

VINTAGE PETROLEUM INC
Form 8-K
November 27, 2002

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) November 22, 2002

VINTAGE PETROLEUM, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other
jurisdiction of
incorporation)

1-10578
(Commission File
Number)

73-1182669
(IRS Employer
Identification No.)

110 West Seventh Street, Tulsa, Oklahoma
(Address of principal executive offices)

74119
(Zip Code)

Registrant's telephone number, including area code (918) 592-0101

Not applicable
(Former name or former address, if changed since last report)

Item 5. Other Events.

On November 22, 2002, Ernst & Young LLP, the new independent auditors for Vintage Petroleum, Inc. (the Company), completed re-audits of the Company's 1999, 2000 and 2001 consolidated financial statements, which were previously audited by Arthur Andersen LLP. Net income amounts in the re-audited consolidated financial statements are unchanged from the amounts previously reported in the Company's Annual Report on Form 10-K filed on March 20, 2002.

Because the Company is re-issuing its 1999, 2000 and 2001 consolidated financial statements as of a current date, two significant differences exist between the re-audited consolidated financial statements filed herewith and the consolidated financial statements included in the Company's Annual Report on Form 10-K. These differences are as follows:

The Company's operations in Trinidad are shown as discontinued operations in the accompanying consolidated financial statements; and

Additional disclosure is made of events occurring since the original March 20, 2002, issuance of the Company's 1999, 2000 and 2001 consolidated financial statements.

On July 30, 2002, the Company completed the sale of its operations in Trinidad. The Company received \$40 million in cash and recorded a gain of approximately \$31.9 million (\$14.9 million after income taxes), subject to post-closing adjustments. In accordance with the rules established by Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS No. 144), the Company's Trinidad operations are accounted for as discontinued operations in the accompanying consolidated financial statements. All periods presented in the statements have been restated to reflect the discontinued operations classifications. A separate footnote to the consolidated financial statements has been added describing the transaction.

The Company has included additional information in the subsequent event footnote to the consolidated financial statements for material events since the original March 20, 2002, issuance of these financial statements.

The following financial statements of the Company are included as part of this Form 8-K:

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders
of Vintage Petroleum, Inc.:

We have audited the accompanying consolidated balance sheets of Vintage Petroleum, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Vintage Petroleum, Inc. and subsidiaries at December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the consolidated financial statements, effective January 1, 2001, the Company changed its method of accounting for derivatives to adopt the requirements of Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities*.

ERNST & YOUNG LLP

Tulsa, Oklahoma
November 22, 2002

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except shares
and per share amounts)

	December 31,	
	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,568	\$ 19,506
Accounts receivable		
Oil and gas sales	74,435	138,598
Joint operations	12,041	14,049
Derivative financial instruments receivable	4,701	
Prepays and other current assets	37,635	13,946
Assets to be sold	9,172	2,710
	152,552	188,809
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Oil and gas properties, successful efforts method	2,490,666	1,731,685
Oil and gas gathering systems and plants	20,508	19,252
Other	25,494	19,634
	2,536,668	1,770,571
Less accumulated depreciation, depletion and amortization	809,522	667,837
	1,727,146	1,102,734
GOODWILL, net of amortization	156,990	
OTHER ASSETS, net	60,100	46,854
	\$ 2,096,788	\$ 1,338,397
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Revenue payable	\$ 25,625	\$ 60,519
Accounts payable trade	61,047	43,205
Current income taxes payable	21,638	43,187
Short-term debt	17,320	3,400
Other payables and accrued liabilities	46,172	61,981
	171,802	212,292
LONG-TERM DEBT	1,010,673	464,229
DEFERRED INCOME TAXES	166,662	33,252
OTHER LONG-TERM LIABILITIES	18,208	3,767
COMMITMENTS AND CONTINGENCIES (Note 4)		

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STOCKHOLDERS EQUITY, per accompanying statements:

Preferred stock, \$.01 par, 5,000,000 shares authorized, zero shares issued and outstanding		
Common stock, \$.005 par, 160,000,000 shares authorized, 63,081,322 and 62,801,416 shares issued and outstanding	315	314
Capital in excess of par value	324,077	319,893
Retained earnings	428,443	303,449
Accumulated other comprehensive income (loss)	(21,632)	1,201
	<u>731,203</u>	<u>624,857</u>
Less unamortized cost of restricted stock awards	1,760	
	<u>729,443</u>	<u>624,857</u>
	<u>\$ 2,096,788</u>	<u>\$ 1,338,397</u>

The accompanying notes are an integral part of these statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	For the Years Ended December 31,		
	2001	2000	1999
REVENUES:			
Oil and gas sales	\$ 731,359	\$ 680,350	\$ 376,924
Gas marketing	130,209	128,836	60,275
Oil and gas gathering	17,032	19,998	6,955
Gain (loss) on disposition of assets	26,871	(1,731)	54,991
Other income (expense)	4,016	(21,234)	3,783
	<u>909,487</u>	<u>806,219</u>	<u>502,928</u>
COSTS AND EXPENSES:			
Lease operating, including production taxes	213,551	159,638	121,664
Exploration costs	21,998	25,203	14,674
Gas marketing	126,373	123,787	57,550
Oil and gas gathering	17,759	17,052	5,153
General and administrative	50,185	41,389	36,409
Depreciation, depletion and amortization	168,944	100,109	107,807
Impairment of oil and gas properties	29,050	225	3,306
Amortization of goodwill	11,940		
Interest	64,728	48,437	58,665
	<u>704,528</u>	<u>515,840</u>	<u>405,228</u>
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	<u>204,959</u>	<u>290,379</u>	<u>97,700</u>
PROVISION (BENEFIT) FOR INCOME TAXES:			
Current	80,535	68,858	5,954
Deferred	(9,720)	24,102	18,375
	<u>70,815</u>	<u>92,960</u>	<u>24,329</u>
Income from continuing operations before cumulative effect of change in accounting principle	134,144	197,419	73,371
LOSS FROM DISCONTINUED OPERATIONS, net of income tax benefit of \$343, zero and zero, respectively	<u>(637)</u>	<u>(104)</u>	<u></u>
Income before cumulative effect of change in accounting principle	133,507	197,315	73,371
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, net of income tax benefit of \$644		<u>(1,422)</u>	<u></u>
NET INCOME	<u>\$ 133,507</u>	<u>\$ 195,893</u>	<u>\$ 73,371</u>

The accompanying notes are an integral part of these statements.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	For the Years Ended December 31,		
	2001	2000	1999
BASIC INCOME (LOSS) PER SHARE:			
Income from continuing operations before cumulative effect of change in accounting principle	2.13	3.15	1.27
Loss from discontinued operations	(0.01)		
Income before cumulative effect of change in accounting principle	2.12	3.15	1.27
Cumulative effect of change in accounting principle		(0.02)	
Net income	2.12	3.13	1.27
DILUTED INCOME (LOSS) PER SHARE:			
Income from continuing operations before cumulative effect of change in accounting principle	2.10	3.08	1.24
Loss from discontinued operations	(0.01)		
Income before cumulative effect of change in accounting principle	2.09	3.08	1.24
Cumulative effect of change in accounting principle		(0.02)	