

ARENA RESOURCES INC
Form 8-K
March 07, 2005

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

FORM 8-K/A
Amendment No. 1

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) December 20, 2004

Commission File Number 001-31657

ARENA RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

73-1596109
(I.R.S. Employer
Identification No.)

4920 South Lewis Street, Suite 107

Tulsa, Oklahoma 74105

(Address of principal executive officers)

(918) 747-6060

(Issuer's telephone number)

On January 4, 2005, Arena Resources, Inc. (the Company) filed a Form 8-K to report the acquisition of its interest in the Fuhrman-Mascho Property mineral leases (Fuhrman-Mascho) located in Andrews County, Texas. This Amendment No. 1 to the Form 8-K is to present the financial statements of Fuhrman-Mascho and the unaudited pro forma financial information of Arena Resources, Inc. as required.

Item 2.01 Completion of Acquisition or Disposition of Assets

On December 20, 2004, the Company consummated a transaction pursuant to which it acquired a 100% working interest, 75% net revenue interest, in the Fuhrman-Mascho Property mineral leases (Fuhrman-Mascho) located in Andrews County, Texas. The Fuhrman-Mascho leases were acquired primarily from four entities; Paul D. Friemel & Assoc, Inc., Compostella Oil Company, Redco Oil & Gas Inc. and Terry N. Stevens, Inc., all unaffiliated companies with respect to the Company. The Company issued 30,000 shares of common stock to Redemption Marketing, a company owned by Bill Parsons, as a consulting and finder's fee relating to the property acquisition. The effective date of the acquisition was December 1, 2004 and the results of operations of the Fuhrman-Mascho property will be included in the results of operations of the Company from that date.

Fuhrman-Mascho consists of 84 leases with a total of 172 operating oil and gas wells. The Company purchased Fuhrman-Mascho for its current production and cash flow, as well as for the drilling and development opportunities from the property. The purchase price, including acquisition costs, was \$10,966,495 and consisted of \$9,667,381 of cash paid to the sellers, \$44,421 in cash acquisition costs, 180,013 shares of the Company's common stock, valued at \$1,260,091, or \$7.00 per share, and the issuance of put and call options with a net value of \$24,602. The acquisition was funded through the use of cash on hand and our credit facility secured from the Company's principal lender.

Item 9.01 Financial Statements and Exhibits

ARENA RESOURCES, INC.

FUHRMAN-MASCHO PROPERTY LEASES ACQUIRED

UNAUDITED PRO FORMA FINANCIAL INFORMATION

On November 18, 2004, Arena Resources, Inc. entered into a binding letter of intent to acquire the working interests of the Fuhrman-Mascho Property mineral leases under the terms of an Asset Purchase Agreement (the Agreement). Under the terms of the agreement, the sellers transferred effective control of the property to the Company on December 1, 2004 without restrictions. Accordingly, the acquisition date was December 1, 2004. On December 20, 2004, the Company made cash payments to the sellers of \$9,667,381, issued the sellers 150,013 shares of common stock valued at \$1,050,091 or \$7.00 per share, issued the sellers put options entitling the sellers to demand that the Company reacquire the 150,013 shares of common stock at \$7.00 per share from November 1, 2006 through November 30, 2006, valued at \$160,379, and received call options from the sellers entitling the Company to reacquire the 150,013 shares of common stock at \$8.50 per share from the date issued through November 1, 2006 and valued at \$135,777. In addition, the Company paid acquisition costs of \$254,421, including the issuance of 30,000 shares of common stock as a consulting and finder's fee, valued at \$210,000, or \$7.00 per share. The consideration paid or issued on December 20, 2004 was discounted to December 1, 2004 at 5% and resulted in recognition of an unamortized discount of \$30,000 at December 1, 2004.

The following unaudited pro forma condensed balance sheet has been prepared as though the acquisition of the Fuhrman-Mascho Property and the related financing had occurred on September 30, 2004 and the unaudited pro forma condensed statements of operations have been prepared to present the operations of the Company for the nine months ended September 30, 2004 and for the year ended December 31, 2003 as though the acquisition of Fuhrman-Mascho and the related financing had occurred at the beginning of each of those periods. The unaudited pro forma financial information is illustrative of the effects of the acquisition on operations of the Company and does not necessarily reflect the results of operations that would have resulted had the acquisition actually occurred at those dates. In addition, the pro forma financial information is not necessarily indicative of the results that may be expected for the year ended December 31, 2004, the year ending December 31, 2005, or any other period.

ARENA RESOURCES, INC.**UNAUDITED PRO FORMA CONDENSED BALANCE SHEET****SEPTEMBER 30, 2004**

	Arena Historical	Furhman Mascho Property	Pro Forma
ASSETS			
Current Assets			
Cash	\$ 1,864,707	\$ (711,802) (1)	\$ 1,152,905
Account receivable	849,672		849,672
Prepaid expenses	33,136	-	33,136
Total Current Assets	2,747,515	(711,802)	2,035,713
Property and Equipment, Using Full Cost Accounting			
Oil and gas properties subject to amortization	19,946,473	11,416,895 (1)	31,363,368
Drilling advances	229,363	-	229,363
Equipment	26,687	-	26,687
Office equipment	37,013	-	37,013
Total Property and Equipment	20,239,536	11,416,895	31,656,431
Less: Accumulated depreciation and amortization	(1,106,559)		(1,106,559)
Net Property and Equipment	19,132,977	11,416,895	30,549,872
Total Assets	\$ 21,880,492	\$ 10,705,093	\$ 32,585,585
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	\$ 651,214	\$ -	\$ 651,214
Accrued liabilities	107,606	-	107,606
Put option			

	-	-	-
		-	
Total Current Liabilities	758,820		758,820
Long-Term Liabilities			
Notes payable	-	9,000,000 (1)	9,000,000
Notes payable to officers	400,000	-	400,000
Put option	-	160,379 (1)	160,379
Asset retirement liability	677,720	450,400 (1)	1,128,120
Deferred income taxes	1,599,280	-	1,599,280
Total Long-Term Liabilities	2,677,000	9,610,779	12,287,779
Stockholders' Equity			
Preferred stock - \$0.001 par value; 10,000,000 shares authorized;			
no shares issued or outstanding	-	-	-
Common stock - \$0.001 par value; 100,000,000 shares authorized; 8,911,397 shares and 9,091,410 shares pro forma outstanding, respectively	8,911	180 (1)	9,091
Additional paid-in capital	13,931,604	1,094,134 (1)	15,025,738
Options and warrants outstanding	2,572,739	-	2,572,739
Retained earnings	1,931,418	-	1,931,418
Total Stockholders' Equity	18,444,672	1,094,314	19,538,986
Total Liabilities and Stockholders' Equity	\$ 21,880,492	\$ 10,705,093	\$ 32,585,585

ARENA RESOURCES, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

	Arena Historical	Furhman Mascho Property	Adjustments	Pro Forma
Oil and Gas Revenues	\$ 5,509,784	\$ 2,391,684 (2)	\$ (620,790) (7)	\$ 7,280,678
Costs and Operating Expenses				
Oil and gas production costs	1,284,753	1,285,825 (2)	(286,676) (7)	2,283,902
Oil and gas production taxes	404,268	99,617 (2)	(25,476) (7)	478,409
Depreciation, depletion and amortization	553,038	-	396,845 (3)	949,883
General and administrative expense	473,391	-	-	473,391
Total Costs and Operating Expenses	2,715,450	1,385,442	84,693	4,185,585
Other Income (Expense)				
Gain from change in fair value of put options	2,905	-	-	2,905
Accretion expense	(38,072)	-	(23,974) (4)	(62,046)
Interest expense	(128,407)	-	(5) (241,920) (5)	(370,327)
Net Other Expense	(163,574)	-	(265,894)	(429,468)
Income Before Provision for Income Taxes	2,630,760	1,006,242	(971,377)	2,665,625
Provision for Deferred Income Taxes	(942,521)		(16,280) (6)	(958,801)

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Net Income	\$ 1,688,239	\$ 1,006,242	\$ (987,657)	\$ 1,706,824
Basic Income Per Common Share	\$ 0.24			\$ 0.23
Diluted Income Per Common Share	\$ 0.22			\$ 0.21
Basic Weighted-Average Common Shares Outstanding	7,163,734	180,013		7,343,747
Effect of dilutive securities:				
Warrants	429,739	150,013		579,752
Stock options	243,441			243,441
Diluted Weighted-Average Common Shares Outstanding	7,836,914			8,166,940

ARENA RESOURCES, INC.

UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2003

	Arena Historical	Furhman Mascho Property	Pro Forma
Oil and Gas Revenues	\$ 3,665,477	\$ 1,930,604 (2)	\$ 5,596,081
Costs and Operating Expenses			
Oil and gas production costs	1,149,136	1,250,661 (2)	2,399,797
Oil and gas production taxes	269,563	82,120 (2)	351,683
Depreciation, depletion and amortization	360,282	478,228 (3)	838,510
General and administrative expense	557,576	-	557,576
Total Costs and Operating Expenses			