CONTINENTAL RESOURCES INC
Form 424B5
March 04, 2011
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**Filed Pursuant to Rule 424(b)(5)**
**Registration No. 333-168182**

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Maximum Offering Price per Unit | Maximum Aggregate Offering Price | Amount of Registration Fee(2) |
|---|---|---|---|---|
| Common stock, par value $0.01 | 11,500,000 | $68.00 | $782,000,000 | $90,791 |

(1) Includes 1,500,000 shares of Common Stock, par value $0.01 per share, that may be purchased by the underwriters upon the exercise of the underwriters overallotment option.

(2) Calculated in accordance with Rule 457(r) of the Securities Act, as amended.

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PROSPECTUS SUPPLEMENT

(To prospectus dated July 16, 2010)

# 10,000,000 Shares

## Common Stock

We are selling 9,170,000 shares of our common stock. The selling shareholders identified in this prospectus supplement are selling an additional 830,000 shares of common stock. We will not receive any proceeds from the sale of shares by the selling shareholders.

Our shares trade on the New York Stock Exchange under the symbol CLR. On March 3, 2011, the last sale price of our shares as reported on the New York Stock Exchange was $69.41 per share.

**Investing in the common stock involves risks that are described in the Risk Factors section beginning on page S-9 of this prospectus supplement.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ 68.00 | $ 680,000,000 |
| Underwriting discount | $2.55 | $25,500,000 |
| Proceeds, before expenses, to us | $ 65.45 | $ 600,176,500 |
| Proceeds, before expenses, to the selling shareholders | $ 65.45 | $54,323,500 |

The underwriters may also purchase up to an additional 1,500,000 shares from us, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about March 9, 2011.

*Joint Book-Running Managers*

**BofA Merrill Lynch** **J.P. Morgan**

*Co-Managers*

| | | | |
|---|---|---|---|
| **BBVA Securities** | **BNP PARIBAS** | **Capital One Southcoast** | **Howard Weil Incorporated** |
| **Jefferies** | **Mitsubishi UFJ Securities** | **Morgan Keegan** | **Piper Jaffray** |
| **RBS** | **Raymond James** | **Simmons & Company International** | **UBS Investment Bank** |

The date of this prospectus supplement is March 3, 2011.

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### Prospectus Supplement



### Prospectus



This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information about securities we and the selling shareholders may offer from time to time. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus, the information in this prospectus supplement controls. Before you invest in our common stock, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents we refer to under the heading Incorporation by Reference in this prospectus supplement and the accompanying prospectus.

**We, the selling shareholders and the underwriters have not authorized anyone to provide you with any information other than the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any free writing prospectus we may authorize to be delivered to you. We, the selling shareholders and the underwriters take no responsibility for, and provide no assurance as to the reliability of, any other information that others may give to you. This prospectus supplement and the accompanying prospectus are not an offer to sell or a solicitation of an offer to buy our common stock in any jurisdiction where such offer or any sale would be unlawful. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of this prospectus supplement or the accompanying**

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**prospectus, respectively, or any information that we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. If any statement in one of these documents is inconsistent with a statement in another document having a later date for example, a document incorporated by reference in this prospectus supplement or the accompanying prospectus the statement in the document having the later date modifies or supersedes the earlier statement.**

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## SUMMARY

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before making an investment decision. You should carefully read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference for a more complete understanding of our business. You should pay special attention to the Risk Factors section on page S-9 of this prospectus supplement and on page 1 of the accompanying prospectus, as well as the risk factors included in Item 1A. Risk Factors of our 2010 Annual Report on Form 10-K and the other documents incorporated by reference, to determine whether an investment in our common stock is appropriate for you. The estimates of proved crude oil and natural gas reserves at December 31, 2010 included in this prospectus supplement and in the documents incorporated by reference are based primarily upon the report of Ryder Scott Company, L.P., independent petroleum engineers. Unless otherwise indicated, the information contained in this prospectus supplement assumes that the underwriters overallotment option is not exercised.*

*The information in this prospectus supplement, including information in documents incorporated by reference, includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). All statements, other than statements of historical fact included or incorporated by reference in this prospectus supplement, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward looking statements. See Cautionary Statement Regarding Forward Looking Statements on page 1 of the accompanying prospectus.*

*As used in this prospectus supplement, we, us, our and similar terms mean Continental Resources, Inc. and its subsidiary, unless the context indicates otherwise.*

### Continental Resources, Inc.

***Our Business***

We are an independent crude oil and natural gas exploration and production company with operations in the North, South and East regions of the United States. The North region includes North Dakota Bakken, Montana Bakken, the Red River units and the Niobrara play in Colorado and Wyoming. The South region includes the Arkoma Woodford and Anadarko Woodford plays in Oklahoma. The East region contains properties east of the Mississippi river including the Illinois Basin and Michigan. We were originally formed in 1967 to explore for, develop and produce crude oil and natural gas properties. Through 1993, our activities and growth remained focused primarily in Oklahoma. In 1993, we expanded our activity into the North region. Approximately 70% of our estimated proved reserves as of December 31, 2010 are located in the North region. We completed an initial public offering of our common stock in 2007, and our common stock trades on the New York Stock Exchange under the ticker symbol CLR.

As of December 31, 2010, our estimated proved reserves were 364.7 million barrels of oil equivalent (MMBoe), with estimated proved developed reserves of 140.4 MMBoe, or 38% of our total estimated proved reserves. Crude oil comprised 62% of our total estimated proved reserves as of December 31, 2010. For the year ended December 31, 2010, we generated crude oil and natural gas revenues of $948.5 million and operating cash flows of $653.2 million. For the year and quarter ended December 31, 2010, daily production averaged 43,318 barrels of oil equivalent (Boe) per day and 48,034 Boe per day, respectively, which represents growth of 16% and 27% as compared to the year and quarter ended December 31, 2009.

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While we expect to maintain a geographically diverse portfolio of reserves, we intend to concentrate our future capital spending on our multi-year development inventory in the Bakken shale. We currently have approximately 670,000 net undeveloped acres in the Bakken shale. For 2011, we have allocated $1.1 billion, or 71%, of our drilling, workover and facilities capital budget to this acreage. See Recent Events below. Based on our recent operating results and test wells, we anticipate our Bakken shale acreage will provide us with significant future growth potential.

The following table provides a summary of selected operating and reserve information in our core operating areas, our emerging plays and our other crude oil and natural gas assets. Our reserve estimates as of December 31, 2010 are based primarily on a reserve report prepared by our independent reserve engineers, Ryder Scott Company, L.P. ( Ryder Scott ). In preparing its report, Ryder Scott evaluated properties representing approximately 94% of our PV-10 at December 31, 2010. Our technical staff evaluated properties representing the remaining 6% of our PV-10. Our estimated proved reserves and related future net revenues, PV-10 and Standardized Measure at December 31, 2010 were determined using the 12-month unweighted arithmetic average of the first-day-of-the-month commodity prices for the period January 2010 through December 2010, without giving effect to derivative transactions, and were held constant throughout the life of the properties. These prices were $79.43 per barrel (Bbl) for crude oil and $4.38 per one million British thermal units (MMBtu) for natural gas ($71.92 per Bbl for crude oil and $5.07 per thousand cubic feet (Mcf) for natural gas net of location and quality differentials).

| | At December 31, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Proved reserves (MBoe) | Percent of total | PV-10 (1) (in thousands) | Net producing wells | Average daily production for fourth quarter 2010 (Boe per day) | Percent of Total | Annualized reserve/ production index (2) |
| North Region: | | | | | | | |
| Bakken field | | | | | | | |
| North Dakota Bakken | 158,042 | 43.3% | $ 1,982,573 | 183 | 17,834 | 37.1% | 24.3 |
| Montana Bakken | 40,032 | 11.0% | 632,576 | 125 | 4,686 | 9.8% | 23.4 |
| Red River units | | | | | | | |
| Cedar Hills | 38,645 | 10.6% | 981,143 | 129 | 10,862 | 22.6% | 9.7 |
| Other Red River units | 15,449 | 4.2% | 297,737 | 106 | 3,034 | 6.3% | 14.0 |
| Other | 3,466 | 1.0% | 54,798 | 220 | 1,207 | 2.5% | 7.9 |
| South Region: | | | | | | | |
| Oklahoma Woodford | | | | | | | |
| Anadarko Woodford | 34,099 | 9.4% | 204,930 | 13 | 1,705 | 3.6% | 54.8 |
| Arkoma Woodford | 62,347 | 17.1% | 271,749 | 53 | 4,403 | 9.2% | 38.8 |
| Other | 8,495 | 2.3% | 101,543 | 293 | 2,989 | 6.2% | 7.8 |
| East Region | 4,137 | 1.1% | 105,165 | 544 | 1,314 | 2.7% | 8.6 |
| Total | 364,712 | 100.0% | $ 4,632,214 | 1,666 | 48,034 | 100.0% | 20.8 |

(1) PV-10 represents the estimated future gross revenue to be generated from the production of proved reserves, net of estimated production and future development and abandonment costs, using prices and costs in effect at the determination date, before income taxes, and without giving effect to non-property-related expenses, discounted to a present value using an annual discount rate of 10%. PV-10 is not a financial measure calculated in accordance with generally accepted accounting principles ( GAAP ) and generally differs from Standardized Measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes on future net revenues. The Standardized Measure at December 31, 2010 is $3.8 billion, a $0.8 billion difference from PV-10 because of the tax effect. Neither PV-10 nor Standardized Measure represents an estimate of the fair market value of our crude oil and natural gas properties. We and others in the crude oil and natural gas industry use PV-10 as a measure to compare the relative size and value of proved reserves held by companies without regard to the specific tax characteristics of such entities.

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(2) The Annualized Reserve/Production Index represents the number of years that estimated proved reserves would last assuming current production continued at the same rate. This index is calculated by dividing annualized fourth quarter 2010 production into the estimated proved reserve quantity at December 31, 2010.

The following is a summary of our changes in quantities of proved crude oil and natural gas reserves for the year ended December 31, 2010 in thousands of barrels of crude oil equivalents (MBoe):

| MBoe | Year Ended December 31, 2010 |
|---|---|
| **Proved reserves beginning of year** | 257,293 |
| Revisions of previous estimates (1) | 27,629 |
| Extensions, discoveries and other additions (2) | 95,233 |
| Production | (15,811) |
| Sales of minerals in place | |
| Purchases of minerals in place | 368 |
| **Proved reserves end of year** | 364,712 |

(1) Revisions represent changes in previous reserves estimates, either upward or downward, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors, such as commodity prices, operating costs, or development costs. Revisions for the year ended December 31, 2010 were due to better than anticipated production performance and higher average commodity prices throughout 2010 as compared to 2009.

(2) These represent additions to proved reserves that result from (1) extension of the proved acreage of previously discovered reservoirs through additional drilling in periods subsequent to discovery and (2) discovery of new fields with proved reserves or of new reservoirs of proved reserves in old fields. Extensions, discoveries and other additions for the year ended December 31, 2010 were primarily due to increases in proved reserves associated with our successful drilling activity in the Bakken field in North Dakota.

**Recent Events**

In February 2011, our Board of Directors approved an increase in our capital expenditures budget from $1.36 billion to $1.75 billion. The increase of $394 million will be primarily deployed on accelerated drilling in the Bakken shale ($244 million) and Anadarko Woodford shale ($115 million). Of the total $1.75 billion capital expenditures budget, $1.1 billion is budgeted for the Bakken shale and $345 million is budgeted for the Anadarko Woodford shale. This additional capital will position us for further acceleration of our growth plans.

**Our Executive Offices**

Our principal executive offices are located at 302 N. Independence, Enid, Oklahoma 73701, and our telephone number at that address is (580) 233-8955.

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## The Offering

| | |
|---|---|
| **Issuer** | Continental Resources, Inc. |
| **Common Stock Offered by Us** | 9,170,000 shares (1) |
| **Common Stock Offered by the Selling Shareholders** | 830,000 shares |
| **Common Stock Outstanding After this Offering** | 179,621,967 shares (2) |
| **Use of Proceeds** | We expect to receive net proceeds from this offering of approximately $599.2 million, after deducting the underwriting discount and estimated offering expenses. We intend to use a portion of the net proceeds from the sale of shares of common stock by us to repay all amounts outstanding under our $750.0 million revolving credit facility, which had a balance of $155.0 million as of March 3, 2011. We intend to use the remaining net proceeds to us from this offering to accelerate our multi-year drilling program by funding our increased 2011 capital budget. See Use of Proceeds.<br><br>We will not receive any proceeds from the sale of shares of common stock by the selling shareholders. |
| **New York Stock Exchange Symbol** | CLR |
| **Risk Factors** | Investing in our common stock involves risks. See Risk Factors on page S-9 of this prospectus supplement and on page 1 of the accompanying prospectus for a discussion of factors you should consider before investing in our common stock. |

(1) 10,670,000 shares of common stock if the underwriters exercise their overallotment option in full.

(2) 181,121,967 shares of common stock if the underwriters exercise their overallotment option in full. Calculated as of March 3, 2011 and excluding as of that date (1) an aggregate of 104,970 shares of common stock issuable upon the exercise of outstanding stock options, all of which were exercisable, with a weighted average exercise price of $0.71 per share, and (2) an aggregate of 2,955,033 shares of common stock available for issuance pursuant to our long-term incentive plan.

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### Summary Consolidated Financial Data

The following table presents our summary historical consolidated financial data for the periods and as of the dates indicated. The summary statement of income data for the years ended December 31, 2010, 2009 and 2008 and the summary balance sheet data as of December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements. The summary financial data presented below are qualified in their entirety by reference to, and should be read in conjunction with, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2010.

| | Year Ended December 31, 2010 | 2009 (In thousands) | 2008 |
|---|---|---|---|
| **Statement of Income:** | | | |
| Crude oil and natural gas sales | $ 948,524 | $ 610,698 | $ 939,906 |
| Losses on derivative instruments, net (1) | (130,762) | (1,520) | (7,966) |
| Total revenues | 839,065 | 626,211 | 960,490 |
| Income from continuing operations | 168,255 | 71,338 | 320,950 |
| Net income | 168,255 | 71,338 | 320,950 |
| **Other financial data:** | | | |
| Net cash provided by operations | $ 653,167 | $ 372,986 | $ 719,915 |
| Net cash used in investing | (1,039,416) | (499,822) | (927,617) |
| Net cash provided by financing | 379,943 | 135,829 | 204,170 |
| EBITDAX (2) | 810,877 | 450,648 | 757,708 |
| Capital expenditures | 1,237,189 | 433,991 | 988,593 |
| **Balance sheet data at period end:** | | | |
| Total assets | $ 3,591,785 | $ 2,314,927 | $ 2,215,879 |
| Long-term debt, including current maturities | 925,991 | 523,524 | 376,400 |
| Shareholders equity | 1,208,155 | 1,030,279 | 948,708 |

(1) Derivative instruments are not accounted for as hedges and, therefore, realized and unrealized changes in fair value of the instruments are shown separately from crude oil and natural gas sales. The amounts above include unrealized non-cash mark-to-market losses on derivative instruments of $166.3 million and $2.1 million for the years ended December 31, 2010 and 2009, respectively. There were no unrealized gains or losses on derivative instruments for the year ended December 31, 2008.

(2) EBITDAX represents earnings before interest expense, income taxes, depreciation, depletion, amortization and accretion, property impairments, exploration expenses, unrealized derivative gains and losses and non-cash equity compensation expense. EBITDAX is not a measure of net income or cash flows as determined by GAAP. Management believes EBITDAX is useful because it allows them to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure. We exclude the items listed above from net income in arriving at EBITDAX because those amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. EBITDAX should not be considered as an alternative to, or more meaningful than, net income or cash flows as determined in accordance with GAAP or as an indicator of a company s operating performance or liquidity. Certain items excluded from EBITDAX are significant components in understanding and assessing a company s financial performance, such as a company s cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of EBITDAX. Our computations of EBITDAX may not be comparable to other similarly titled measures of other companies. We believe that EBITDAX is a widely followed measure of operating performance and may be used by investors to measure our ability to meet future debt service requirements, if any. Our revolving credit facility requires that we maintain a total funded debt to EBITDAX ratio of no greater than 3.75 to 1.0

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on a rolling four-quarter basis. Our revolving credit facility defines EBITDAX consistently with the definition of EBITDAX utilized and presented by us. A reconciliation of net income to EBITDAX is provided below.

| | Year Ended December, 31, | | |
|---|---|---|---|
| **In thousands** | **2010** | **2009** | **2008** |
| Net income | $ 168,255 | $ 71,338 | $ 320,950 |
| Interest expense | 53,147 | 23,232 | 12,188 |