

ARGAN INC
Form S-8
July 16, 2008

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 16, 2008

Registration No. 333-_____

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-8

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ARGAN, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

13-1947195

(I.R.S. Employer Identification No.)

One Church Street
Suite 401

Rockville, MD 20850

(Address of Principal Executive Offices)

2001 Stock Option Plan
(Full Title of the Plan)

Rainer H. Bosselmann
Chief Executive Officer
Argan, Inc.

One Church Street
Suite 401

Rockville, MD 20850

(Name and Address of Agent for Service)

(301) 315-0027

(Telephone Number, Including Area Code, of Agent for Service)

Copies of all communications to:

Richard A. Krantz, Esq.
Robinson & Cole LLP
Financial Centre
695 East Main Street
Stamford, Connecticut 06904-2305

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount To Be Registered ⁽¹⁾	Proposed Maximum Offering Price Per Share ⁽²⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount Of Registration Fee ⁽²⁾
Common Stock, par value \$.15 per share	900,000	\$ 14.40	\$ 12,960,000	\$ 509.33

⁽¹⁾ Represents 900,000 shares of Common Stock issuable pursuant to awards to be granted under the Registrant's 2001 Stock Option Plan, plus, pursuant to Rule 416(a) under the Securities Act of 1933, as amended, such indeterminate number of additional shares as may be issued to prevent dilution resulting from stock splits, stock dividends or similar transactions.

⁽²⁾ Estimated solely for the purpose of determining the amount of the registration fee pursuant to Rules 457(c) and 457(h) under the Securities Act of 1933, as amended, based upon the average of the reported high and low prices of the Registrant's Common Stock on the American Stock Exchange on July 9, 2008.

PART I
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Information required by Part I to be contained in the Section 10(a) prospectus is omitted from the Registration Statement in accordance with Rule 428 under the Securities Act of 1933, as amended (the "Securities Act") and the Note to Part I of Form S-8.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

There are incorporated herein by reference the following documents of Argan Inc. ("Argan") filed with the Securities and Exchange Commission (the "Commission"):

- (1) Annual Report of Argan on Form 10-K for the fiscal year ended January 31, 2008;
- (2) Proxy Statement for the 2008 Annual Meeting of Stockholders of Argan filed on May 14, 2008;
- (3) Quarterly Report of Argan on Form 10-Q for the quarter ended April 30, 2008;
- (4) Current Reports of Argan on Form 8-K filed June 6, 13 and 20, 2008 and July 8, 2008; and

- (5) The description of Argan's Common Stock contained in its Registration Statement on Form 8-A filed with the Commission on August 1, 2003.

All documents filed by Argan pursuant to Section 13(a), 13(c), 14, and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") subsequent to the date of this Registration Statement and prior to the filing of a Post-Effective Amendment to this Registration Statement which indicates that all securities offered hereby have been sold or which deregisters those securities remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

Section 145 of the Delaware General Corporation Law (the "DGCL") provides that a corporation may indemnify its directors and officers, as well as other employees and individuals, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with specified actions, suits or proceedings, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation – a "derivative action"), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such actions, and the statute requires court approval before there can be any indemnification in which the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's charter, bylaws, disinterested director vote, stockholder vote, agreement or otherwise.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for (i) any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) payments of unlawful dividends or unlawful stock repurchases or redemptions, or (iv) any transaction from which the director derived an improper personal benefit.

The Company's Bylaws provides that the Company shall indemnify its officers and directors and may indemnify its employees and other agents to the fullest extent permitted by Delaware law. The Company's Certificate of Incorporation limits, to the maximum extent permitted by Delaware law, the personal liability of directors for monetary damages for breach of their fiduciary duties as a director. The Company has entered into indemnification agreements with its directors containing provisions which provide for the indemnification of such directors to the fullest extent permitted by Delaware law.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

Exhibit

Number	Exhibit Description
4.1	Certificate of Incorporation of the Registrant (incorporated by reference to the Registrant's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on October 15, 1991, Registration No. 33-43228).
4.2.1	Certificate of Amendment of Certificate of Incorporation of the Registrant dated October 17, 1995 (incorporated by reference to the Registrant's Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on August 1, 2003).
4.2.2	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant dated June 3, 1999 (incorporated by reference to the Registrant's Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on August 1, 2003).
4.2.3	Certificate of Amendment of Certificate of Incorporation of the Registrant dated September 26, 2001 (incorporated by reference to the Registrant's Registration Statement on Form 8-A, filed with the Securities and Exchange Commission on August 1, 2003).
4.3	Bylaws of the Registrant (incorporated by reference to the Registrant's Registration Statement on Form S-1, filed with the Securities and Exchange Commission on October 15, 1991, Registration No. 33-43228).
4.4	Argan, Inc. 2001 Stock Option Plan (incorporated by reference to the Registrant's Proxy Statement filed on Schedule 14A with the Securities and Exchange Commission on August 6, 2001).
5	Opinion of Robinson & Cole LLP regarding the legality of the stock to be registered.
23.1	Consent of Grant Thornton LLP, independent registered public accounting firm.

23.2 Consent of Robinson & Cole LLP (see Exhibit 5).

24 Power of attorney (included on signature page of this Registration Statement).

Item 9. Undertakings.

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act;
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;
- (iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (1)(i) and (1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act, as amended), that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(5) That, insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Rockville, State of Maryland, on this 16th day of July, 2008.

ARGAN, INC.

By:

/s/ Rainer H. Bosselmann
Rainer H. Bosselmann
Chairman of the Board and Chief Executive
Officer

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Each such person whose signature appears below hereby appoints Rainer H. Bosselmann and Arthur F. Trudel, and each of them, each of whom may act without joinder of the other, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to execute in the name and on behalf of such person any amendment or any post-effective amendment to this Registration Statement, and any registration statement relating to any offering made in connection with the offering covered by this Registration Statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act, as amended, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing appropriate or necessary to be done, as fully and for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the date indicated.

NAME	TITLE	DATE
<i>/s/ Rainer H. Bosselmann</i> Rainer H. Bosselmann	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	July 16, 2008
<i>/s/ Arthur F. Trudel</i> Arthur F. Trudel	Chief Financial Officer (Principal Accounting and Financial Officer)	July 16, 2008
Henry A. Crumpton	Director	
DeSoto S. Jordan	Director	
Daniel A. Levinson	Director	
<i>/s/ William F. Leimkuhler</i> William F. Leimkuhler	Director	July 16, 2008
<i>/s/ James W. Quinn</i> James W. Quinn	Director	July 16, 2008
<i>/s/ W. G. Champion Mitchell</i> W. G. Champion Mitchell	Director	July 16, 2008

EXHIBIT INDEX

Exhibits required by Item 601 of Regulation S-K:

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earing from the Colorado State University. Mr. Parke, who joined the Board in 2003, has served as a Managing Director of EVOLUTION Life Science Partners since October 2014. From June 2011 until October 2014, he was a Managing Director in the investment banking group of Burrill Securities LLC, an investment banking firm. From 2006 until June 2011, he was Managing Director in the investment banking group of Boenning & Scattergood, Inc., a regional investment bank. Prior to joining Boenning & Scattergood, from October 2003 to November 2006, he was a Director with the investment banking firm Mufson Howe Hunter & Company LLC. From 1992 through 2003, Mr. Parke was Director of Corporate Finance of Investec, Inc. and its predecessor, Pennsylvania Merchant Group Ltd., both investment banking companies. Prior to joining Pennsylvania Merchant Group, Mr. Parke served in the corporate finance departments of Wheat First Butcher & Singer, now part of Wells Fargo, and Legg Mason, Inc., now part of Stifel Nicolaus. April 2019

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97,080 Boe/d 16% Q/Q Growth 40 Spuds 40 TILs CORE WATTENBERG – Prolific Asset in Development Mode
April 2019 (1) Niobrara and Codell only. 96,000 425 ~Net Acres(1) YE18 Proved Reserves (MMBoe) 4Q18 Results
Kersey Area Plains Area Prairie Area 28

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CORE WATTENBERG – Safely Developing Rural Acreage in Weld County April 2019 Kersey Greeley Evans
Gilcrest Eaton Fort Collins PDC Acreage City Boundary I-25 Interstate State Highway PDC has operated in the
Wattenberg Field of the DJ Basin for almost 20 years Field office of ~250 employees located in Evans Consolidated
acreage position minimizes surface usage Extensive history of positive working relationships with surrounding
communities, regulators and elected officials Support multiple community organizations through year-round
charitable giving and volunteerism ~100% of PDC net acreage in rural Weld County County voted 75% No on
Proposition 112 in November 2018 ~5% of gross acreage located within municipal boundaries Anticipate ~100% can
be reached through long-lateral development from outside municipal boundary Kersey Area Plains Area Prairie Area
WELD COUNTY LARIMER COUNTY 29

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Core Wattenberg – 2019 Plan Significantly Enhances Efficiencies Capital investment of ~\$500 MM Three rigs and one completion crew SRL/MRL/XRL well costs of \$3/\$4/\$5 MM with average spud to spud drill times of 5/7/9 days Continued focus on capital efficiency Long laterals Increased working interests Reduced surface locations Planned third-party midstream expansions to unlock tremendous value Relatively flat production expected in 1Q19 from 4Q18 before steady growth through year-end Plant 11 assumed to begin gradually coming online in June 2019(1) Associated bypass expected to begin in August 2019 April 2019 30 (1) Source: DCP press release dated 2/11/19; (2) Reflects impact of 2018 strategic acreage trade 139 TILs 110-125 TILs TILs by Lateral Length 139 TILs ~1,500 Locations ~6,300' Avg. Lateral 79% WI ~920 Locations(2) ~8,250' Avg. Lateral 85% WI ~85 DUCs ~120 DUCs 2018 SRL MRL XRL 2019 0 2,000 4,000 6,000 8,000 YE17 2018 TILs YE18 Net WI Lateral Feet (thousands)

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Kersey Area Prairie Area Plains Area CORE WATTENBERG – Production Unbundling with Midstream Expansions
DCP Midstream – 1.05 Bcf/d Plant 10 (Mewbourne 3): In-service August 1, 2018 Plant 11 (O’Connor 2): 200 MMcf/d
(expected start-up in June 2019) 100 MMcf/d bypass (expected start-up in August 2019) Plant 12 (Big Horn): Up to 1
Bcf/d (including bypass) First-phase start-up expected in 2020 (~300 MMcf/d) Aka Energy Processing capacity of
~40 MMcf/d Additional capacity via offloads to WES system Other DJ Basin Anticipated Expansions Rimrock,
Discovery, Western Gas, Outrigger expected to benefit entire basin (~1 Bcf/d additional capacity) April 2019 31 (1)
Source: DCP Midstream press release dated 2/11/19 Plant 10 Grand Parkway Plant 11 Additional compression
2018-19 Processing Plant Expansions DCP - Compression Processing Plant Aka -

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DELAWARE BASIN – Primary Focus in Two Oil-Rich Areas April 2019 (1) 2018 Year-End net acreage count of ~51,400. ~9,500 net acres (primarily in Western Culberson County) to expire by end of 1Q19. Additional ~8,400 anticipated to expire or be monetized in remainder of 2019. Anticipated YE19 net acreage count of ~33,500. 42,000 120 ~Net Acres(1) YE18 Proved Reserves (MMBoe) 30,840 Boe/d 19% Q/Q Growth 9 Spuds 4 TILs 4Q18 Results 32

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DELAWARE BASIN – Focused on Continued Execution Anticipate a 2.5 rig pace and part-time completion crew in 2019 Successful marketing and midstream efforts ensure flow assurance at competitive prices ~90% of 2019 oil volumes expected to receive Brent-based pricing Natural gas flow assurance Midstream monetization process continuing to progress with expected execution in 1H19 2019 capital investments associated with midstream infrastructure of ~\$40MM (part expected to be recovered through divestiture) April 2019 33 5,700 7,000 10,000 13,000 16,000 21,000 25,000 26,000 31,000 0 5,000 10,000 15,000 20,000 25,000 30,000 35,000 Dec. '16 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18 3Q18 4Q18 Boe/d Delaware Production (Boe/d)

Delaware Basin – Steady Progress Towards Development Mode Capital investment of ~\$350 MM Includes ~\$40 MM of planned midstream investment (portion of which expected to be refunded if divested) Project ~20% increase in lateral feet TIL'd compared to 2018 Expect decreased average well costs due to modified completion design Increased stage spacing Additional benefits possible through pad drilling efficiencies, faster drill times, service cost reductions Anticipate 2.5 rig pace and part-time completion crew ~2/3 of 2019 TILs focused in Block 4 All 2019 TILs expected to be MRL or XRL Inventory of ~365 identified locations with average lateral length of ~7,900' (1) April 2019 34 (1) Gross operated inventory primarily targeting the WCA and WCB zones within our oilier Eastern and North Central areas. Some locations are within untested target zones that may be subject to a higher degree of uncertainty or may depend on additional delineation testing. (2) XRL spud to rig release ~2,000 lbs/ft ~200' stage spacing ~34 Days(2) 26 TILs 20-25 TILs TILs by Lateral Length \$12.5 - \$15.0 \$11.5 - \$13.0 ~2,400 lbs/ft ~160' stage spacing ~36 Days(2) 2018 SRL MRL XRL 2019 \$0 \$4 \$8 \$12 \$16 2018 2019e millions Costs per Well – MRL/XRL

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Delaware Basin – 2019 Plan Focused on Oily Areas of Block 4 2019 Program Focus on multi-well pads, longer-laterals and spacing design Continue to refine Area boundaries and type curves Anticipate first Bone Spring TIL in 2Q19 Tinman Project – Seven well pad in Area 3 designed to test several spacing assumptions: Parent/child (WCA) Vertical spacing in WCB & between zones (WCA/WCB) Horizontal spacing in WCB Anticipate similar performance as Grizzly Pad Grizzly Pad performance Artificial lift has stabilized production profile Key findings to-date: Upper WCA wells showing strongest performance Lower WCA wells producing in-line with average WCB Overall project underperformance believed to be associated with localized rock and fluid properties not spacing Continue to Test Optimal Spacing Design April 2019 35 Block 4 Wolfcamp A AREA 1 >6,000 GOR AREA 3 <3,000 GOR AREA 2 3,000 – 6,000 GOR 2019 2020 Area 1 - - Area 2 25% 60% Area 3 40% 15% North Central 35% 25% Anticipated TIL Breakdown Grizzly Pad

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FINANCIAL STRENGTH – Balance Sheet, Leverage and Liquidity Leverage and Liquidity YE18 leverage ratio improved to 1.4x from 1.9x at YE17 ~\$30 million drawn on revolver (12/31/18) 4Q18 free cash flow of ~\$25MM(1) Total liquidity of ~\$1.3 billion Hedge Portfolio ~50% of 2019e oil production hedged at ~\$55/Bbl(2) 8.6 MMBbls 2020 oil hedged at ~60/Bbl(2) ~25% of 2019e gas production hedged at ~\$2.90/MMBtu(2) As of December 31, 2018 36 (1) 4Q18 adjusted cash flow from operations of \$233.1 less 4Q18 O&G capital investments of \$205.9; (2) Assumes weighted-average floor prices 5.75% Senior Notes April 2019

EXECUTIVE COMP. – New Metrics Demonstrate Commitment to Capital Efficiency April 2019 50% Qualitative & 50% Quantitative 37 Capital Efficiency One-year measurement of F&D (capital invested divided by EURs of TILs) 5 Production Measurement of operational success Moderate growth with focus on FCF 4 LOE and G&A/Boe Ensures focus on cost structure and profitability 3 Debt-Adj. Cash Flow per Share Ability to create cash flow in a capital efficient manner without change to capital structure 2 Free Cash Flow Margin Percentage measurement of free cash flow divided by capital investments 1 2019 METRICS New Metrics Rationale for New Metrics FCF Margin Measures ability to deliver organic FCF in range of oil prices Mgmt. has ultimate control to manage capital investment Debt-Adj. CFPS Multi-year analysis indicates strong correlation to share price performance

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Strong Improvements in Quarterly Production and LOE/Boe Strong Wattenberg performance due to steady third-party processing throughput Kersey line pressures still elevated though showed modest improvement by year-end Late 3rd quarter and early 4th quarter Delaware TILs drive strong sequential production growth Declining LOE per Boe coincides with unbundled Wattenberg production Full-year Wattenberg LOE of less than \$3/Boe Steady Delaware basin execution deliver competitive lifting costs of ~\$4.15/Boe in 2018 April 2019 38 73,900 88,100 92,500 94,100 99,000 103,000 110,000 128,000 50,000 100,000 150,000 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18 3Q18 4Q18 Production (Boe/d) \$2.98 \$2.50 \$2.98 \$2.83 \$3.33 \$3.44 \$3.27 \$3.06 \$2.00 \$3.00 \$4.00 1Q17 2Q17 3Q17 4Q17 1Q18 2Q18 3Q18 4Q18 LOE (\$/Boe)

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PDC ENERGY – Exiting 2018 with Strong Momentum April 2019 ~130 40.2 1.4x 42% 2018 Crude Oil 2018
Production (MMBoe) Dec. '18 Exit Rate (Mboe/d) YE18 Leverage Ratio Returns Results Responsibility Strong
Results drive 4Q18 growth of 17% compared to 3Q18 with a December exit rate of ~130,000 Boe/d Solid Returns
generate free cash flow in 4Q18 and set stage for sustainable future free cash flow generation Corporate
Responsibility focused on sustainable operations with safe and responsible development of our assets 39

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20% increase in proved reserves 329% all-sources reserve replacement(1) 66% increase in before-tax SEC PV-10(2) to ~\$5.3 billion Stress-tested reserves at \$50/bbl WTI flat Lost ~2% of proved reserves 2017 (MMBoe) 2018 (MMBoe) Liquids (2018) Wattenberg 350.8 425.4 57% Delaware 97.9 119.5 68% Utica 4.2 - - Total 452.9 544.9 59% +132.2 (40.2) B-Tax PV-10 (MM) \$3,212 B-Tax PV-10 (MM) \$5,321 (3) 544.9 452.9 PDC ENERGY – Solid Growth in 2018 SEC Proved Reserves April 2019 40 (1) All-sources reserve replacement defined as sum of the year-over-year net additions in proved reserves from extensions, revisions, dispositions and acquisitions, divided by 2018 estimated production; (2) 2018 SEC NYMEX pricing: \$65.56/Bbl and \$3.10/MMBtu gas; (3) Net Additions is extensions, revisions, dispositions and acquisitions. 200 300 400 500 600 Year-End 2017 Net Additions 2018 Production Year-End 2018 Proved Reserves Summary (MMBoe) Wattenberg Delaware Utica

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Hedge Position Hedges in Place as of 12/31/18 41 (1) Corresponding CIG Basis swaps in place averaging (\$.78)
April 2019 CRUDE OIL 2019 2020 Volumes (MMBbls) Collar 2.6 3.6 Swap 8.4 5.0 Total Crude Oil Hedged 11.0
8.6 Crude Oil Price (\$/Bbl) Floor \$56.54 \$55.00 Ceilings \$68.13 \$71.68 NYMEX Swap \$53.86 \$62.07 Weighted
Average Price (floor) \$54.50 \$59.11 NATURAL GAS 2019 Volumes (BBtu) Collar - Swap 26,008 Total Natural Gas
Hedged 26,008 Natural Gas Price (\$/Mmbtu) Floor - \$ Ceilings - \$ NYMEX Swap (1) \$2.91 Weighted Average Price
(floor) \$2.91

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Reconciliation of Non-U.S. GAAP Financial Measures April 2019 42 Adjusted Net Income (Loss) Three Months Ended December 31, Twelve Months Ended December 31, 2018 2017 2018 2017 Adjusted net income (loss): Net income (loss) \$ 178.9 \$ 77.6 \$ 2.0 \$ (127.5) (Gain) loss on commodity derivative instruments (403.0) 90.4 (145.2) 3.9 Net settlements on commodity derivative instruments (25.0) (8.9) (115.5) 13.3 Tax effect of above adjustments 102.4 (28.2) 62.4 (4.1) Adjusted net income (loss) \$ (146.7) \$ 130.9 \$ (196.3) \$ (114.4) Weighted - average diluted shares outstanding 66.2 66.1 66.3 65.8 Adjusted diluted earnings per share \$ (2.22) \$ 1.98 \$ (2.96) \$ (1.74) Adjusted Cash Flows from Operations Three Months Ended December 31, Twelve Months Ended December 31, 2018 2017 2018 2017 Adjusted cash flows from operations: Net cash from operating activities \$ 311.5 \$ 177.2 \$ 889.3 \$ 597.8 Changes in assets and liabilities (78.4) (2.6) (80.9) (15.7) Adjusted cash flows from operations \$ 233.1 \$ 174.6 \$ 808.4 \$ 582.1 Year-end 2018 Year-end 2017 PV-10 5,321 \$ 3,212 \$ Present value of estimated future income tax discounted at 10% (873) (332) Standardized measure of discounted future net cash flows 4,448 \$ 2,880 \$ Reconciliation of PV-10

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Reconciliation of Non-U.S. GAAP Financial Measures April 2019 43 Adjusted EBITDAX Three Months Ended
December 31, Twelve Months Ended December 31, 2018 2017 2018 2017 Net income (loss) to adjusted EBITDAX:
Net income (loss) \$ 178.9 \$ 77.6 \$ 2.0 \$ (127.5) (Gain) loss on commodity derivative instruments (403.0) 90.4
(145.2) 3.9 Net settlements on commodity derivative instruments (25.0) (8.9) (115.5) 13.3 Non - cash stock - based
compensation 5.4 4.8 21.8 19.4 Interest expense, net 18.1 19.6 70.3 76.4 Income tax expense (benefit) 59.1 (140.4)
5.4 (211.9) Impairment of properties and equipment 264.2 3.4 458.4 285.9 Impairment of goodwill — — — 75.1
Exploration, geologic and geophysical expense 1.6 3.4 6.2 47.3 Depreciation, depletion and amortization 149.8 108.5
559.8 469.1 Accretion of asset retirement obligations 1.3 1.4 5.1 6.4 Loss on extinguishment of debt — 24.7 — 24.7
Adjusted EBITDAX \$ 250.4 \$ 184.5 \$ 868.3 \$ 682.1 Cash from operating activities to adjusted EBITDAX: Net cash
from operating activities \$ 311.5 \$ 177.2 \$ 889.3 \$ 597.8 Interest expense, net 18.1 19.6 70.3 76.4 Amortization of
debt discount and issuance costs (3.3) (3.3) (12.8) (12.9) Gain (loss) on sale of properties and equipment 2.8 — (0.4)
0.7 Exploration, geologic and geophysical expense 1.6 3.4 6.2 47.3 Exploratory dry hole costs (0.1) (0.1) (0.1)
(41.3) Other (1.8) (9.7) (3.3) 29.8 Changes in assets and liabilities (78.4) (2.6) (80.9) (15.7) Adjusted EBITDAX
\$ 250.4 \$ 184.5 \$ 868.3 \$ 682.1

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Commonly Used Definitions April 2019 44 Bbl – Barrel Boe – Barrel of oil equivalent Btu – British thermal unit CAGR – Compound Annual Growth Rate CFPS – Cash flow per share CWC – Completed well cost D&C – Drilling and Completions EBITDAX – Earnings before interest, taxes, depreciation, amortization and exploration EUR – Estimated Ultimate Recovery FCF – Free Cash Flow (cash flows from operations less capital investments) FCF Margin – Free cash flow divided by capital investments Gross Margin – Oil, gas and NGL sales less LOE, TGP and prod. tax, as a % of oil, gas and NGL sales Leverage Ratio – as defined in our revolving credit facility agreement; similar to Debt to EBITDAX LOE – Lease operating expenses MM – Million MMcf – Million cubic feet RoR – Rate of Return SRL/MRL/XRL – Standard-, Mid- and Extended-reach lateral SWD – Salt-water disposal TGP – Transportation, gathering and processing TIL – Turn-in-line
