The Proxy Statement/Prospectus, any amendments or supplements thereto and other relevant materials, may be obtained with the SEC free of charge at the SEC's website at www.sec.gov.

NO OFFER OR SOLICITATION

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

PARTICIPANTS IN THE SOLICITATION

Independence, Contango and certain of their respective executive officers, directors, other members of management and employees may, under the rules of the SEC, be deemed to be "participants" in the solicitation of proxies in connection with the Proposed Merger. Information regarding Contango's directors and executive officers is available in its Proxy Statement on Schedule 14A for its 2021 Annual Meeting of Stockholders, filed with the SEC on April 30, 2021 and in its Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 10, 2021. Information regarding Independence's directors and executive officers is available in the Registration Statement. These documents may be obtained free of charge from the SEC's website at www.sec.gov. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is also contained in the Form S-4, the Proxy Statement/Prospectus and other relevant materials relating to the Proposed Merger to be filed with the SEC when they become available. Stockholders, potential investors and other readers should read the Proxy Statement/Prospectus carefully before making any voting or investment decisions.

Forward-Looking Statements and Cautionary Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on Contango's current expectations and include statements regarding our estimates of future production and other guidance (including information regarding production, lease operating expenses, cash G&A expenses, and DD&A Rate), the Company's Pending Independence Merger and Wind River Basin Acquisition, the Company's drilling program and capital expenditures and the potential timing and success related to those expenditures, including the timing of expected production and expected well lateral lengths, our liquidity and access to capital, expected overall drilling costs, lease operating cost and G&A costs, the potential impact of the COVID-19 pandemic including reduced demand for oil and natural gas, the volatile commodity price environment, the impact of our derivative instruments, the accuracy of our projections of future production, future results of operations, ability to identify, complete and integrate acquisitions, ability to realize expected benefits of acquisitions, the quality and nature of the asset base, the assumptions upon which estimates are based and other expectations, beliefs, plans, objectives, assumptions, strategies or statements about future events or performance. Words and phrases used to identify our forward-looking statements include terms such as "guidance", "expects", "projects", "anticipates", "believes", "plans", "estimates", "potential", "possible", "probable", "intends", "forecasts", "view", "efforts", "goal", "positions", "future" or words and phrases stating that certain actions, events or results "may", "will", "should", or "could" be taken, occur or be achieved. Statements concerning oil and gas reserves also may be deemed to be forward-looking statements in that they reflect estimates based on certain assumptions that the resources

involved can be economically exploited. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those reflected in the statements. These risks include, but are not limited to: the risks of the oil and gas industry (for example, operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; health, safety and environmental risks and risks related to weather such as hurricanes and other natural disasters); risks related to drilling into formations that are new to us; risks related to the Pending Independence Merger, including the risk that the transaction will not be completed on the timeline or terms currently contemplated, the businesses and assets will not be integrated successfully, that the anticipated cost savings, synergies, intrinsic value, access to capital and growth from the transactions may not be fully realized or may take longer to realize than expected, and that management attention will be diverted; potential liability resulting from any future litigation related to the Pending Independence Merger and the Wind River Basin Acquisition; risks related to the Silvertip Acquisition, the Mid-Con Acquisition and the Wind River Basin Acquisition, including the risk that the anticipated benefits from those acquisitions may not be fully realized or may take longer to realize than expected, and that management attention will be diverted to integration-related issues; risks related to the impact of the climate change initiative by President Biden's administration and Congress, including, as an example, the January 2021 executive order imposing a moratorium on new oil and natural gas leasing on federal lands and offshore waters pending completion of a comprehensive review and reconsideration of federal oil and natural gas permitting and leasing practices; uncertainties as to the availability and cost of financing; our relationships with lenders; our ability to comply with financial covenants in our debt instruments, repay indebtedness and access new sources of indebtedness and/or provide additional liquidity for future capital expenditures; any reduction in our borrowing base and our ability to avoid or repay excess borrowings as a result of such reduction; our ability to execute on our strategy, including execution of acquisitions; fluctuations in commodity prices; expected benefits of and risks associated with derivative positions; our ability to realize cost savings; our ability to execute on and realize expected value from acquisitions and to complete strategic dispositions of assets and realize the benefits of such dispositions; the limited trading volume of our common stock and general trading market volatility; outbreaks and pandemics, even outside our areas of operation, including COVID-19; the impact of the COVID-19 pandemic, including reduced demand for oil and natural gas, economic slowdown, governmental and societal actions taken in response to the COVID-19 pandemic, stay-at-home orders and interruptions to our operations; the ability of our management team to execute its plans or to meet its goals; shortages of drilling equipment, oil field personnel and services; unavailability of gathering systems, pipelines and processing facilities; the possibility that government policies may change or governmental approvals may be delayed or withheld; and the other factors discussed in our reports filed or furnished with the SEC, including under the "Risk Factors" heading in our annual report on Form 10-K for the year ended December 31, 2020 and our quarterly reports on Form 10-Q filed with the SEC. Additional information on these and other factors, many of which may be unknown or unpredictable at this time, which could affect Contango's operations or financial results are included in Contango's reports on file with the SEC. Investors are cautioned that any forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from the projections in the forward-looking statements. Forward-looking statements speak only as of the date they were made and are based on the estimates and opinions of management at the time the statements are made. Contango does not assume any obligation to update forward-looking statements should circumstances or management's estimates or opinions change, except as required by law. Initial production rates are subject to decline over time and should not be regarded as reflective of sustained production levels. Initial production rates of wells and initial indications of formation performance or the benefits of any transaction are not necessarily indicative of future or long-term results.

Contact:

[Contango Oil & Gas Company](#)

E. Joseph Grady - 713-236-7400

Senior Vice President and Chief Financial and Accounting Officer

Dieser Artikel stammt von [Rohstoff-Welt.de](#)

Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/399678--Contango-Oil-und-Gas-Announces-Third-Quarter-2021-Financial-Results-and-Capital-Program-Update.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by Rohstoff-Welt.de -1999-2026. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).