CONTANGO OIL & GAS CO
Form 10-K/A
March 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Mark One)

[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2013
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from July 1, 2013 to December 31, 2013

Commission file number 001-16317
CONTANGO OIL & GAS COMPANY
(Exact name of registrant as specified in its charter)

Delaware	95-4079863
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

717 Texas Avenue, Suite 2900
Houston, Texas 77002
(Address of principal executive offices)
(713) 236-7400
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, Par Value $0.04 per share	NYSE MKT

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

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 [X] 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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. (Check one):

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ] Smaller reporting company [ ]
(Do not check if 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 [X]

At June 30, 2013, the aggregate market value of the registrant's common stock held by non-affiliates (based upon the closing sale price of shares of such common stock as reported on the NYSE MKT, was $455 million. As of March 27, 2014, there were 19,367,411 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference

Items 10, 11, 12, 13 and 14 of Part III have been omitted from this report since the registrant will file with the Securities and Exchange Commission, not later than 120 days after the close of its fiscal year, a definitive proxy statement, pursuant to Regulation 14A. The information required by Items 10, 11, 12, 13 and 14 of this report, which will appear in the definitive proxy statement, is incorporated by reference into this Form 10-K/A.

Explanatory Note

On October 1, 2013, Contango Oil & Gas Company ("Contango", "we" or the "Company") completed a merger with Crimson Exploration Inc. ("Crimson") under an all-stock transaction pursuant to which Crimson became a wholly-owned subsidiary of the Company (the "Merger"). The Merger is described in greater detail within this Annual Report on Form 10-K/A.

In connection with the closing of the Merger, our Board of Directors approved a change of our fiscal year end from June 30 to December 31, commencing with the twelve-month period beginning on January 1, 2014. As a result of this change, on March 3, 2014 we filed a Transition Report on Form 10-K for the six-month period ended December 31, 2013 (the "Original Filing"). This Annual Report on Form 10-K/A is filed to present a recast of historical financial information for the three-year period ended December 31, 2013. Financial statements as of December 31, 2013 and 2012 and for the three years ended December 31, 2013 include consolidated results of operations of both Contango and Crimson for the period from the closing of the Merger on October 1, 2013 to December 31, 2013 and consolidated financial statements of Contango only for all other periods.

This Annual Report on Form 10-K/A should be read in conjunction with the Original Filing. This Annual Report on Form 10-K/A does not generally reflect events that occurred after the filing date of the Original Filing although certain provisions have been updated or otherwise modified where we believe appropriate to give proper context to the results for the periods included herein. In addition, the following provisions of the Original Filing have also been amended:

- Cover page. We have updated the shares of common stock outstanding as of March 27, 2014.
- Part II. Item 5. General. We have updated the shares of common stock outstanding and issued as of March 27, 2014.
- Part II. Item 7. Capital Resources and Liquidity. We have updated the amount of debt outstanding as of March 27, 2014.
- Part IV. Item 15(b). Exhibits. We have amended the exhibits to reference the current version of the Company's Bylaws.
- We have updated the Annual Report to reference the resignation of Mr. Brad Juneau from the board of directors.

Other than as described in this explanatory note, this Annual Report on Form 10-K/A does not modify or update the disclosures in the Original Filing.

i

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
ANNUAL REPORT ON FORM 10-K/A FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013
TABLE OF CONTENTS

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may contain “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. The words and phrases “should be”, “will be”, “believe”, “expect”, “anticipate”, “estimate”, “forecast”, “goal” and similar expressions ide forward-looking statements and express our expectations about future events. Although we believe the expectations reflected in such forward-looking statements are reasonable, such expectations may not occur. These forward-looking statements are made subject to certain risks and uncertainties that could cause actual results to differ materially from those stated. Risks and uncertainties that could cause or contribute to such differences include, without limitation, those discussed in the section entitled “Risk Factors” included in this report and those factors summarized below:

• our financial position;
• our business strategy, including outsourcing;
• meeting our forecasts and budgets;
• expectations regarding natural gas and oil markets in the United States.
• natural gas and oil price volatility;
• operational constraints, start-up delays and production shut-ins at both operated and non-operated production platforms, pipelines and natural gas processing facilities;
• the risks associated with acting as the operator in drilling deep high pressure and temperature wells, including well blowouts and explosions;
• the risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry holes, especially in prospects in which we have made a large capital commitment relative to the size of our capitalization structure;
• the timing and successful drilling and completion of natural gas and oil wells;
• availability of capital and the ability to repay indebtedness when due;
• availability and cost of rigs and other materials and operating equipment;
• timely and full receipt of sale proceeds from the sale of our production;
• the ability to find, acquire, market, develop and produce new natural gas and oil properties;
• interest rate volatility;
• uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures;
• operating hazards attendant to the natural gas and oil business including weather, environmental risks, accidental spills, blowouts and pipeline ruptures, and other risks;
• downhole drilling and completion risks that are generally not recoverable from third parties or insurance;
• potential mechanical failure or under-performance of significant wells, production facilities, processing plants or pipeline mishaps;
• actions or inactions of third-party operators of our properties;
• actions or inactions of third-party operators of pipelines or processing facilities;
• the ability to find and retain skilled personnel;
• strength and financial resources of competitors;
• federal and state legislative and regulatory developments and approvals;
• worldwide economic conditions;
• the ability to construct and operate infrastructure, including pipeline and production facilities;
• the continued compliance by us with various pipeline and gas processing plant specifications for the gas and condensate produced by us;
• operating costs, production rates and ultimate reserve recoveries of our natural gas and oil discoveries;
• expanded rigorous monitoring and testing requirements; and
• ability to obtain insurance coverage on commercially reasonable terms.

Any of these factors and other factors contained in this report could cause our actual results to differ materially from the results implied by these or any other forward-looking statements made by us or on our behalf. Although we believe our estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. Our assumptions about future events may prove to be inaccurate. We caution you that the forward looking statements contained in this report are not guarantees of future performance, and we cannot assure you that those statements will be realized or the forward-looking events and circumstances will occur. All forward-looking statements speak only as of the date of this report.
We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, except as required by law. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. On October 1, 2013 the Company's board of directors approved a change in fiscal year end from June 30 to December 31.

All references in this Form 10-K/A to the “Company”, “Contango”, “we”, “us” or “our” are to Contango Oil & Gas Company and wholly-owned subsidiaries. Unless otherwise noted, all information in this Form 10-K/A relating to natural gas and oil reserves and the estimated future net cash flows attributable to those reserves are based on estimates prepared by independent engineers and are net to our interest.

PART I

Item 1. Business

Overview

Contango is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development, exploitation and production of crude oil and natural gas offshore in the shallow waters of the Gulf of Mexico and in the onshore Gulf Coast region of the United States and Colorado.

On October 1, 2013 the Company's board of directors approved a change in fiscal year end from June 30 to December 31. On March 3, 2014 we filed a Form 10-K which covered the transition period of July 1, 2013 through December 31, 2013, which included six months of Contango activity (July - December), and three months of post-merger Crimson Exploration Inc. activity (October - December). This Form 10-K/A presents our information for the twelve months ended December 31, 2013, 2012 and 2011. Unless otherwise noted, all references to "years" in this report refer to the twelve-month periods ended December 31 of each year.

On October 1, 2013, we completed a merger with Crimson Exploration Inc. ("Crimson"), in an all-stock transaction pursuant to which Crimson became a wholly-owned subsidiary of Contango (the "Merger"). As a result of the Merger, each share of Crimson common stock was converted into the right to receive 0.08288 shares of common stock of the Company. As a result, we issued approximately 3.9 million shares of common stock in exchange for all of Crimson's outstanding capital stock, resulting in Crimson stockholders owning approximately 20.3% of the post-Merger Contango. We also assumed $235.4 million in debt, including accrued interest and repayment premium, and issued 135,898 options in exchange for the outstanding options held by Crimson employees.

The Merger qualified as a tax-free reorganization for U.S. federal income tax purposes, so that none of Contango, Crimson, or any of their respective stockholders recognized any gain or loss in the Merger, except that Crimson's stockholders may have recognized a gain or loss with respect to cash received in lieu of fractional shares of Company common stock.

Following the Merger, the newly constituted board of directors of the Company consisted of Joseph J. Romano, Allan D. Keel, B.A. Berilgen, B. James Ford, Brad Juneau, Ellis L. McCain, Charles M. Reimer, and Steven L. Schoonover. The board of directors appointed Allan D. Keel as President and Chief Executive Officer and E. Joseph Grady as Senior Vice President and Chief Financial Officer of the Company. Joseph J. Romano has continued as Chairman of the Board. Messrs. Keel, Grady and certain other employees of Crimson entered into employment agreements with the Company that became effective upon the consummation of the Merger. The combined company has its headquarters and principal corporate office in Houston, Texas.

We have historically focused our operations in the Gulf of Mexico ("GOM"), but our recent merger with Crimson has given us access to lower risk, long life resource plays in Southeast Texas (the Woodbine oil and liquids-rich play), in South Texas (the Eagle Ford Shale and Buda oil and liquids-rich plays) and in East Texas (the James Lime liquids-rich play, and under an improved natural gas price environment, the Haynesville/Mid-Bossier gas play). We believe these plays provide long-term growth potential from multiple formations.

Our production for the year ended December 31, 2013 was approximately 87% offshore and 13% onshore, and 73% natural gas and 27% oil and natural gas liquids. Our production for the three months ended December 31, 2013 was approximately 63% offshore and 37% onshore, and 66% natural gas and 34% oil and natural gas liquids. As of December 31, 2013, our proved reserves were approximately 61% offshore and 39% onshore, and 66% natural gas and 34% oil and natural gas liquids.

Additionally, we have (i) a 37% equity investment in Exaro Energy III LLC ("Exaro"), which participates in a joint venture with Encana Oil & Gas (USA) Inc. ("Encana") that is primarily focused on the development of proved natural gas reserves in the Jonah Field in Wyoming; (ii) an approximate 29,000 net acre position, and non-operated producing properties, in Louisiana and Mississippi targeting the Tuscaloosa Marine Shale ("TMS"); (iii) operated properties producing from various conventional formations in various counties along the Texas Gulf Coast; (iv) operated producing properties in the Denver Julesburg Basin ("DJ Basin") in Weld and Adams counties in Colorado, which we believe are prospective in the Niobrara Shale oil play, and (v) seven exploratory prospects in the shallow waters of the Gulf of Mexico.

We intend to grow reserves and production by developing our existing producing property base, by exploiting our oil/liquids resource potential, and by pursuing opportunistic acquisitions in areas where we have current operations and specific operating expertise, as well as new areas we identify that we feel have significant exploration and operational upside. We have developed a significant inventory of quality drilling opportunities on our existing property base that we believe should position us for multiyear reserve growth. Until we see improvement in natural gas prices, we will concentrate our drilling activity predominantly on further developing our oil and liquids-rich onshore assets in Southeast Texas and South Texas, complemented by offshore exploratory drilling. In 2014 specifically, we will focus on our inventory of crude oil and liquids-rich projects with rig programs targeting the Woodbine in Madison and Grimes Counties, Texas, the Buda in Dimmit County, Texas and the James Lime in San Augustine County, Texas. We also currently plan to drill a number of other wells testing new formations in existing areas and one to two exploratory wells in the shallow waters of the Gulf of Mexico.

We will continue to monitor expanding industry activity in the oil-weighted TMS and in the Niobrara Shale to determine the future potential and strategy for optimizing value in each play prior to committing significant drilling capital.

As of December 31, 2013, our proved reserves, as estimated by Netherland, Sewell & Associates, Inc. ("NSAI") and William M. Cobb and Associates ("Cobb"), our independent petroleum engineering firms, in accordance with reserve reporting guidelines required by the Securities and Exchange Commission ("SEC"), were approximately 313.9 Bcfe, consisting of 207.9 Bcf of natural gas and 17.7 MMBbl of crude oil, condensate and natural gas liquids, with a PV 10 of $987.2 million, and a Standardized Measure of Discounted Future Net Cash Flows ("Standardized Measure") of $771.4 million. As of December 31, 2013, 66% of our proved reserves were natural gas, 81% were proved developed and 96.6% were attributed to wells and properties operated by us. PV-10 is a non-GAAP financial measure. A reconciliation of our Standardized Measure to PV 10 is provided under Item 2. Properties PV-10.

The following summary table sets forth certain information with respect to our proved reserves as of December 31, 2013, excluding our reserves attributable to our investment in Exaro, as estimated by NSAI and Cobb and our net average daily production for the year ended December 31, 2013:

Region	Estimated Proved Reserves (Bcfe)	% Crude Oil / Condensate		% Natural Gas		% Natural Gas Liquids		% Proved Developed		Average Daily Production [2] (Mmcfe/d)
Offshore GOM	190.5	6	%	79	%	15	%	99	%	67.1
Southeast Texas	52.3	53	%	32	%	15	%	58	%	24.3
South Texas	63.3	25	%	58	%	17	%	51	%	14.7
Other [1]	7.8	28	%	59	%	13	%	63	%	1.7
Total										