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CONTINENTAL RESOURCES INC

Form 8-K

August 05, 2004

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event) July 21, 2004

Commission File Number: 333-61547

CONTINENTAL RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Oklahoma	333-61547	73-0767549
----- (State or other jurisdiction of incorporation or organization)	----- (Commission File Number)	----- (I.R.S. Employer Identification No.)
302 N. Independence, Suite 1500, Enid, Oklahoma (Address of principal executive offices)		73701 (Zip Code)

Registrant's telephone number, including area code: (580) 233-8955

(Former Name or Former Address if Changed Since Last Report)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On July 21, 2004, Continental Resources, Inc. ("CRI") completed the sale of all of the issued and outstanding capital of its subsidiary, Continental Gas, Inc. ("CGI"), to its shareholders, Harold Hamm and Bert H. Mackie, as Trustee of the Harold Hamm DST Trust (the "DST Trust") and of the Harold Hamm HJ Trust (the "Buyers") for \$22.6 million. The sale was effective as of May 31, 2004. The purchase price was based on the appraisal of an independent third party appraiser who also issued a fairness opinion with respect to the financial terms of the transaction. The assets of CGI included seven gas gathering systems, three gas-processing plants, and approximately 750 miles of gas gathering lines, and at the date of the sale, CGI had outstanding indebtedness under its credit facility of \$16.4 million. Immediately prior to the sale, CGI transferred to CRI all of CGI's interests in the oil and gas properties previously owned by CGI. In addition, on July 20, 2004, CRI paid a \$14.9 million cash dividend to its shareholders. Also, on July 19, 2004, CRI repurchased \$7,650,000 aggregate principal amount of its outstanding 10-1/4% Senior Subordinated Notes Due 2008 for a purchase price of \$7,650,000 plus accrued but unpaid interest.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(b) Pro forma financial information

Continental Resources, Inc. Unaudited Pro Forma Consolidated Financial
Statements

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Unaudited Pro Forma Consolidated Balance Sheet as of March 31, 2004

Unaudited Pro Forma Consolidated Statements of Operations for the
year ended December 31, 2003 and for the three months ended March 31,
2004

(c) Exhibits:

- 10 Stock Purchase Agreement dated July 19, 2004, among Continental Resources, Inc., Harold Hamm, and Bert H. Mackie, as Trustee of the Harold Hamm DST Trust and the Harold Hamm HJ Trust.

Notes to Unaudited Pro Forma Consolidated Financial Statements

CONTINENTAL RESOURCES, INC. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following tables set forth certain pro forma information after giving effect to the sale of CGI stock and the application of the proceeds therefrom (the "Sale"). The unaudited pro forma consolidated balance sheet as of March 31, 2004, is based on our unaudited historical consolidated balance sheet as of March 31, 2004, and gives effect to the Sale as if it had occurred on March 31, 2004. The unaudited pro forma consolidated statement of operations for the year ended December 31, 2003, has been derived from our audited consolidated financial statements for the year ended December 31, 2003. The unaudited pro forma consolidated statement of operations for the three months ended March 31, 2004 gives effect to the Sale as if it had occurred on January 1, 2003. The pro forma information presented herein does not purport to be indicative of the financial position or results of operations that would have actually occurred had the Sale occurred on the dates indicated or which may occur in the future. All pro forma adjustments are based on preliminary estimates and assumptions and are subject to revision.

CONTINENTAL RESOURCES, INC. AND SUBSIDIARIES PRO FORMA CONSOLIDATED BALANCE SHEET March 31, 2004 (Unaudited, in thousands)

	PRO FORMA		
Assets	HISTORICAL	ADJUSTMENTS	PRO FOR
Current assets:			
Cash and cash equivalents	\$ 1,968	\$ (1,583)	\$ 3
Accounts receivable:			
Oil and gas sales	18,964	(58)	18,9
Joint interest and other, net	11,196	(5,773)	5,4
Inventories	5,168	(153)	5,0
Prepaid expenses	144	(4)	1
Fair value of derivative contracts	40		
Total current assets	37,480	(7,571)	29,9
Property and equipment, at cost:			
Oil and gas properties, based on successful efforts accounting	616,546	-	616,5
Gas gathering and processing facilities	50,882	(50,186)	6

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Service properties, equipment and other	19,629	(1,579)	18,0
	-----	-----	-----
Total property and equipment	687,057	(51,765)	635,2
Less accumulated depreciation, depletion and amortization	242,076	(14,015)	228,0
	-----	-----	-----
Net property and equipment	444,981	(37,750)	407,2
Other assets:			
Debt issuance costs, net	4,344	(255)	4,0
Other assets	8	(5)	
	-----	-----	-----
Total other assets	4,352	(260)	4,0
	-----	-----	-----
Total assets	\$ 486,813	\$ (45,581)	\$ 441,2
	=====	=====	=====
Liabilities and stockholders' equity			
Current liabilities:			
Accounts payable	\$ 26,614	\$ (6,843)	\$ 19,7
Current portion of long-term debt	5,776	(2,429)	3,3
Revenues and royalties payable	7,935	(51)	7,8
Accrued liabilities:			
Interest	3,054	-	3,0
Other	6,330	(138)	6,1
Fair value of derivative contracts	1,433	-	1,4
	-----	-----	-----
Total current liabilities	51,142	(9,461)	41,6
Long-term debt, net of current portion	291,199	(13,964)	277,2
Asset retirement obligation	26,891	(371)	26,5
Other noncurrent liabilities	166	-	1
Stockholders' equity:			
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding	-	-	
Common stock, \$0.01 par value, 20,000,000 shares authorized, 14,368,919 shares issued and outstanding	144		1
Additional paid-in-capital	25,087	(10)	25,0
Retained earnings	93,181	(21,775)	71,4
Accumulated other comprehensive income	(997)	-	(9
	-----	-----	-----
Total stockholders' equity	117,415	(21,785)	95,6
	-----	-----	-----
Total liabilities and stockholders' equity	\$ 486,813	\$ (45,581)	\$ 441,2
	=====	=====	=====

CONTINENTAL RESOURCES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED INCOME STATEMENT
(Dollars in thousands, unaudited)

	Three Months Ende	
	HISTORICAL	ADJU
	-----	-----
Revenues:		
Oil and gas sales	\$ 36,123	\$
Crude oil marketing and trading	55,705	

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Change in derivative fair value	(396)	
Gas gathering, marketing and processing	15,865	
Oil and gas service operations	2,114	

Total revenues	109,411	
Operating costs and expenses:		
Production	10,548	
Production taxes	2,582	
Exploration	2,092	
Crude oil marketing and trading	55,863	
Gas gathering, marketing and processing	13,808	
Oil and gas service operations	1,946	
Depreciation, depletion and amortization of oil and gas properties	10,467	
Depreciation and amortization of other property and equipment	1,165	
Property impairments	1,897	
Asset retirement obligation accretion	277	
General and administrative	2,500	

Total operating costs and expenses	103,145	
Operating income	6,266	
Other income (expenses):		
Interest income	27	
Interest expense	(5,289)	
Other income, net	23	
Loss on disposition of assets	(35)	

Total other income (expense)	(5,274)	
Net income (loss)	\$ 992	\$
	=====	=====

CONTINENTAL RESOURCES, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED INCOME STATEMENT
(Dollars in thousands)

	Year Ended December 31, 2003		
	HISTORICAL	ADJUSTMENTS	PRO
	-----	-----	-----
Revenues:		(Unaudited)	(Una
Oil and gas sales	\$ 138,948	\$ -	\$ 13
Crude oil marketing and trading	168,092	-	16
Change in derivative fair value	1,455	-	
Gas gathering, marketing and processing	74,459	(74,459)	
Oil and gas service operations	9,114	-	

Total revenues	392,068	(74,459)	31
Operating costs and expenses:			
Production	37,604	-	3
Production taxes	10,251	-	1
Exploration	17,221	-	1
Crude oil marketing	166,731	(68,969)	9
Gas gathering, marketing and processing	68,969	-	6
Oil and gas service operations	8,046	-	
Depreciation, depletion and amortization of oil and gas			

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properties	37,329	-	3
Depreciation and amortization of other property and equipment	5,038	(3,248)	
Property impairments	8,975	-	
Asset retirement obligation accretion	1,151	-	
General and administrative	11,178	(762)	1
	-----	-----	-----
Total operating costs and expenses	372,493	(72,979)	29
Operating income	19,575	(1,480)	1
Other income (expenses):			
Interest income	108	(7)	
Interest expense	(20,258)	497	(1
Other income, net	197	(3)	
Gain on disposition of assets	556	33	
	-----	-----	-----
Total other income (expense)	(19,397)	520	(1
Income before change in accounting principle	178	(960)	
Cumulative effect of change in accounting principle	2,162	(1,889)	
	-----	-----	-----
Net income (loss)	\$ 2,340	\$ (2,849)	\$
	=====	=====	=====

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 5, 2004

Continental Resources, Inc.,

By: ROGER V. CLEMENT
 Roger V. Clement
 Senior Vice President and
 Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
---	-----	-----
10	Stock Purchase Agreement dated July 19, 2004, among Continental Resources, Inc., Harold Hamm, and Bert H. Mackie, as Trustee of the Harold Hamm DST Trust and the Harold Hamm HJ Trust	Filed herewith electronically