

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

PLAINS RESOURCES INC
Form 8-K
January 02, 2003

=====

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

Date of Report (Date of earliest event reported): December 18, 2002

PLAINS RESOURCES INC.
(Exact name of registrant as specified in charter)

Delaware
(State of Incorporation)

13-2898764
(I.R.S. Employer Identification No.)

0-9808
(Commission File No.)

500 Dallas Street, Suite 700
Houston, Texas 77002
(Address of Principal Executive Offices)
(Zip Code)

Registrant's telephone number, including area code: (713) 739-6700

=====

Item 2. Acquisition or Disposition of Assets

On December 18, 2002 Plains Resources Inc. ("PLX") distributed 100 percent of the common shares of its wholly-owned subsidiary Plains Exploration & Production Company ("PXP") to the holders of record of PLX's common stock as of December 11, 2002 (the "spin-off"). Each PLX stockholder received one share of PXP common stock for each share of PLX common stock held. Prior to the spin-off, PLX borrowed \$45.0 million under the terms of its loan facility and used a portion of the proceeds to make a \$40.0 million cash capital contribution to PXP. In addition, prior to the spin-off PLX transferred to PXP certain assets and PXP assumed certain liabilities of PLX, primarily related to land, unproved oil and gas properties, office equipment and pension obligations.

PLX has outstanding 46,600 shares of Series D Cumulative Convertible Preferred Stock, or Series D Preferred, that have an aggregate stated value of \$23.3 million and are redeemable at PLX's option at 140% of stated value. If not previously redeemed or converted, the Series D Preferred will automatically convert into shares of PLX common stock in 2012. Each share of Series D

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

Preferred has a stated value of \$500 and bears an annual dividend of \$30.00 per share.

As a result of the spin-off, the number of shares of PLX common stock into which the Series D Preferred is convertible increased from 932,000 shares to 1,671,416 shares as a result of the reduction in the conversion price from \$25.00 per share of common stock to \$13.94 per share. The reduction in the conversion price of the Series D Preferred was determined by multiplying the former conversion price of the Series D Preferred (\$25.00) by a fraction, the denominator of which was \$22.27 (the closing price per share of Plains Resources common stock as of the record date for the spin-off), and the numerator of which was \$12.42 (the closing price per share of Plains Resources common stock as of the record date for the spin-off less the agreed on fair market value per share of the Plains Exploration & Production common stock distributed in the spin-off). The holders of the Series D Preferred did not receive any Plains Exploration & Production securities as a result of the spin off.

Item 7. Financial Statements and Exhibits

(b) (1)

PLAINS RESOURCES INC. UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On December 18, 2002 Plains Resources Inc. ("PLX") distributed all of the issued and outstanding shares of \$0.01 par value common stock of its wholly-owned subsidiary Plains Exploration & Production Company ("PXP") to the holders of PLX's \$0.10 par value common stock on the basis of one share of PXP common stock for every one share of PLX common stock held as of the close of business on December 11, 2002 (the "spin-off"). Prior to the spin-off PLX borrowed \$45.0 million under the terms of its loan facility and used a portion of the proceeds to make a \$40.0 million cash capital contribution to PXP. In addition, prior to the spin-off PLX transferred to PXP certain assets and PXP assumed certain liabilities of PLX, primarily related to land, unproved oil and gas properties, office equipment and pension obligations.

The following financial information reflects PXP's business as discontinued operations and reflects pro forma adjustments related to the distribution of PXP's common stock to PLX's stockholders.

The pro forma condensed consolidated balance sheet at September 30, 2002 has been prepared as if the spin-off and the borrowings under PLX's loan facility occurred on that date. The pro forma condensed consolidated balance sheet has been prepared by adjusting PLX's historical balance sheet to reflect PXP's business as a discontinued operation and includes pro forma adjustments to reflect the borrowings under PXP's loan facility and the effect of the spin-off.

The pro forma condensed consolidated statements of operations for the nine months ended September 30, 2002 and 2001 and the year ended December 31, 2001 present PLX's results of operations as if the spin-off and the borrowings under PLX's loan facility occurred on January 1, 2001. These statements of operations have been prepared by adjusting PLX's historical operations to reflect PXP's business as a discontinued operation and includes pro forma adjustments to reflect the borrowings under PXP's loan facility and the effect of the spin-off on PLX's income tax expense.

These pro forma condensed consolidated financial statements do not necessarily represent what PLX's results of operations or financial position would have been if the transactions discussed above had occurred on the dates specified. Also presented are consolidated statements of operations for the years ended December 31, 2001 and 1999 and oil and gas reserve data at December 31, 2001 that reflect the business of PXP as a discontinued operation.

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

PLAINS RESOURCES INC. AND SUBSIDIARIES
 PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
 SEPTEMBER 30, 2002
 (in thousands of dollars)

	Adjustments for Discontinued Operations			
	Plains Resources Historical	Plains Exploration & Production Historical	Reclassification(1)	Subtotal
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,186	\$ (766)	\$ --	\$ 420
Accounts receivable--Plains All American Pipeline, L.P.	25,927	(22,751)	--	3,176
Other accounts receivable and current assets	9,198	(4,778)	3,665	8,085
Commodity hedging contracts	454	(453)	(1)	--
Inventory	7,793	(5,643)	--	2,150
	-----	-----	-----	-----
	44,558	(34,391)	3,664	13,831
	-----	-----	-----	-----
Property and Equipment				
Oil and natural gas properties--full cost method	999,578	(647,994)	--	351,584
Other property and equipment	4,122	(1,571)	--	2,551
	-----	-----	-----	-----
	1,003,700	(649,565)	--	354,135
Less allowance for depreciation, depletion and amortization	(461,925)	161,858	--	(300,067)
	-----	-----	-----	-----
	541,775	(487,707)	--	54,068
	-----	-----	-----	-----
Investment in Plains All American Pipeline, L.P.	73,677	--	--	73,677
	-----	-----	-----	-----
Investment in Discontinued Operations	--	120,127	--	120,127
	-----	-----	-----	-----
Deferred Income Taxes	--	--	--	--
	-----	-----	-----	-----
Other Assets	20,248	(18,958)	2,315	3,605
	-----	-----	-----	-----
	\$ 680,258	\$ (420,929)	\$ 5,979	\$ 265,308
	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and other current liabilities	\$ 55,239	\$ (56,143)	\$ 7,481	\$ 6,577

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

Commodity hedging contracts	24,980	(24,880)	--	100
Payable to Plains Resources Inc.	--	(3,357)	3,357	--
Interest payable	4,859		(4,859)	--
Notes payable and current portion of long-term debt	511	(511)	--	--
	-----	-----	-----	-----
	85,589	(84,891)	5,979	6,677
	-----	-----	-----	-----
Long-Term Debt	288,014	(288,014)	--	--
	-----	-----	-----	-----
Other Long-Term Liabilities	6,987	(3,543)	--	3,444
	-----	-----	-----	-----
Deferred Income Taxes	41,640	(44,481)	--	(2,841)
	-----	-----	-----	-----
Stockholders' Equity	258,028		--	258,028
	-----	-----	-----	-----
	\$ 680,258	\$(420,929)	\$ 5,979	\$ 265,308
	=====	=====	=====	=====

- (1) Reflects reclassification of certain items in PXP's balance sheet to conform to the presentation in PLX's balance sheet.
- (2) Reflects \$45.0 million in borrowings under the PLX loan facility.
- (3) Reflects the use of a portion of the borrowings under the PLX loan facility to make a \$40.0 million cash contribution to PXP.
- (4) Reflects the contribution to PXP of certain assets and the assumption by PXP of certain liabilities, primarily related to land, unproved oil and gas properties, office equipment and pension obligations.
- (5) Reflects a \$7.2 million note payable to PXP to be repaid using a portion of a \$7.5 million cash distribution received from Plains All American Pipeline, L.P. in the fourth quarter of 2002.
- (6) Reflects estimated debt issue costs related to the PLX loan facility.
- (7) Reflects the spin-off.
- (8) Reflects the reclassification of deferred income taxes.

PLAINS RESOURCES INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2002
(in thousands, except per share data)

	Plains Resources Historical	Plains Exploration & Production Historical	Adjustments for Discontinued Operations		Pro Forma Adjustments	P Re
			Subtotal			
	-----	-----	-----	-----	-----	-----
Revenues						
Crude oil and liquids	\$140,653	\$(129,563)	\$ 11,090	\$ --	\$ --	\$ --
Natural gas	7,130	(7,130)	--	--	--	--
Other operating revenues	27	(27)	--	--	--	--
	-----	-----	-----	-----	-----	-----
	147,810	(136,720)	11,090	--	--	--
	-----	-----	-----	-----	-----	-----
Operating Costs and Expenses						
Production expenses	61,501	(56,826)	4,675	--	--	--

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

General and administrative	12,049	(7,362)	4,687	--	
Depreciation, depletion and amortization	24,531	(21,262)	3,269	86	(2)
	-----	-----	-----	-----	-----
	98,081	(85,450)	12,631	86	
	-----	-----	-----	-----	-----
Other Income (Expense)					
Equity in earnings of Plains All American Pipeline, L.P.	14,060	--	14,060	--	
Gains on Plains All American Pipeline, L.P. unit transactions	14,512	--	14,512	--	
Loss on debt extinguishment	(10,319)	--	(10,319)	--	
Expenses of terminated public equity offering	(1,700)	1,700	--	--	
Interest expense	(20,228)	14,427	(5,801)	(844)	(3)
Interest and other income	377	(114)	263	--	
	-----	-----	-----	-----	-----
	(3,298)	16,013	12,715	(844)	
	-----	-----	-----	-----	-----
Income Before Income Taxes	46,431	(35,257)	11,174	(930)	
Income taxes	(18,976)	13,757	(5,219)	472	(4)
	-----	-----	-----	-----	-----
Income from Continuing Operations	27,455	(21,500)	5,955	(458)	
Cumulative preferred dividends	(1,050)	--	(1,050)	--	
	-----	-----	-----	-----	-----
Income from Continuing Operations Available to Common Stockholders	\$ 26,405	\$ (21,500)	\$ 4,905	\$ (458)	\$
	=====	=====	=====	=====	=====
Earnings Per Share from Continuing Operations					
Basic	\$ 1.11		\$ 0.21		\$
Diluted	\$ 1.08		\$ 0.20		\$
Weighted Average Shares Outstanding					
Basic	23,826		23,826		
Diluted	25,387	(932) (1)	24,455	135 (5)	

- (1) After adjusting to reflect PXP as discontinued operations, Plains Resources Series D Cumulative Convertible Preferred Stock is anti-dilutive.
- (2) Reflects the effect on depletion, depreciation and amortization of (i) the spin-off and the contribution of certain assets to PXP; and (ii) the amortization of debt issue costs related to PLX's loan facility. The debt issue cost is amortized over the life of the debt agreement using the straight-line method, which approximates the interest method.
- (3) Reflects interest expense for the period on borrowings under the PLX loan facility. Interest expense is computed based on the estimated rate in effect at the time of the borrowings. (5.0%). A 1/8 of 1% change in the interest rate would result in a \$21,000 change in interest expense.
- (4) Reflects the tax effect of (i) the pro forma adjustments; and (ii) Plains Resources effective tax rate after the spin-off.
- (5) Reflects the effect of the issuance of restricted stock in connection with the spin-off.

PLAINS RESOURCES INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2001
(in thousands, except per share data)

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

	Adjustments for Discontinued Operations			Pro Forma Adjustments
	Plains Resources Historical	Plains Exploration & Production Historical	Subtotal	
Revenues				
Crude oil and liquids	\$143,486	\$ (133,957)	\$ 9,529	\$ --
Natural gas	26,870	(26,870)	--	--
Other operating revenues	468	(468)	--	--
	-----	-----	-----	-----
	170,824	(161,295)	9,529	--
	-----	-----	-----	-----
Operating Costs and Expenses				
Production expenses	53,084	(47,995)	5,089	--
General and administrative	18,294	(7,074)	11,220	--
Depreciation, depletion and amortization	20,547	(16,999)	3,548	(41) (1)
	-----	-----	-----	-----
	91,925	(72,068)	19,857	(41)
	-----	-----	-----	-----
Other Income (Expense)				
Equity in earnings of Plains All American Pipeline, L.P.	15,798	--	15,798	--
Gains on Plains All American Pipeline, L.P. unit transactions	151,089	--	151,089	--
Interest expense	(20,136)	12,942	(7,194)	(1,519) (2)
Interest and other income	91	(459)	(368)	--
	-----	-----	-----	-----
	146,842	12,483	159,325	(1,519)
	-----	-----	-----	-----
Income Before Income Taxes	225,741	(76,744)	148,997	(1,478)
Income taxes	(89,533)	29,623	(59,910)	1,596 (3)
	-----	-----	-----	-----
Income from Continuing Operations	136,208	(47,121)	89,087	118
Cumulative preferred dividends	(26,896)	--	(26,896)	--
	-----	-----	-----	-----
Income from Continuing Operations Available to Common Stockholders	\$109,312	\$ (47,121)	\$ 62,191	\$ 118
	=====	=====	=====	=====
Earnings Per Share from Continuing Operations				
Basic	\$ 5.41		\$ 3.08	
Diluted	\$ 4.03		\$ 2.34	
Weighted Average Shares Outstanding				
Basic	20,204		20,204	
Diluted	27,904		27,904	874 (4)

(1) Reflects the effect on depletion, depreciation and amortization of (i) the spin-off and the contribution of certain assets to PXP; and (ii) the amortization of debt issue costs related to PLX's loan facility. The debt issue cost is amortized over the life of the debt agreement using the straight-line method, which approximates the interest method.

(2) Reflects interest expense for the period on borrowings under the PLX loan facility. Interest expense is computed based on the estimated rate in effect at the time of the borrowings. (5.0%). A 1/8 of 1% change in the interest rate would result in a \$38,000 change in interest expense.

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

- (3) Reflects the tax effect of (i) the pro forma adjustments; and (ii) Plains Resources effective tax rate after the spin-off.
- (4) Reflects the effect of (i) the spin-off in accordance with the anti-dilution provisions of Plains Resources Series D Cumulative Convertible Preferred Stock; and (ii) the issuance of restricted stock in connection with the spin-off.

PLAINS RESOURCES INC.
 PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
 YEAR ENDED DECEMBER 31, 2001
 (in thousands, except per share data)

	Adjustments for Discontinued Operations			Pro Forma Adjustments	Plains Resources Pro Forma
	Plains Resources Historical	Plains Exploration & Production Historical	Subtotal		
Revenues					
Crude oil and liquids	\$ 186,476	\$ (174,895)	\$ 11,581	\$ --	\$ 11,581
Natural gas	28,771	(28,771)	--	--	--
Other operating revenues	473	(473)	--	--	--
	-----	-----	-----	-----	-----
	215,720	(204,139)	11,581	--	11,581
	-----	-----	-----	-----	-----
Operating Costs and Expenses					
Production expenses	71,192	(63,795)	7,397	--	7,397
General and administrative	21,293	(10,210)	11,083	--	11,083
Depreciation, depletion and amortization	28,921	(24,105)	4,816	204 (1)	5,020
	-----	-----	-----	-----	-----
	121,406	(98,110)	23,296	204	23,500
	-----	-----	-----	-----	-----
Other Income (Expense)					
Equity in earnings of Plains All American Pipeline, L.P.	18,540	--	18,540	--	18,540
Gains on Plains All American Pipeline, L.P. unit transactions	170,157	--	170,157	--	170,157
Interest expense	(26,385)	17,411	(8,974)	(1,913) (2)	(10,887)
Interest and other income	151	(463)	(312)	--	(312)
	-----	-----	-----	-----	-----
	162,463	16,948	179,411	(1,913)	177,498
	-----	-----	-----	-----	-----
Income Before Income Taxes	256,777	(89,081)	167,696	(2,117)	165,579
Income taxes	(101,460)	34,388	(67,072)	1,619 (3)	(65,453)
	-----	-----	-----	-----	-----
Income from Continuing Operations	155,317	(54,693)	100,624	(498)	100,126
Cumulative preferred dividends	(27,245)	--	(27,245)	--	(27,245)
	-----	-----	-----	-----	-----
Income from Continuing Operations Available to Common Stockholders	\$ 128,072	\$ (54,693)	\$ 73,379	\$ (498)	\$ 72,881
	=====	=====	=====	=====	=====
Earnings Per Share from Continuing Operations					

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

Basic	\$ 6.07	\$ 3.48	\$ 3
Diluted	\$ 4.82	\$ 2.82	\$ 2
Weighted Average Shares Outstanding			
Basic	21,090	21,090	21,
Diluted	27,244	28,244	874 (4) 28,

- (1) Reflects the effect on depletion, depreciation and amortization of (i) the spin-off and the contribution of certain assets to PXP; and (ii) the amortization of debt issue costs related to PLX's loan facility. The debt issue cost is amortized over the life of the debt agreement using the straight-line method, which approximates the interest method.
- (2) Reflects interest expense for the period on borrowings under the PLX loan facility. Interest expense is computed based on the estimated rate in effect at the time of the borrowings. (5.0%). A 1/8 of 1% change in the interest rate would result in a \$48,000 change in interest expense.
- (3) Reflects the tax effect of (i) the pro forma adjustments; and (ii) Plains Resources effective tax rate after the spin-off.
- (4) Reflects the effect of (i) the spin-off in accordance with the anti-dilution provisions of Plains Resources Series D Cumulative Convertible Preferred Stock; and (ii) the issuance of restricted stock in connection with the spin-off.

PLAINS RESOURCES INC.
CONSOLIDATED STATEMENT OF OPERATIONS REFLECTING DISCONTINUED OPERATIONS
YEAR ENDED DECEMBER 31, 2000
(in thousands, except per share data)

	Plains Resources Historical	Plains Exploration & Production Historical

Revenues		
Crude oil and liquids	\$ 133,325	\$ (126,434)
Natural gas	16,017	(16,017)
Marketing, transportation, storage and terminalling	6,425,644	-
Gain on sale of assets	48,188	-
	-----	-----
	6,623,174	(142,451)
Costs and Expenses		
Production expenses	62,140	(56,228)
General and administrative	50,776	(6,308)
Marketing, transportation, storage and terminalling	6,292,615	-
Unauthorized trading losses and related expenses	7,963	-
Depreciation, depletion and amortization	47,221	(18,859)
	-----	-----
	6,460,715	(81,395)
Income from Operations	162,459	(61,056)
Other Income (Expense)		
Interest expense	(55,828)	15,885
Interest and other income	7,411	(343)

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

Income from Continuing Operations Before Income Taxes and Minority Interest	114,042	(45,514)
Minority interest in Plains All American Pipeline, L.P.	(42,535)	-
Income taxes	(25,583)	16,765
Income from Continuing Operations	45,924	(28,749)
Cumulative preferred dividends	(14,725)	-
Income from Continuing Operations Available to Common Stockholders	\$ 31,199	\$ (28,749)
Earnings Per Share from Continuing Operations		
Basic	\$ 1.75	
Diluted	\$ 1.56	
Weighted Average Shares Outstanding		
Basic	17,845	
Diluted	29,373	

PLAINS RESOURCES INC.
CONSOLIDATED STATEMENT OF OPERATIONS REFLECTING DISCONTINUED OPERATIONS
YEAR ENDED DECEMBER 31, 1999
(in thousands, except per share data)

	Plains Resources Historical	Plains Exploration & Production Historical	P Res Con Ope
Revenues			
Crude oil and liquids	\$ 111,128	\$ (102,390)	\$
Natural gas	5,095	(5,095)	
Marketing, transportation, storage and terminalling	10,796,998	--	10,
Gain on sale of assets	16,457	--	
	10,929,678	(107,485)	10,
Costs and Expenses			
Production expenses	55,645	(50,527)	
General and administrative	31,402	(4,367)	
Marketing, transportation, storage and terminalling	10,689,308	--	10,
Unauthorized trading losses and related expenses	166,440	--	
Depreciation, depletion and amortization	36,998	(13,329)	
	10,979,793	(68,223)	10,
Loss from Operations	(50,115)	(39,262)	
Other Income (Expense)			
Gains on Plains All American Pipeline, L.P. unit transactions	9,787	--	
Interest expense	(46,378)	14,912	
Interest and other income	1,237	(87)	

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

Loss from Continuing Operations Before Income Taxes and Minority Interest	(85,469)	(24,437)	(
Minority interest in Plains All American Pipeline, L.P.	40,203	--	
Income taxes	20,479	5,332	
Loss from Continuing Operations	(24,787)	(19,105)	
Cumulative preferred dividends	(10,026)	--	
Loss from Continuing Operations Available to Common Stockholders	\$ (34,813)	\$ (19,105)	\$
Earnings (Loss) Per Share from Continuing Operations			
Basic	\$ (2.02)		\$
Diluted	\$ (2.02)		\$
Weighted Average Shares Outstanding			
Basic	17,262		
Diluted	17,262		

PLAINS RESOURCES INC.
PRO FORMA OIL AND GAS RESERVE DATA

	Adjustments for Discontinued Operations			P Re Pr
	Plains Resources Historical	Plains Exploration & Production Historical	Pro forma Adjustments	
Estimated Quantities of Oil & Gas Reserves at December 31, 2001				
Proved Reserves				
Oil (MBbl)	240,636	(223,293)	--	
Gas (MMcf)	96,217	(96,217)	--	
Proved Developed Reserves				
Oil (MBbl)	134,704	(119,248)	--	
Gas (MMcf)	59,101	(59,101)	--	
Standardized Measure of Discounted Future Net Cash Flows at December 31, 2001				
Future cash inflows	\$ 3,833,456	\$(3,662,137)	\$ --	\$
Future development costs	(329,393)	305,261	--	
Future production expense	(1,826,634)	1,714,132	--	(
Future income tax expense	(511,040)	537,252	(26,212)	(1)
Future net cash flows	1,166,389	(1,105,492)	(26,212)	
Discounted at 10% per year	(742,981)	721,025	13,815	(2)
Standardized measure of discounted future net cash flows	\$ 423,408	\$ (384,467)	\$ (12,397)	\$

(1) Estimated future income taxes for PLX and PXP are calculated on a consolidated basis for each entity. The pro forma adjustment reflects the effect of calculating estimated future income taxes for PLX after the

Edgar Filing: PLAINS RESOURCES INC - Form 8-K

spin-off.

- (2) Reflects the effect of the pro forma adjustment to estimated future income taxes.

(c) Exhibits

- 10.1 Secured Term Loan Agreement dated as of December 6, 2002, by and among Plains Resources Inc., Bank of Montreal as Administrative Agent, Bank One, NA, as Syndication Agent, Wells Fargo Bank Texas, NA, as Collateral Agent and Documentation Agent, and the Lenders named within.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PLAINS RESOURCES INC.

Date: January 2, 2003

/s/ John T. Raymond

John T. Raymond
President and Chief Executive Officer