

CREDO PETROLEUM CORP  
Form 10-Q  
March 12, 2012  
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**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 January 31, 2012

**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: 0-8877

**CREDO PETROLEUM CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction of incorporation or organization)

**84-0772991**

(IRS Employer Identification No.)

**1801 Broadway, Suite 900, Denver, Colorado**

(Address of principal executive offices)

**80202**

(Zip Code)

**303-297-2200**

(Registrant's telephone number, including area code)

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-Y 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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, net of treasury stock, as of the latest practicable date.

Date	Class	Outstanding
March 12, 2012	Common stock, \$.10 par value	10,041,000

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**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES**

**Quarterly Report on Form 10-Q For the Period Ended January 31, 2012**

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The terms CREDO, Company, we, our, and us refer to CREDO Petroleum Corporation and its subsidiaries unless the context suggests otherwise.



Table of Contents**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CREDO PETROLEUM CORPORATION AND SUBSIDIARIES****Consolidated Balance Sheets****(Unaudited)****A S S E T S**

	January 31, 2012	October 31, 2011
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,777,000	\$ 3,313,000
Short-term investments	388,000	1,487,000
Receivables:		
Accrued oil and natural gas sales	2,636,000	2,343,000
Trade	1,259,000	893,000
Derivative assets		8,000
Other current assets	460,000	213,000
<b>Total current assets</b>	<b>6,520,000</b>	<b>8,257,000</b>
<b>Long-term assets:</b>		
Oil and natural gas properties, at cost, using full cost method:		
Unevaluated oil and natural gas properties	9,710,000	9,609,000
Evaluated oil and natural gas properties	103,551,000	99,283,000
Less: accumulated depreciation, depletion and amortization	(62,757,000)	(61,042,000)
Net oil and natural gas properties	50,504,000	47,850,000
Intangible assets, net of amortization of \$1,416,000 in 2012 and \$1,307,000 in 2011	3,033,000	3,142,000
Compressor and tubular inventory to be used in development of oil and gas properties	1,803,000	1,690,000
Other, net	122,000	97,000
<b>Total assets</b>	<b>\$ 61,982,000</b>	<b>\$ 61,036,000</b>

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



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## LIABILITIES AND STOCKHOLDERS EQUITY

	January 31, 2012	October 31, 2011
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,903,000	\$ 3,665,000
Revenue distribution payable	1,087,000	964,000
Accrued compensation	42,000	246,000
Other accrued liabilities	203,000	337,000
Derivative liability	472,000	
Income taxes payable	105,000	105,000
Total current liabilities	4,812,000	5,317,000
<b>Long Term Liabilities:</b>		
Deferred income taxes, net	4,994,000	4,505,000
Asset retirement obligation	1,120,000	1,213,000
Total liabilities	10,926,000	11,035,000
<b>Commitments</b>		
<b>Stockholders Equity:</b>		
Preferred stock, no par value, 5,000,000 shares authorized, none issued		
Common stock, \$.10 par value, 20,000,000 shares authorized, 10,660,000 issued	1,066,000	1,066,000
Capital in excess of par value	31,562,000	31,547,000
Treasury stock at cost, 619,000 shares in 2012 and 2011	(4,654,000)	(4,654,000)
Retained earnings	23,082,000	22,042,000
Total stockholders equity	51,056,000	50,001,000
<b>Total liabilities and stockholders equity</b>	<b>\$ 61,982,000</b>	<b>\$ 61,036,000</b>

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

Table of Contents**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES****Consolidated Statements of Operations****(Unaudited)**

	<b>Three Months Ended January 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Oil sales</b>	<b>\$ 5,031,000</b>	<b>\$ 2,235,000</b>
<b>Natural gas sales</b>	<b>790,000</b>	<b>1,015,000</b>
	<b>5,821,000</b>	<b>3,250,000</b>
<b>Costs and expenses:</b>		
Oil and natural gas production	<b>1,187,000</b>	867,000
Depreciation, depletion and amortization	<b>1,832,000</b>	994,000
General and administrative	<b>750,000</b>	485,000
	<b>3,769,000</b>	2,346,000
<b>Income from operations</b>	<b>2,052,000</b>	904,000
<b>Other income and (expense)</b>		
Realized and unrealized (loss) on derivative contracts	<b>(525,000)</b>	(705,000)
Investment and other income	<b>2,000</b>	26,000
	<b>(523,000)</b>	(679,000)
<b>Income before income taxes</b>	<b>1,529,000</b>	225,000
Income taxes	<b>(489,000)</b>	(56,000)
<b>Net income</b>	<b>\$ 1,040,000</b>	<b>\$ 169,000</b>
<b>Earnings per share of Common Stock - Basic</b>	<b>\$ .10</b>	<b>\$ .02</b>
<b>Earnings per share of Common Stock - Diluted</b>	<b>\$ .10</b>	<b>\$ .02</b>
Weighted average number of shares of common stock and dilutive securities:		
Basic	<b>10,041,000</b>	10,043,000
Diluted	<b>10,078,000</b>	10,070,000

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



Table of Contents**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES****Consolidated Statements of Cash Flows****(Unaudited)**

	<b>Three Months Ended January 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 1,040,000	\$ 169,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,832,000	994,000
ARO liability accretion	18,000	20,000
Unrealized losses on derivative contracts	480,000	741,000
Deferred income taxes	489,000	(75,000)
(Gains) losses on short term investments		(22,000)
Compensation expense related to stock options granted	15,000	17,000
Other		(2,000)
Changes in operating assets and liabilities:		
Purchase of short-term investments		(50,000)
Proceeds from short-term investments	1,099,000	6,000
Accrued oil and natural gas sales	(293,000)	(379,000)
Trade receivables	(366,000)	(105,000)
Other current assets	(247,000)	80,000
Accounts payable and accrued liabilities	(326,000)	924,000
<b>Net Cash Provided By Operating Activities</b>	<b>3,741,000</b>	<b>2,318,000</b>
<b>Cash Flows Used in Investing Activities:</b>		
Additions to oil and natural gas properties	(5,131,000)	(2,518,000)
Changes in other long-term assets	(146,000)	(21,000)
<b>Net Cash Used In Investing Activities</b>	<b>(5,277,000)</b>	<b>(2,539,000)</b>
<b>Cash Flows Used By Financing Activities:</b>		
Purchase of treasury stock		(145,000)
<b>Net Cash Used By Financing Activities</b>		<b>(145,000)</b>
<b>Decrease In Cash And Cash Equivalents</b>	<b>(1,536,000)</b>	<b>(366,000)</b>
<b>Cash And Cash Equivalents:</b>		
Beginning of period	3,313,000	7,179,000
End of period	\$ 1,777,000	\$ 6,813,000

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



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**CREDO PETROLEUM CORPORATION AND SUBSIDIARIES**

**Notes To Consolidated Financial Statements (Unaudited)**

**January 31, 2012**

**1. BASIS OF PRESENTATION**