

NUEVO ENERGY CO
Form 10-Q
November 13, 2003

**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, 2003

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 1-10537

Nuevo Energy Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

76-0304436

(I.R.S. Employer Identification No.)

1021 Main, Suite 2100, Houston, Texas

(Address of principal executive offices)

77002

(Zip Code)

Registrant's telephone number, including area code: **(713) 652-0706**

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 is an accelerated filer (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, as of the latest practicable date.

Common Stock, par value \$.01 per share. Shares outstanding on November 7, 2003: 19,517,614

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Below is a list of terms commonly used in the oil and gas industry.

/d	=	per day
Bbl	=	barrel of crude oil or other liquid hydrocarbons
Bcf	=	billion cubic feet of natural gas
Bcfe	=	billion cubic feet of natural gas equivalent
BOE	=	barrel of oil equivalent, converting gas to oil at the ratio of 6 Mcf of gas to 1 Bbl of oil
BOPD	=	barrel of oil per day
MBbl	=	thousand barrels
Mcf	=	thousand cubic feet of natural gas
MMBbl	=	million barrels of oil or other liquid hydrocarbons
MMcf	=	million cubic feet of natural gas
MBOE	=	thousand barrels of oil equivalent
MMBOE	=	million barrels of oil equivalent

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NUEVO ENERGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Revenues				
Crude oil and liquids	\$ 74,093	\$ 71,838	\$ 237,713	\$ 206,595
Natural gas	13,614	8,897	42,352	22,551
Other	127	3,515	540	3,563
	<u>87,834</u>	<u>84,250</u>	<u>280,605</u>	<u>232,709</u>
Costs and Expenses				
Lease operating expenses	39,632	36,841	121,068	103,881
Exploration costs	284	2,318	1,673	3,800
Depletion, depreciation, amortization and accretion	17,349	18,018	52,447	52,724
General and administrative expenses	6,572	6,525	19,635	19,840
Loss (gain) on disposition of properties	223	(620)	(4,234)	(15,946)
Other	394	186	723	(12)
	<u>64,454</u>	<u>63,268</u>	<u>191,312</u>	<u>164,287</u>
Operating Income	23,380	20,982	89,293	68,422
Derivative gain (loss)	358	(3,371)	(1,369)	(4,304)
Interest income	16	53	319	227
Interest expense	(6,232)	(9,528)	(24,588)	(27,744)
Loss on early extinguishment of debt			(10,892)	
Dividends on TECONS	(1,653)	(1,653)	(4,959)	(4,959)
Income From Continuing Operations Before Income Tax	15,869	6,483	47,804	31,642
Income Tax Expense				
Current	(1,756)	1,025	324	1,025
Deferred	8,233	1,601	18,813	11,800
	<u>6,477</u>	<u>2,626</u>	<u>19,137</u>	<u>12,825</u>
Income From Continuing Operations	9,392	3,857	28,667	18,817
Income from discontinued operations, including gain/loss on disposal, net of income tax	640	2,298	5,964	5,366
Cumulative effect of a change in accounting principle, net of income tax			8,496	
Net Income	\$ 10,032	\$ 6,155	\$ 43,127	\$ 24,183

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Earnings Per Share:				
Basic				
Income from continuing operations	\$.49	\$.22	\$ 1.49	\$ 1.10
Income from discontinued operations, net of income tax	.03	.13	.31	.31
Cumulative effect of a change in accounting principle, net of income tax			.44	
Net income	\$.52	\$.35	\$ 2.24	\$ 1.41
Diluted				
Income from continuing operations	\$.48	\$.22	\$ 1.47	\$ 1.09
Income from discontinued operations, net of income tax	.03	.13	.30	.31
Cumulative effect of a change in accounting principle, net of income tax			.44	
Net income	\$.51	\$.35	\$ 2.21	\$ 1.40
Weighted Average Shares Outstanding:				
Basic				
	19,387	17,399	19,283	17,161
Diluted				
	19,635	17,502	19,472	17,308

See accompanying notes.

NUEVO ENERGY COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	September 30, 2003	December 31, 2002
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,550	\$ 5,047
Accounts receivable, net	35,765	40,945
Inventory	6,953	7,326
Assets held for sale	37,097	92,738
Deferred income taxes	8,353	7,683
Prepaid expenses and other	5,292	3,862
	<u>95,010</u>	<u>157,601</u>
Property and equipment, at cost		
Land	5,224	5,224
Oil and gas properties (successful efforts method)	1,019,631	951,258
Other property	14,769	14,303
	<u>1,039,624</u>	<u>970,785</u>
Accumulated depreciation, depletion and amortization	(339,935)	(357,072)
	<u>699,689</u>	<u>613,713</u>
Deferred income taxes	17,260	43,258
Goodwill	17,121	19,664
Other assets	12,014	20,935
	<u>841,094</u>	<u>855,171</u>
Total assets	<u>\$ 841,094</u>	<u>\$ 855,171</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable	\$ 23,404	\$ 34,323
Accrued interest	10,528	5,169
Accrued drilling costs	6,351	8,035
Accrued lease operating costs	18,489	15,598
Price risk management activities	25,190	20,884
Other accrued liabilities	20,576	16,735
	<u>104,538</u>	<u>100,744</u>
Long-term debt		
Senior subordinated notes	250,000	409,577
Bank credit facility	26,325	28,700
	<u>276,325</u>	<u>438,277</u>
Total debt	<u>276,325</u>	<u>438,277</u>
Interest rate swaps fair value adjustment		2,161
Interest rate swaps termination gain	14,777	11,673
	<u>14,777</u>	<u>11,673</u>

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Long-term debt	291,102	452,111
Asset retirement obligation	101,053	
Other long-term liabilities	9,525	13,040
Company-Obligated Mandatorily Redeemable Convertible Preferred Securities of Nuevo Financing I (TECONS)	115,000	115,000
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock, \$1.00 par value, 10,000,000 shares authorized; 7% cumulative convertible preferred stock, none issued		
Common stock, \$0.01 par value, 50,000,000 shares authorized, 23,090,985 and 23,048,388 shares issued and 19,473,331 and 19,110,102 shares outstanding, respectively	231	230
Additional paid-in capital	391,021	388,479
Treasury stock, at cost, 3,617,654 and 3,867,691 shares, respectively	(70,928)	(75,683)
Deferred stock compensation and other	(1,515)	(605)
Accumulated other comprehensive income (loss)	(14,072)	(11,468)
Accumulated deficit	(84,861)	(126,677)
Total stockholders' equity	219,876	174,276
Total liabilities and stockholders' equity	\$ 841,094	\$ 855,171

See accompanying notes.

NUEVO ENERGY COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2003	2002
Cash flows from operating activities		
Net income	\$ 43,127	\$ 24,183
Adjustments to reconcile net income to net cash provided by operating activities		
Depletion, depreciation, amortization and accretion	52,447	52,724
Amortization of debt financing costs	1,576	1,899
Loss on early extinguishment of debt	10,892	
Gain on sales of assets, net	(4,234)	(15,946)
Deferred income taxes	18,813	11,800
Non-cash effect of discontinued operations	640	8,661
Cumulative effect of a change in accounting principle	(8,496)	
Other	4,155	6,647
Working capital changes, net of non-cash transactions		
Accounts receivable	5,683	5,778
Accounts payable	(6,493)	(9,198)
Accrued liabilities	(20,137)	(11,184)