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PRIMEENERGY CORP
Form 8-K/A
November 04, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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): August 22, 2005

PRIMEENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

0-7406
(Commission File Number)

84-0637348
(IRS Employer Identification No.)

One Landmark Square
Stamford, Connecticut 06901
(Address of Principal Executive Offices, Including Zip Code)

(203) 358-5700
(Registrant's Telephone Number, Including Area Code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION TO BE INCLUDED IN THIS REPORT

This Amendment No. 1 is being filed as an amendment to the Current Report on Form 8-K of PrimeEnergy Corporation filed with the Securities and Exchange Commission on August 26, 2005. Item 2.01 is herein amended as set forth below. The required financial information is filed herewith as set forth in Item 9.01(b) below.

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

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On August 22, 2005, F-W Oil Exploration L.L.C. ("FWOE"), a subsidiary of the Registrant, contributed and assigned certain oil and gas properties and pipelines, equipment, facilities and fixtures appurtenant thereto, in off-shore Gulf of Mexico (the "Properties") to FWOE Partners L.P. ("Partners"). In exchange for the Properties FWOE received an initial 20% General Partnership interest in Partners and a cash distribution from Partners of \$42.9 million, of which \$25.2 million was used to repay outstanding bank debt and extinguish liens against the contributed properties.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(b) Pro Forma Consolidated Financial Statements (Unaudited)

Introduction

Pro Forma Consolidated Balance Sheet (Unaudited) June 30, 2005

Pro Forma Consolidated Income Statement (Unaudited) for the Year Ended December 31, 2004

Pro Forma Consolidated Income Statement (Unaudited) for the Six Months Ended June 30, 2005

Notes to Pro Forma Consolidated Financial Statements (Unaudited)

SIGNATURES

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

PrimeEnergy Corporation

Date: November 4, 2005

By: /s/ Charles E. Drimal, Jr.

Charles E. Drimal, Jr.
Chief Executive Officer and President

PRIMEENERGY CORPORATION

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The accompanying pro forma consolidated financial statements have been prepared by recording pro forma adjustments to the historical consolidated financial statements of PrimeEnergy Corporation. The pro forma consolidated balance sheet as of June 30, 2005, has been prepared as if the disposition of assets occurred on June 30, 2005. The pro forma consolidated income statement for the year ended December 31, 2004, has been prepared as if the disposition of assets occurred on January 1, 2004. The pro forma consolidated income statement for the six months ended June 30, 2005, has been prepared as if the disposition of assets occurred on January 1, 2005.

These pro forma consolidated financial statements are not necessarily indicative of the financial position or results of operations that would have occurred had

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the transactions been effected on the assumed dates. Additionally, future results may vary significantly from the results reflected in the pro forma consolidated income statements due to normal production declines, changes in prices, future transactions and other factors. These statements should be read in conjunction with our audited consolidated financial statements and the related notes for the year ended December 31, 2004, included in our 2004 Form 10-K, and our unaudited consolidated financial statements and related notes for the six months ended June 30, 2005, included in our Form 10-Q for the quarter ended June 30, 2005.

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PRIMEENERGY CORPORATION
PRO FORMA CONSOLIDATED BALANCE SHEET (UNAUDITED)
JUNE 30, 2005

| | HISTORICAL | PRO FORMA ADJUSTED DISPOSITIVE PROPER |
|---------------------------------------------------------------------------------------------------|----------------------|------------------------------------------------|
| | ----- | ----- |
| ASSETS | | |
| Total current assets | \$ 21,605,000 | 42, (32, |
| Property and Equipment | | |
| Oil and gas properties (successful efforts method), net | 65,788,000 | (23, |
| Field service equipment and other, net | 3,263,000 | |
| | ----- | ----- |
| Net property and equipment | 69,051,000 | (23, |
| Other assets | 367,000 | |
| | ----- | ----- |
| TOTAL ASSETS | \$ 91,023,000 | (13, |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,394,000 | |
| Other current liabilities | 5,104,000 | |
| | ----- | |
| Total current liabilities | 19,498,000 | |
| Long-term bank debt | 38,800,000 | (25, |
| Asset retirement obligation | 1,847,000 | (|
| Deferred income taxes | 10,420,000 | |
| | ----- | ----- |
| Total liabilities | 70,565,000 | (25, |
| | ----- | ----- |
| Stockholders' equity: | | |
| Preferred stock, \$.10 par value, authorized 5,000,000 shares, none issued | -- | |
| Common stock, \$.10 par value, authorized 10,000,000 shares; issued 7,694,970 in 2005 and 2004 | 769,000 | |
| Paid in capital | 11,024,000 | |
| Retained earnings | 27,227,000 | 12, |
| | ----- | ----- |
| | 39,020,000 | |

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| | | |
|-------------------------------------------------------------------------------------------------|---------------|------|
| Treasury stock, at cost, 4,320,354 common shares at 2005 and 4,202,745 common shares at 2004 | (18,562,000) | |
| Total stockholders' equity | 20,458,000 | 12, |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 91,023,000 | (13, |

See accompanying notes to pro forma consolidated financial statements.

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PRIMEENERGY CORPORATION
PRO FORMA CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2004

| | HISTORICAL | PRO FORMA ADJUSTMENTS DISPOSITION OF PROPERTIES |
|------------------------------------------|---------------|----------------------------------------------------------|
| | ----- | ----- |
| REVENUE: | | |
| Oil and gas sales | \$ 43,967,000 | (6,552,000) |
| Field service income | 11,965,000 | |
| Administrative overhead fees | 6,317,000 | |
| Interest and other income | 179,000 | |
| Total revenue | 62,428,000 | (6,552,000) |
| COSTS AND EXPENSES: | | |
| Lease operating expense | 14,939,000 | (707,000) |
| Field service expense | 10,939,000 | |
| Depreciation, depletion and amortization | 12,156,000 | (3,490,000) |
| General and administrative expense | 7,536,000 | |
| Exploration costs | 5,499,000 | |
| Total costs and expenses | 51,069,000 | (4,197,000) |
| INCOME FROM OPERATIONS | 11,359,000 | (2,355,000) |
| Interest expense | 1,136,000 | (193,000) |
| Gain on sale and exchange of assets | 75,000 | |
| NET INCOME BEFORE INCOME TAXES | 10,223,000 | (2,162,000) |
| Provision for income taxes | 3,023,000 | 821,000 |
| NET INCOME | \$ 7,275,000 | (1,341,000) |
| Basic income per common share | \$ 2.04 | (.38) |

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Diluted income per common share \$ 1.70 (.31)

See accompanying notes to pro forma consolidated financial statements.

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PRIMEENERGY CORPORATION
 PRO FORMA CONSOLIDATED INCOME STATEMENT (UNAUDITED)
 FOR THE SIX MONTHS ENDED JUNE 30, 2005

| | HISTORICAL | PRO FORMA ADJUSTMENTS DISPOSITION OF PROPERTIES |
|------------------------------------------|---------------|----------------------------------------------------------|
| | ----- | ----- |
| REVENUE: | | |
| Oil and gas sales | \$ 23,381,000 | (4,333,000) |
| Field service income | 7,004,000 | |
| Administrative overhead fees | 3,554,000 | |
| Loss on derivative instruments, net | (285,000) | |
| Interest and other income | 32,000 | |
| | ----- | ----- |
| Total revenue | 33,686,000 | (4,333,000) |
| | ----- | ----- |
| COSTS AND EXPENSES: | | |
| Lease operating expense | 8,771,000 | (308,000) |
| Field service expense | 5,949,000 | |
| Depreciation, depletion and amortization | 6,133,000 | (850,000) |
| General and administrative expense | 4,181,000 | |
| Exploration costs | 271,000 | |
| | ----- | ----- |
| Total costs and expenses | 25,305,000 | (1,158,000) |
| | ----- | ----- |
| INCOME FROM OPERATIONS | 8,381,000 | (3,175,000) |
| Interest expense | 827,000 | (239,000) |
| Gain on sale and exchange of assets | 70,000 | |
| | ----- | ----- |
| NET INCOME BEFORE INCOME TAXES | 7,624,000 | (2,936,000) |
| Provision for income taxes | 3,050,000 | (1,116,000) |
| | ----- | ----- |
| NET INCOME | \$4,574,000 | (1,820,000) |
| | ===== | ===== |
| Basic income per common share | \$ 1.33 | (.53) |

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Diluted income per common share \$ 1.10 (.44)

See accompanying notes to pro forma consolidated financial statements.

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PRIMEENERGY CORPORATION

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Presentation

On August 22, 2005, F-W Oil Exploration L.L.C. ("FWOE"), a subsidiary of PrimeEnergy Corporation, contributed and assigned certain oil and gas properties and pipelines, equipment, facilities and fixtures appurtenant thereto, in off-shore Gulf of Mexico (the "Properties") to FWOE Partners L.P. ("Partners"). In exchange for the Properties, FWOE received an initial 20% General Partnership interest in Partners and a cash distribution from Partners of \$42.9 million, of which \$25.2 million was used to repay outstanding bank debt and extinguish liens against the contributed properties. The cash distribution includes adjustments for estimated net revenues from the effective date of April 1, 2005, estimated capital expenditures and other typical closing adjustments. Post closing adjustments including final net revenues and capital expenditures will be made within 90 days.

The accompanying pro forma consolidated financial statements have been prepared by recording pro forma adjustments to the historical consolidated financial statements of PrimeEnergy Corporation. The pro forma consolidated balance sheet as of June 30, 2005, has been prepared as if the transaction occurred on June 30, 2005. The pro forma consolidated income statement for the year ended December 31, 2004, has been prepared as if the transaction occurred on January 1, 2004. The pro forma consolidated income statement for the six months ended June 30, 2005 has been prepared as if the transaction occurred on January 1, 2005.

2. Pro Forma Adjustments

Pro forma adjustments necessary to adjust the consolidated balance sheet for the disposition of the Properties are as follows:

- (a) To adjust for the net change in oil and gas properties and the receipt of the cash distribution from Partners.
- (b) To adjust for an estimated tax payment at statutory rates and the repayment of long-term bank debt.
- (c) To adjust the estimated asset retirement obligation related to the Properties.

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Pro forma adjustments necessary to adjust the consolidated income statements for the disposition of the Properties are as follows:

- (d) To adjust for the historical revenue and direct operating expenses related to the Properties.
- (e) To adjust for the estimated depreciation and depletion expense related to the Properties.
- (f) To adjust for the interest expense related to the repayment of long-term debt.
- (g) To adjust for income tax expense related to the Properties' operations.

3. Pro Forma Supplemental Oil and Gas Reserve Information

Estimated Quantities of Pro Forma Proved Oil and Gas Reserves

Pro forma reserve estimates at December 31, 2004, are based on reports prepared by independent petroleum engineers for proved reserves of PrimeEnergy Corporation using December 31, 2004, prices and costs.

Proved reserves are estimated quantities of crude oil, natural gas and natural gas liquids which, based on geologic and engineering data, are estimated to be reasonably recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those which are expected to be recovered through existing wells with existing equipment and operating methods. Because of inherent uncertainties and the limited nature of reservoir data, such estimates are subject to change as additional information becomes available.

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Pro Forma Proved Oil and Gas Reserves at December 31, 2004

| As of 12-31 | Reserve Category | | | | |
|----------------|------------------|--------------|--------------------|--------------|---------------|
| | Proved Developed | | Proved Undeveloped | | Oil (bbls) |
| | Oil (bbls) | Gas (Mcf) | Oil (bbls) | Gas (Mcf) | |
| 2004 | 2,840,000 | 34,681,000 | -- | 257,000 | 2,840, |

Standardized Measure of Discounted Future Net Cash Flows Relating to Pro Forma Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows ("standardized

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measure") is prepared using assumptions required by the Financial Accounting Standards Board. Such assumptions include the use of year-end prices for oil and gas and year-end costs for estimated future development and production expenditures to produce year-end estimated proved reserves. Discounted future net cash flows are calculated using a 10% rate.

The standardized measure does not represent our estimate of future net cash flows or the value of proved oil and gas reserves. Probable and possible reserves, which may become proved in the future, are excluded from the calculations. Furthermore, year-end prices, used to determine the standardized measure of discounted cash flows, are influenced by seasonal demand and other factors and may not be the most representative in estimating future revenues or reserve data.

Pro Forma Standardized Measure of Discounted Future Net Cash Flows at December 31, 2004

| | | 2004 |
|----------------------------------------------------------|----|---------------|
| | | ----- |
| Future cash inflows | \$ | 311,981,000 |
| Future production and development costs | | (155,107,000) |
| Future income tax expenses | | (44,252,000) |
| | | ----- |
| Future net cash flows | | 112,622,000 |
| 10% annual discount for estimated timing of cash flow | | (48,468,000) |
| | | ----- |
| Standardized measure of discounted future net cash flows | \$ | 64,154,000 |
| | | ===== |

Pro Forma Changes in Standardized Measure of Discounted Future Net Cash Flows

| | | |
|----------------------------------------------------------|----|--------------|
| Sales of oil and gas produced, net of production costs | \$ | (23,183,000) |
| Net changes in prices and production costs | | 10,192,000 |
| Extensions, discoveries and improved recovery | | 7,857,000 |
| Revisions of previous quantity estimates | | (92,000) |
| Reserves purchased, net of development costs | | 2,238,000 |
| Net change in development costs | | (4,080,000) |
| Reserves sold | | (13,299,000) |
| Accretion of discount | | 6,459,000 |
| Net change in income taxes | | 5,118,000 |
| Other | | (308,000) |
| Net change | | (9,098,000) |
| Standardized measure of discounted future net cash flow: | | |
| Beginning of year | | 73,252,000 |
| | | ----- |
| End of year | \$ | 64,154,000 |
| | | ===== |