

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

As described on the Current Report on Form 8-K of Abraxas Petroleum Corporation filed on February 6, 2008 (the "Initial 8-K"), on January 31, 2008, Abraxas Operating Company, LLC, a wholly-owned subsidiary of Abraxas Energy Partners, L.P., an indirect subsidiary of Abraxas Petroleum Corporation consummated the acquisition of certain oil and gas properties located in various states from St. Mary Land & Exploration Company and certain other sellers. The properties are primarily located in the Rockies and Mid-Continent regions of the United States.

The sole purpose of this amendment to the Initial 8-K is to incorporate as part of the Initial 8-K the information set forth below under Item 9.01 as required by Item 9.01 of Form 8-K.

Item 9.01 **Financial Statements and Exhibits.**

- (a) Financial statements of business acquired.
- (b) Pro Forma Financial Statements

- (1) Unaudited Pro Forma Condensed Consolidated Balance as of December 31, 2007.
- (2) Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2007.

(d) Exhibits

23.1 Consent of Deloitte & Touche LLP

Item 9.01 **Financial Statements and Exhibits.**

- (a) Financial statements of business acquired.

ABRAXAS OPERATING, LLC

ACQUIRED PROPERTIES

Statements of Revenues and Direct Operating Expenses

For the years ended December 31, 2007, 2006, and 2005

(With Report of Independent Registered Public Accounting Firm Thereon)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of

St. Mary Land & Exploration Company

Denver, Colorado

We have audited the accompanying statements of revenues and direct operating expenses of the Acquired Properties (the "Properties") of St. Mary Land & Exploration Company (the "Company") for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting as it relates to the statements of revenues and direct operating expenses. Our audits included consideration of internal control over financial reporting as it relates to the statements of revenues and direct operating expenses as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting as it relates to the statements of revenues and direct operating expenses. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in the notes to the financial statements and are not intended to be a complete presentation of the Company's interests in the Properties.

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct operating expenses, described in the notes, of the Properties for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado

March 11, 2008

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

ACQUIRED PROPERTIES

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

(In thousands)

| | Year Ended December 31, | | |
|---|-------------------------|-----------|-----------|
| | 2007 | 2006 | 2005 |
| Revenues: | | | |
| Oil production revenues | \$ 26,768 | \$ 24,428 | \$ 22,950 |
| Gas production revenues | 12,566 | 13,186 | 15,802 |
| Total revenues | 39,334 | 37,614 | 38,752 |
| Direct operating expenses: | | | |
| Lease operating expenses | 12,271 | 11,874 | 9,739 |
| Production taxes | 3,278 | 2,988 | 3,513 |
| Total direct operating expenses | 15,549 | 14,862 | 13,252 |
| Revenues in excess of direct operating expenses | \$ 23,785 | \$ 22,752 | \$ 25,500 |

See accompanying notes to the statements of revenues and direct operating expenses.

ACQUIRED PROPERTIES

NOTES TO STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, AND 2005

(1) Basis of Presentation

On January 31, 2008, Abraxas Operating, LLC ("Abraxas Operating") acquired certain producing oil and gas properties (the "Acquired Properties") from St. Mary Land & Exploration Company ("St. Mary"). The Acquired Properties are net interests in oil and gas producing properties located in mature producing fields in the Rocky Mountain, Mid-Continent, Permian Basin, Arklatex, and Gulf Coast regions of the United States that have established production profiles.

Oil and gas production revenues in the accompanying statements of revenues and direct operating expenses are recognized on the sales method. Under this method, revenues are recognized based on actual volumes of oil and gas sold to purchasers. Direct operating expenses are recognized on the accrual method.

During the periods presented, the Acquired Properties were not accounted for or operated as a separate division by the former owners. Accordingly, full separate financial statements prepared in accordance with generally accepted accounting principles do not exist and are not practicable to obtain in these circumstances.

The statements of revenue and direct operating expenses of the Acquired Properties were derived from the historical accounting records of St. Mary and vary from a statement of operations in that they do not show certain expenses, which were incurred in connection with the ownership of the properties, such as general and administrative expense, interest expense, income taxes, or other expenses of an indirect nature. These expenses were not separately allocated to the Acquired Properties in St. Mary's historical financial records and any pro forma allocation would not be a reliable estimate of what these expenses would actually have been had the Acquired Properties been operated historically as a stand alone entity. In addition, these allocations, if made using historical general and administrative structures and tax burdens, would not produce allocations that would be indicative of the historical performance of the Acquired Properties had they been assets of the buyer, due to the greatly varying size, structure, and operations between Abraxas Operating and St. Mary. The statements also do not include provisions for depletion, depreciation, amortization, and asset retirement obligation liability accretion as such amounts would not be indicative of future costs of those expenses which would be incurred by Abraxas Operating upon allocation of the purchase price. Accordingly, the financial statements and other information presented are not indicative of the financial condition and results of operations of the Acquired Properties, but rather simply represent the historical operating results associated with the direct operations of the Acquired Properties.

Historical financial statements representing financial position, results of operations and cash flows required by generally accepted accounting principles are not presented as such information is not readily available on an individual property basis. Accordingly, the statements of revenue and direct operating expenses are presented in accordance with Staff Accounting Bulletin Topic 2-D, *Financial Statements of Oil and Gas Exchange Offers*.

(2) Use of Estimates in the Preparation of Financial Statements

Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

(3) *Oil and Gas Reserve Quantities (Unaudited)*

For all years presented, St. Mary personnel prepared the reserve estimates for the Acquired Properties. Selected reserves associated with properties included in the Acquired Properties had been prepared or reviewed by Ryder Scott Company, L.P. ("Ryder Scott") within the overall reserve preparation process utilized by St. Mary. The involvement of Ryder Scott was incidental to the Acquired Properties, since the sale of the Acquired Properties had not been contemplated by St. Mary at the time of preparation in earlier periods. Reserve estimates are inherently imprecise and estimates of new discoveries and undeveloped locations are more imprecise than estimates of established proved producing oil and gas properties. Accordingly, these estimates are expected to change as future information becomes available.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and condensate that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed oil and gas reserves are those expected to be recovered through existing wells with existing equipment and operating methods. All of the proved reserves are located in the continental United States.

Presented below is a summary of the changes in estimated reserves of the Acquired Properties:

| | For the Years Ended December 31, | | | | | |
|---------------------------------|---|---------------|-------------------|---------------|-------------------|---------------|
| | 2007 | | 2006 | | 2005 | |
| | Oil or | | Oil or | | Oil or | |
| | Condensate | Gas | Condensate | Gas | Condensate | Gas |
| | (MBbl) | (MMcf) | (MBbl) | (MMcf) | (MBbl) | (MMcf) |
| Developed and undeveloped: | | | | | | |
| Beginning of year | 3,851 | 18,497 | 4,209 | 20,038 | 2,934 | 13,923 |
| Revisions of previous estimates | 634 | (553) | (17) | (1,518) | 467 | 457 |
| Discoveries and extensions | 16 | 93 | 68 | 1,498 | 230 | 753 |
| Purchases of minerals in place | — | — | 6 | 803 | 1,011 | 7,157 |
| Production | (407) | (2,210) | (415) | (2,324) | (433) | (2,252) |
| End of year | 4,094 | 15,827 | 3,851 | 18,497 | 4,209 | 20,038 |
| Proved developed reserves: | | | | | | |
| Beginning of year | 3,658 | 17,320 | 4,021 | 18,126 | 2,926 | 13,759 |
| End of year | 4,012 | 14,780 | 3,658 | 17,320 | 4,021 | 18,126 |

(4) *Standardized Measure of Discounted Future Net Cash Flows (Unaudited)*

Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities" ("SFAS No. 69") prescribes guidelines for computing a standardized measure of future net cash flows and changes therein relating to estimated proved reserves. All guidelines, which are briefly discussed below, have been followed.

Future cash inflows and future production and development costs are determined by applying benchmark prices and costs, including transportation, quality, and basis differentials, in effect at year-end to the year-end estimated quantities of oil and gas to be produced in the future. Each operated property is also charged with field-level overhead in the estimated reserve calculation. Future income taxes have not been considered as the Acquired Properties are not a tax paying entity. The resulting future net cash flows are reduced to present value amounts by applying a ten percent annual discount factor.

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

Future operating costs are determined based on estimates of expenditures to be incurred in developing and producing the proved oil and gas reserves in place at the end of the period, using year-end costs and assuming continuation of existing economic conditions, plus overhead incurred by the central administrative office attributable to operating activities.

The following disclosure does not include the effect of any income taxes. While this is a departure from the prescribed methodology of calculating the standardized measure, it is believed to be appropriate as the basis of the accompanying financial statements relates only to direct revenues and operating expenses, without regard for income taxes. Therefore the presentation of the standardized measure without income taxes is more comparable.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and the Securities and Exchange Commission, except for the exclusion of the effect of income taxes as discussed previously. These assumptions do not necessarily reflect the expectations of actual revenues to be derived from those reserves, nor their present value. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these estimates are the basis for the valuation process. The following prices as adjusted for transportation, quality, and basis differentials were used in the calculation of the standardized measure:

| | As of December 31, | | |
|---------------|--------------------|----------|----------|
| | 2007 | 2006 | 2005 |
| Gas (per Mcf) | \$ 6.48 | \$ 4.95 | \$ 7.60 |
| Oil (per Bbl) | \$ 88.09 | \$ 53.08 | \$ 57.37 |

The following summary sets forth the future net cash flows relating to the Acquired Properties based on the standardized measure prescribed in SFAS No. 69:

| | As of December 31, | | |
|--|--------------------|------------|------------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Future cash inflows | \$ 462,739 | \$ 295,766 | \$ 394,454 |
| Future production costs | (195,552) | (132,499) | (153,464) |
| Future development costs | (4,910) | (5,012) | (6,585) |
| Future net cash flows | 262,277 | 158,255 | 234,405 |
| 10 percent annual discount | (120,514) | (66,993) | (100,714) |
| Standardized measure of discounted future net cash flows | \$ 141,763 | \$ 91,262 | \$ 133,691 |

The principle sources of change in the standardized measure of discounted future net cash flows are:

| | For the Years Ended December 31, | | |
|--|----------------------------------|------------|-----------|
| | 2007 | 2006 | 2005 |
| | (In thousands) | | |
| Standard measure, beginning of year | \$ 91,262 | \$ 133,691 | \$ 63,842 |
| Sales of oil and gas produced, net of production costs | (23,785) | (22,752) | (25,500) |
| Net changes in prices and production costs | 60,454 | (33,234) | 34,913 |
| Extensions and discoveries, net of production costs | 991 | 6,305 | 5,647 |
| Purchase of minerals in place | — | 1,004 | 40,905 |

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

| | | | |
|---|------------|-----------|------------|
| Development costs incurred during the year | 335 | 742 | 56 |
| Changes in estimated future development costs | (130) | 814 | 836 |
| Revisions of previous quantity estimates | 12,380 | (3,649) | 10,304 |
| Accretion of discount | 9,126 | 13,369 | 6,384 |
| Changes in timing and other | (8,870) | (5,028) | (3,696) |
| Standardized measure, end of year | \$ 141,763 | \$ 91,262 | \$ 133,691 |

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Statements

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma condensed consolidated financial information is derived from the historical financials of Abraxas Petroleum Corporation (“Abraxas Petroleum”) and subsidiaries, and gives effect to the acquisition of oil and gas properties by Abraxas Operating, LLC, a wholly-owned subsidiary of Abraxas Energy Partners, L.P (the “Partnership”) from St. Mary Land & Exploration Company (“St. Mary”) described in the Form 8-K filed February 6, 2008. Abraxas Petroleum beneficially owns 47.2% of the partnership interests of the Partnership and controls the general partner.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2007 is presented as if the acquisition had occurred on December 31, 2007. The Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2007 are presented as if the acquisition had occurred at the beginning of the period presented.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the notes thereto, the Consolidated Financial Statements of Abraxas Petroleum and the notes thereto and the statements of revenues and direct operating expenses of the Acquired Properties of St. Mary Land & Exploration and the notes thereto.

In a separate transaction, Abraxas Petroleum acquired certain oil and gas properties from St. Mary. These properties were not material to the consolidated operations and have accordingly not been included in these pro forma statements.

The Unaudited Pro Forma Consolidated Financial Information is not indicative of our financial position or the results of our operations that might have actually occurred if the St. Mary acquisition had occurred at the dates presented or of our future financial position or results of operations. In addition the results may vary significantly from the results reflected in such statements due to normal oil and gas production declines, reductions in prices paid for oil and gas, future acquisitions and other factors.

ABRAXAS PETROLEUM CORPORATION AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2007

(in thousands)

| | Historical | Pro Forma adjustments | | Pro Forma |
|--|------------|--------------------------|--------|--------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash | \$ 18,936 | \$ (1,101 |) (a) | \$ 17,835 |
| Accounts receivable | 6,128 | — | | 6,128 |
| Other current assets | 3,035 | — | | 3,035 |
| Total current assets | 28,099 | (1,101 |) | 26,998 |
| Property and equipment: | | | | |
| Oil and gas properties – full cost method of accounting: | | | | |
| Proved | 265,090 | 124,433 | (b) | 389,523 |
| Unproved – not subject to amortization | — | — | | — |
| Other property and equipment | 3,633 | — | | 3,633 |
| Total | 268,723 | 124,433 | | 393,156 |
| Less accumulated depreciation, depletion and amortization | 151,696 | — | | 151,696 |
| Total property and equipment | 117,027 | 124,433 | | 241,460 |
| Deferred financing fees (net) | 856 | 1,500 | (c) | 2,356 |
| Other assets | 1,137 | — | | 1,137 |
| Total assets | \$ 147,119 | \$ 124,832 | | \$ 271,951 |
| Liabilities and Stockholders' Equity | | | | |
| Accounts payable and accrued expenses | \$ 11,356 | \$ — | | \$ 11,356 |
| Accrued interest | 241 | — | | 241 |
| Other current assets | 5,154 | — | | 5,154 |
| Total current liabilities | 16,751 | — | | 16,751 |
| Long-term debt | 45,900 | 117,200 | (d) | 163,100 |
| Other liabilities | 5,124 | 7,632 | (e) | 12,756 |
| Total liabilities | 67,775 | 124,832 | | 192,607 |
| Minority interest | 23,497 | — | | 23,497 |
| Stockholders' equity: | | | | |

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

| | | | |
|--|------------|------------|------------|
| Common stock | 1,000 | — | 1,000 |
| Additional paid-in capital | 185,646 | — | 185,646 |
| Accumulated deficit | (130,791) | — | (130,791) |
| Accumulated other comprehensive income | 502 | — | 502 |
| Total stockholders' equity | 55,847 | — | 55,847 |
| Total liabilities and stockholders' equity | \$ 147,119 | \$ 124,832 | \$ 271,951 |
| See notes to unaudited pro forma condensed consolidated financial statements | | | |

ABRAXAS PETROLEUM CORPORATION AND SUBSIDIARIES

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands except per share data)

| | Year Ended December 31, 2007 | | | |
|--|------------------------------|-------------------------|--------------------------|--------------|
| | Historical | St. Mary Acquisition | Pro Forma Adjustments | Pro Forma |
| Revenues: | | | | |
| Oil and gas production revenue | \$ 46,906 | \$ 39,334 | (a) \$ — | \$86,240 |
| Rig revenues | 1,396 | — | — | 1,396 |
| Realized hedge income (loss) | 1,925 | — | — | 1,925 |
| Unrealized hedge income (loss) | (6,288) | — | — | (6,288) |
| Other | 7 | — | — | 7 |
| | 43,946 | 39,334 | | 83,280 |
| Operating costs and expenses: | | | | |
| Lease operating and production taxes | 11,254 | 15,549 | (a) — | 26,803 |
| Depreciation, depletion and amortization | 14,292 | | 10,657 | (b) 24,949 |
| Rig operations | 801 | — | — | 801 |
| General and administrative | 6,438 | — | — | 6,438 |
| | 32,785 | 15,549 | 10,657 | 58,991 |
| Operating income | 11,161 | 23,785 | (10,657) | 24,289 |
| Other (income) expense: | | | | |
| Interest income | (408) | — | — | (408) |
| Amortization of deferred financing fees | 671 | — | 788 | (c) 1,459 |
| Interest expense | 8,392 | — | 8,187 | (d) 16,579 |
| Loss on debt extinguishment | 6,455 | — | — | 6,455 |
| Gain on sale of assets | (59,439) | — | — | (59,439) |
| Other | 347 | — | — | 347 |
| | (43,982) | — | 8,975 | (35,007) |
| Income from operations before income tax and minority interest | 55,143 | 23,785 | (19,632) | 59,296 |
| Income tax | (283) | — | — | (283) |
| Income from operations before minority interest | 54,860 | 23,785 | (19,632) | 59,013 |
| Minority interest in (income) loss of partnership | 1,842 | — | (2,192) | (e) (350) |
| Net income | \$ 56,702 | \$ 23,785 | \$ (21,824) | \$58,663 |
| Net income per common share – basic | \$ 1.22 | | | \$1.27 |
| Net income per common share - diluted | \$ 1.19 | | | \$1.23 |
| Weighted average shares – basic | 46,337 | | | 46,337 |
| Weighted average shares - diluted | 47,593 | | | 47,593 |

See notes to unaudited pro forma condensed consolidated financial statements

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Unaudited Proforma Condensed Consolidated Balance Sheet as of December 31, 2007, reflects the Partnership's acquisition of the St. Mary properties as if it had occurred as of December 31, 2007.

- a. Cash and cash equivalents related to the acquisition of oil and gas properties from St. Mary.
- b. Fair value of oil and gas properties acquired.
- c. Direct and incremental deferred financing fees associated with the Partnership's amended credit facility and subordinated facility.
- d. Borrowings under the Partnership's amended credit facility and subordinated facility as follows, (in thousands).

| | |
|-------------------------|-----------|
| Amended Credit Facility | \$67,200 |
| Subordinated Facility | 50,000 |
| Total | \$117,200 |

- e. Liability for future site restoration related to acquired properties.

Note 2. The Unaudited Proforma Condensed Consolidated Statement of Operations for the year ended December 31, 2007 reflects the acquisition of the St. Mary properties as if it had occurred at the beginning of the period.

- a. Record oil and gas production sales, lease operating expenses and ad valorem and production taxes directly related to the oil and gas properties acquired.
- b. Record depletion expense related to the oil and gas properties acquired.
- c. Amortize deferred financing fees associated with the Partnership's amended credit facility and subordinated facility. As required by SFAS 143,t the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred and the corresponding cost capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset.
- d. Adjust interest expense for Partnerships' borrowings under its amended credit facility and subordinated facility and non cash interest relating to the accretion of future site restoration liability as follows (in thousands):

| | |
|---|---------|
| Interest expense related to Partnership borrowings | \$7,587 |
| Interest expense related to future site restoration liability | 600 |
| Total | \$8,187 |

The following table illustrates interest expense on the above borrowings. Interest rates are not fixed, accordingly, actual expense incurred may vary from these amounts.

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

| | Rate | Expense |
|-------------------------|-------------|----------------|
| Amended Credit Facility | .051 | \$3,467 |
| Subordinated Facility | .082 | 4,120 |
| | | \$7,587 |

- e. Adjust for minority owners' interest in net earnings.

Edgar Filing: ABRAXAS PETROLEUM CORP - Form 8-K/A

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: /s/ Chris E. Williford

Chris E. Williford

Executive Vice President, Chief Financial

Officer and Treasurer

Dated: April 16, 2008