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ABRAXAS PETROLEUM CORP  
Form 8-K  
March 03, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

March 3, 2005

Date of Report (Date of earliest event reported)

ABRAXAS PETROLEUM CORPORATION  
(Exact name of registrant as specified in its charter)

|   |                             |                                      |
|---|-----------------------------|--------------------------------------|
| Nevada  | 0-19118                     | 74-2584033                           |
| (State or other jurisdiction of<br>incorporation) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

500 N. Loop 1604 East, Suite 100  
San Antonio, Texas 78232  
(210) 490-4788

(Address of principal executive offices and Registrant's telephone number,  
including area code)

Check the appropriate box below if the Form 8-K filing is intended to  
simultaneously satisfy the filing obligation of the registrant under any of the  
following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17  
CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17  
CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the  
Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the  
Exchange Act (17 CFR 240.13e-4(c))

Item 2.01 Completion of Acquisition or Disposition of Assets

On February 28, 2005, Abraxas Petroleum Corporation substantially divested  
its investment in Grey Wolf Exploration, Inc. Pursuant to an Underwriting  
Agreement, the underwriters purchased 17,800,000 common shares of Grey Wolf  
capital stock from Grey Wolf (the "Treasury Shares"), and 9,100,000 shares of  
Grey Wolf common stock owned by Abraxas (the "Secondary Shares") from Abraxas at  
a purchase price of CDN \$2.80 per share.

Abraxas also granted to the underwriters an over-allotment option to  
purchase from Abraxas, at the underwriters' election, up to an additional

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3,902,360 shares of Grey Wolf common stock held by Abraxas (the "Option Shares"). The over-allotment option may be exercised in whole or in part at any one time prior to 5:00 p.m., Calgary time, on the day that is thirty calendar days after the closing date for the IPO. Grey Wolf utilized the proceeds from the sale of the Treasury Shares to re-pay and terminate its \$35 million term loan and re-pay \$1 million in inter-company debt to Abraxas. Abraxas utilized the \$1 million received from Grey Wolf and the proceeds received from the sale of the Secondary Shares to re-pay outstanding debt under its \$25 million bridge loan. After consummation of the offering, Abraxas' remaining debt under the bridge loan was \$5.4 million, before the sale of the 3,902,360 Option Shares.

### Item 9.01 Financial Statements and Exhibits

#### (b) Pro forma financial information

##### UNAUDITED PRO FORMA FINANCIAL INFORMATION

The pro forma financial data presented below is unaudited and has been derived from our consolidated financial statements and from unaudited historical and pro forma consolidated financial data. The pro forma financial information presented below for the year ended December 31, 2003 and for the nine months ended September 30, 2004 reflects consolidated statement of operations data relating to Abraxas and gives effect to:

- o the exclusion of Grey Wolf from Abraxas' statement of operations;
- o the consummation of the October 2004 financial restructuring; and
- o the exclusion of the January 2003 financial restructuring.

The pro forma condensed balance sheet reflects the consolidated balance sheet data relating to Abraxas and gives effect to:

- o the exclusion of balance sheet data relating to Grey Wolf as of September 30, 2004.
- o the impact of the Grey Wolf IPO on February 28, 2005 including the effect of the sale of the 3,902,360 Option Shares.

Grey Wolf, through which we conducted our Canadian operations and held our properties and assets located in Canada, is excluded from the pro forma results due to the consummation of Grey Wolf's initial public offering on February 28, 2005. Approximately 87% of the Company's investment in Grey Wolf was divested and the Company plans to divest the remaining 13% of its investment over the next several months. The accompanying pro forma financial information is presented as if the Secondary Shares and the Option Shares (representing 100% of Abraxas' investment in Grey Wolf) has been divested.

The pro forma information set forth below is not necessarily indicative of the results that actually would have been achieved if the Grey Wolf operations had not been part of Abraxas' operations or the refinancing had been consummated as of the dates indicated.

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### UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS For the Year Ended December 31, 2003

|   | Historical<br>Abraxas<br>Petroleum<br>Corporation | Grey Wolf |     | Financing<br>Transaction |     |
|---|---|-----------|-----|--------------------------|-----|
|   |   |           |     |                          |     |
|   | (dollars in thousands, except per share d         |           |     |                          |     |
| <b>Revenues:</b>  |   |           |     |                          |     |
| Oil and gas production revenues.....                    | \$38,105  | \$(8,395) | (1) | \$                       | --  |
| Gas processing revenues.....                            | 133   | (133)     | (1) |                          | --  |
| Rig revenues.....                                       | 663   | --        |     |                          | --  |
| Other.....  | 118   | (111)     | (1) |                          | --  |
|   |   |           |     |                          |     |
| Total revenues.....                                     | 39,019  | (8,639)   |     |                          |     |
| <b>Operating costs and expenses:</b>                    |   |           |     |                          |     |
| Lease operating and production taxes.....               | 9,599   | (1,257)   | (1) |                          | --  |
| Depreciation, depletion and<br>Amortization.....        | 10,803  | (3,195)   | (1) |                          | --  |
| Rig operations.....                                     | 609   | --        |     |                          | --  |
| General and administrative.....                         | 5,360   | (1,365)   | (1) |                          | --  |
| Stock-based compensation.....                           | 1,106   | --        |     |                          | --  |
|   |   |           |     |                          |     |
| Total operating expenses.....                           | 27,477  | (5,817)   |     |                          | --  |
|   |   |           |     |                          |     |
| Operating income (loss).....                            | 11,542  | (2,822)   |     |                          |     |
| <b>Other (income) expense:</b>                          |   |           |     |                          |     |
| Interest income.....                                    | (30)  | --        |     |                          | --  |
| Amortization of deferred<br>financing fees.....         | 1,678   | (48)      | (1) | (1,630)                  | (2) |
|   |   |           |     | 2,260                    | (2) |
|   |   |           |     | (16,323)                 | (3) |
| Interest expense.....                                   | 16,955  | (632)     | (1) | 15,150                   | (3) |
| Financing costs.....                                    | 4,406   | --        |     |                          | --  |
| Gain of sale of foreign subsidiary.....                 | (68,933)  | --        |     |                          | --  |
| Other.....  | 774   | (674)     | (1) |                          | --  |
|   |   |           |     |                          |     |
| Income (loss) from operations before<br>income tax..... | 56,692  | (1,468)   |     | 543                      |     |
| Income tax expense (benefit):.....                      | 377   | (377)     | (1) |                          | --  |
| Cumulative effect of accounting change.....             | 395   | --        |     |                          | --  |
|   |   |           |     |                          |     |
| Net income.....   | \$55,920  | \$(1,091) |     | \$ 543                   |     |
|   |   |           |     |                          |     |
| <b>Weighted average common shares:</b>                  |   |           |     |                          |     |
| Basic.....  | 35,364,363  |           |     |                          |     |
|   |   |           |     |                          |     |
| Diluted.....  | 36,076,291  |           |     |                          |     |
|   |   |           |     |                          |     |
| <b>Net income per share:</b>                            |   |           |     |                          |     |
| Basic.....  | \$ 1.58   |           |     |                          |     |
|   |   |           |     |                          |     |
| Diluted.....  | \$ 1.55   |           |     |                          |     |
|   |   |           |     |                          |     |

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See notes to unaudited pro forma financial information.

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UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS  
For the Nine Months Ended September 30, 2004

|  | Historical<br>Abraxas<br>Petroleum<br>Corporation | Grey Wolf  |     | Financing<br>Transaction |
|--|---|------------|-----|--------------------------|
|  |   |            |     |                          |
|  | (dollars in thousands, except per share data)     |            |     |                          |
| Revenues:  |   |            |     |                          |
| Oil and gas production revenues                  | \$34,249  | \$(10,075) | (1) | \$ --                    |
| Rig revenues.....                                | 518   | --         |     | --                       |
| Other.....                                       | 218   | (209)      | (1) | --                       |
|  |   |            |     |                          |
| Total revenues.....                              | 34,985  | (10,284)   |     | --                       |
| Operating costs and expenses:                    |   |            |     |                          |
| Lease operating and production taxes             | 9,318   | (2,602)    | (1) | --                       |
| Depreciation, depletion and<br>Amortization..... | 9,398   | (3,996)    | (1) | --                       |
| Rig operation.....                               | 442   | --         |     | --                       |
| General and administrative...                    | 4,813   | (1,054)    | (1) | --                       |
| Stock-based compensation.....                    | 1,122   | --         |     | --                       |
|  |   |            |     |                          |
| Total operating expenses                         | 25,093  | (7,652)    |     | --                       |
|  |   |            |     |                          |
| Operating income (loss).....                     | 9,892   | (2,632)    |     | --                       |
| Other (income) expense:                          |   |            |     |                          |
| Interest income.....                             | (12)  | (5)        | (1) | --                       |
|  |   |            |     | (13,416)                 |
| Interest expense.....                            | 13,700  | (284)      | (1) | 11,363                   |
| Amortization of deferred<br>financing fees.....  | 1,380   | --         |     | (1,380)                  |
| Financing cost.....                              | 1,641   | --         |     | 1,695                    |
| Other.....                                       | 11  | --         |     | --                       |
|  |   |            |     |                          |
| Net income (loss).....                           | \$ (6,828)  | \$ (2,353) |     | \$ 1,738                 |
| Weighted average common shares:                  |   |            |     |                          |
| Basic.....                                       | 36,164,268  |            |     |                          |
|  |   |            |     |                          |
| Diluted.....                                     | 36,164,268  |            |     |                          |
|  |   |            |     |                          |
| Net loss per share:                              |   |            |     |                          |
| Basic.....                                       | \$ (0.19)   |            |     |                          |
|  |   |            |     |                          |
| Diluted.....                                     | \$ (0.19)   |            |     |                          |
|  |   |            |     |                          |

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See notes to unaudited pro forma financial information.

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UNAUDITED PRO FORMA CONDENSED BALANCE SHEET  
As of September 30, 2004

|  | Historical<br>Abraxas<br>Petroleum<br>Corporation | Financing<br>Transaction | Grey Wolf -<br>Exploration |              |
|--|---|--------------------------|----------------------------|--------------|
| Assets:  |   |                          |                            |              |
| Cash.....  | \$ 3,601  | \$ --                    | \$ (707)                   | (1) \$       |
| Accounts receivable.....                                     | 4,804   | --                       | (859)                      | (1)          |
| Other.....   | 1,282   | --                       | (212)                      |              |
|  | -----   | -----                    | -----                      | -----        |
| Total current assets.....                                    | 9,687   | --                       | (1,776)                    |              |
| Net property and equipment...                                | 114,233   | --                       | (38,745)                   | (1)          |
|  |   | (4,853)                  | (2)                        |              |
| Deferred financing fees.....                                 | 4,853   | 11,300                   | (2)                        | --           |
| Other assets.....  | 294   | --                       | --                         |              |
|  | -----   | -----                    | -----                      | -----        |
| Total assets.....  | \$ 129,067  | \$ 6,447                 | \$ (40,521)                | \$           |
|  | =====   | =====                    | =====                      | =====        |
| Liabilities and stockholders<br>equity(deficit):             |   |                          |                            |              |
| Current Liabilities:   |   |                          |                            |              |
| Accounts payable.....  | \$ 5,820  | \$ --                    | (1,988)                    | (1) \$       |
| Other current liabilities....                                | 7,354   | (5,492)                  | (3)                        | --           |
|  | -----   | -----                    | -----                      | -----        |
| Total current liabilities....                                | 13,174  | (5,492)                  | (1,988)                    |              |
| Long-term debt:  |   |                          |                            |              |
| Secured notes due 2007.....                                  | 143,154   | (143,154)                | (4)                        | --           |
| Existing credit facility.....                                | 47,362  | (47,362)                 | (4)                        | --           |
| New notes due 2009.....                                      | --  | 125,000                  | (4)                        | --           |
| Bridge facility.....   | --  | 25,000                   | (4)                        | --           |
|  | -----   | -----                    | -----                      | -----        |
| Total.....   | 190,516   | (40,516)                 | --                         |              |
| Other liabilities.....                                       | 1,764   | --                       | (898)                      | (1)          |
| Stockholders' equity (deficit):                              |   |                          |                            |              |
| Common stock.....  | 364   | --                       | --                         |              |
| Additional paid-in capital...                                | 143,076   | 35,000                   | (5)                        | (33,813) (1) |
| Accumulated deficit.....                                     | (220,527)   | 17,455                   |                            | (2,573) (1)  |
| Accumulated other<br>comprehensive<br>income adjustment..... | 1,249   | --                       |                            | (1,249) (1)  |
| Treasury stock.....  | (549)   | --                       |                            | --           |

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|   |             |           |             |    |
|---|-------------|-----------|-------------|----|
|   |             |           |             |    |
| Total stockholders' equity<br>(deficit)                         | \$ (76,387) | \$ 52,455 | \$ (37,635) | \$ |
| Total liabilities and<br>stockholders' equity<br>(deficit)..... | \$ 129,067  | \$ 6,447  | \$ (40,521) | \$ |
| -----   |             |           |             |    |

See notes to unaudited pro forma financial information.

NOTES TO UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes to the Unaudited Pro Forma Condensed Consolidated Statements of Operations:

1. Adjust for Grey Wolf operations for the year ended December 31, 2003 and nine months ended September 30, 2004.
2. Reverse recorded amortization of deferred financing fees associated with retired debt and record amortization of deferred financing fees related to the new debt. The amortization period for the deferred financing fees related to the transaction is 60 months.
3. Reverse recorded interest expense associated with retired debt and record interest expense on new debt, interest on the notes is calculated at an assumed annual rate of 9.72%. Interest on the Bridge Facility is calculated at an assumed annual rate of 12.0%.
4. Financing costs relate to debt retired with this transaction. Had the described transaction actually occurred at the beginning of the period presented, these costs would not have been incurred.

There is no current deferred income tax expense reflected in the pro forma statements due to net operating loss carryforwards.

Notes to the Unaudited Pro Forma Condensed Consolidated Balance Sheet:

1. Remove balance sheet of Grey Wolf at September 30, 2004.
2. Reverse deferred financing fees related to retired debt and record deferred financing fees related to new debt. Deferred financing fees related to the retired debt were charged to expenses as of October 28, 2004.
3. Remove accrued interest related to retired debt
4. Remove retired debt and record notes and bridge facility.
5. Record dividend distribution from Grey Wolf.
6. Proceeds to Abraxas from the Grey Wolf IPO, assuming the sale of the secondary shares and the option shares, utilized to reduce existing debt.

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7. Remove deferred financing fees related to reduced debt.

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(c) Exhibits

10.1 Underwriting Agreement dated February 18, 2005 among Grey Wolf Exploration Inc., an Alberta corporation, Abraxas Petroleum Corporation, CIBC World Markets Inc., BMO Nesbitt Burns Inc., GMP Securities Ltd., and Canaccord Capital Corporation.

SIGNATURES

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.

Abraxas Petroleum Corporation

By: \_\_\_\_\_  
Chris Williford  
Executive Vice President, Chief Financial  
Officer and Treasurer

Dated: March 3, 2005

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