

ABRAXAS PETROLEUM CORP
Form 10-Q
November 10, 2008

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 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: 001-16701

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

Nevada
(State of Incorporation)

74-2584033
(I.R.S. Employer
Identification No.)

18803 Meisner Drive, San Antonio, TX 78258
(Address of principal executive offices) (Zip Code)

210-490-4788
(Registrant's telephone number, including
area code)

Not Applicable
(Former name, former address and former fiscal year, if changed
since last report)

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 the filing requirements for the past 90 days. Yes No

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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 definition 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 mark 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

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The number of shares of the issuer's common stock outstanding as of November 6, 2008 was:

Class	Shares Outstanding
Common Stock, \$.01 Par Value	49,258,537

Forward-Looking Information

We make forward-looking statements throughout this document. Whenever you read a statement that is not simply a statement of historical fact (such as statements including words like “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “could”, “potentially” or similar expressions), you must remember that these are forward-looking statements and that our expectations may not be correct, even though we believe they are reasonable. The forward-looking information contained in this document is generally located in the material set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” but may be found in other locations as well. These forward-looking statements generally relate to our plans and objectives for future operations and are based upon our management’s reasonable estimates of future results or trends. The factors that may affect our expectations regarding our operations include, among others, the following:

- our success in development, exploitation and exploration activities;
 - our ability to make planned capital expenditures;
 - declines in our production of natural gas and crude oil;
 - prices for natural gas and crude oil;
 - our ability to raise equity capital or incur additional indebtedness;
 - economic and business conditions;
- political and economic conditions in oil producing countries, especially those in the Middle East;
 - price and availability of alternative fuels;
 - our restrictive debt covenants;
 - our acquisition and divestiture activities;
 - results of our hedging activities; and
- other factors discussed elsewhere in this document.

In addition to these factors, important factors that could cause actual results to differ materially from our expectations (“Cautionary Statements”) are disclosed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2007, as amended, which are incorporated by reference herein. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the Cautionary Statements.

ABRAXAS PETROLEUM CORPORATION
FORM 10 – Q
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PART 1
FINANCIAL INFORMATION

Item 1. Financial Statements

Abraxas Petroleum Corporation
Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2008 (Unaudited)	December 31, 2007
Assets:		
Current assets:		
Cash	\$ 6,073	\$ 18,936
Accounts receivable, net		
Joint owners	2,141	840
Oil and gas production	13,515	5,288
Other	26	—
	15,682	6,128
Derivative asset - current	2,314	2,658
Other current assets	493	377
Total current assets	24,562	28,099
Property and equipment:		
Oil and gas properties, full cost method of accounting:		
Proved	431,322	265,090
Unproved properties excluded from depletion	—	—
Other property and equipment	10,201	3,633
Total	441,523	268,723
Less accumulated depreciation, depletion, and amortization	168,585	151,696
Total property and equipment – net	272,938	117,027
Deferred financing fees, net	1,723	856
Derivative asset – long-term	87	359
Other assets	842	778
Total assets	\$ 300,152	\$ 147,119

See accompanying notes to condensed consolidated financial statements

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Abraxas Petroleum Corporation
Condensed Consolidated Balance Sheets (continued)
(in thousands)

	September 30, 2008 (Unaudited)	December 31, 2007
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,310	\$ 7,413
Joint interest oil and gas production payable	5,409	2,429
Accrued interest	516	241
Other accrued expenses	3,285	1,514
Derivative liability – current	7,589	5,154
Current maturities of long-term debt	40,106	—
Total current liabilities	68,215	16,751
Long-term debt (less current maturities)	130,545	45,900
Derivative liability – long-term	15,767	3,941
Future site restoration	9,680	1,183
Total liabilities	224,207	67,775
Minority interest in partnership	14,919	23,497
Commitments and contingencies		
Stockholders' equity :		
Common Stock, par value \$.01 per share- Authorized 200,000 shares; issued and outstanding, 49,258 and 49,021	492	490
Additional paid-in capital	186,693	185,646
Accumulated deficit	(126,716)	(130,791)
Accumulated other comprehensive income	557	502
Total stockholders' equity	61,026	55,847
Total liabilities and stockholders' equity	\$ 300,152	\$ 147,119

See accompanying notes to condensed consolidated financial statements

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Abraxas Petroleum Corporation
Consolidated Statements of Operations
(Unaudited)
(in thousands except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenue:				
Oil and gas production revenues	\$ 28,910	\$ 10,959	\$ 84,856	\$ 35,151
Rig revenues	333	443	968	1,082
Other	3	2	15	5
	29,246	11,404	85,839	36,238
Operating costs and expenses:				
Lease operating and production taxes	7,507	2,790	19,879	8,815
Depreciation, depletion, and amortization	5,806	3,611	16,904	10,867
Rig operations	241	199	644	572
General and administrative (including stock-based compensation of \$400, \$204, \$1,297 and \$748)	1,767	1,156	5,439	3,739
	15,321	7,756	42,866	23,993
Operating income	13,925	3,648	42,973	12,245
Other (income) expense:				
Interest income	(47)	(167)	(174)	(234)
Interest expense	3,033	699	8,171	7,634
Amortization of deferred financing fees	281	62	748	609
Loss (gain) on derivatives (unrealized \$(84,114),\$(690), \$16,478 and \$(2,506))	(78,069)	(2,263)	30,024	(3,953)
Loss on debt extinguishment	—	—	—	6,455
Gain on sale of assets	—	—	—	(59,335)
Other	350	—	1,084	—
	(74,452)	(1,669)	39,853	(48,824)
Income before income tax and minority interest	88,377	5,317	3,120	61,069
Income tax expense				
	—	—	—	715
Income before minority interest	88,377	5,317	3,120	60,354
Minority interest in (income) loss of partnership	(17,622)	(2,319)	956	(859)
Net income	\$ 70,755	\$ 2,998	\$ 4,076	\$ 59,495
Net income per common share – basic				
	\$ 1.44	\$ 0.06	\$ 0.08	\$ 1.31
Net income per common share – diluted				
	\$ 1.43	\$ 0.06	\$ 0.08	\$ 1.30

See accompanying notes to condensed consolidated financial statements

