

CREDO PETROLEUM CORP
Form 10-Q/A
September 15, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q/A

(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, 2008

- 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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Colorado

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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

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
Sept. 15, 2008	Common stock, \$.10 par value	9,295,000

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EXPLANATORY NOTE

On September 2, 2008, in connection with preparing its quarterly report for third quarter 2008, management of CREDO Petroleum Corporation (the company) and the Audit Committee of its Board of Directors determined that the contemporaneous formal documentation it had historically prepared to support its initial hedge designations in connection with the company's natural gas hedging program does not meet the technical requirements to qualify for cash flow hedge accounting treatment in accordance with SFAS 133. The primary reason for this determination was that the formal hedge documentation lacks specificity of the hedged items and therefore, the cash flow designations failed to meet hedge documentation requirements for cash flow hedge accounting treatment. Consequently, the unrealized gain or loss should have been recorded in the consolidated statements of operations as a component of income before income taxes. Under the cash flow accounting treatment used by the company, the fair values of the hedge contracts was recognized in the consolidated balance sheets with the resulting unrealized gain or loss, net of income taxes, recorded initially in accumulated other comprehensive income and later reclassified through earnings when the hedged production affected earnings.

The company will restate its consolidated financial statements for fiscal years ended October 31, 2005, 2006, 2007 and the first and second quarters of fiscal year ending October 31, 2008. There is no effect in any period on overall cash flows, EBITDA, total assets, total liabilities or total stockholders' equity. The restatement did not have any impact on any of the Company's financial covenants under its line of credit. Details of the effect of the restatement are indicated in Note 1 to the Consolidated Financial Statements.

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CREDO PETROLEUM CORPORATION AND SUBSIDIARIES

Quarterly Report on Form 10-Q/A For the Period Ended January 31, 2008

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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.

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	January 31, 2008 (Restated)	October 31, 2007 (Restated)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,708,000	\$ 7,285,000
Short-term investments	6,305,000	6,383,000
Receivables:		
Accrued oil and gas sales	2,219,000	1,647,000
Trade	694,000	602,000
Derivative Assets	127,000	443,000
Other current assets	145,000	55,000
Total current assets	15,198,000	16,415,000
Long-term assets:		
Oil and gas properties, at cost, using full cost method: Unevaluated oil and gas properties	9,593,000	7,791,000
Evaluated oil and gas properties	52,732,000	51,691,000
Less: accumulated depreciation, depletion and amortization of oil and gas properties	(22,934,000)	(22,108,000)
Net oil and gas properties, at cost, using full cost method	39,391,000	37,374,000
Exclusive license agreement, net of amortization of \$519,000 in 2008 and \$466,000 in 2007	181,000	198,000
Compressor and tubular inventory to be used in development	1,066,000	1,090,000
Other, net	290,000	272,000
Total assets	\$ 56,126,000	\$ 55,349,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 870,000	\$ 1,639,000
Revenue distribution payable	1,005,000	979,000
Other accrued liabilities	194,000	852,000
Income taxes payable	486,000	434,000
Total current liabilities	2,555,000	3,904,000
Long Term Liabilities:		
Deferred income taxes, net	9,718,000	9,204,000
	85,000	85,000

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Exclusive license obligation, less current obligations of \$77,000 in 2008 and \$70,000 in 2007

Asset retirement obligation	1,040,000	1,016,000
Total liabilities	13,398,000	14,209,000