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DENBURY RESOURCES INC
Form 8-K
August 04, 2004

UNITED STATES
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): July 20, 2004

DENBURY RESOURCES INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

1-12935
(Commission File Number)

20-0467835
(I.R.S. Employer
Identification No.)

5100 Tennyson Parkway
Suite 3000
Plano, Texas
(Address of principal executive offices)

75024
(Zip code)

Registrant's telephone number, including area code: (972) 673-2000

Item 2. Completion of Acquisition or Disposition of Assets.

On July 20, 2004, the Company completed the sale of all of the outstanding stock of Denbury Offshore, Inc. ("Offshore"), a wholly-owned subsidiary of the Company, to Newfield Exploration Company for \$200 million, before adjustments, with the stock of Offshore valued as of April 1, 2004. The Company retained Offshore's exploratory well at High Island A-6, certain deep rights at West Delta 27 and related assets. All of Offshore's other assets were included in the sale.

Offshore's operating net revenue, net of any capital expenditures, between

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April 1, 2004 and July 20, 2004, other purchase price adjustments, and expenses associated with the sale will be deducted from the acquisition price, which is expected to result in an estimated net adjusted sales price of between \$180 and \$185 million.

The Company plans to retire its bank debt with the proceeds from the sale, reducing total debt to \$225 million, consisting entirely of the Company's 7 1/2% senior subordinated notes due 2013. The Company's bank borrowing base is expected to be adjusted from \$220 million to \$175 million as a result of the sale. The Company estimates that the sale will generate between \$70 million and \$75 million of excess cash after repayment of its bank debt, estimated income taxes and other fees and expenses of the sale.

The Stock Purchase Agreement for the sale of Offshore, excluding the Schedules, is attached hereto as Exhibit 2.1.

Item 7. Financial Statements and Exhibits.

(a) Not Applicable.

(b) Pro Forma Financial Information to give effect to sale of Denbury Offshore, Inc.

The following unaudited pro forma consolidated statements of operations for the year ended December 31, 2003 and the three months ended March 31, 2004, and unaudited pro forma condensed consolidated balance sheet as of March 31, 2004, give effect to the sale of Denbury Offshore, Inc. described in Item 2, which closed on July 20, 2004, and was valued as of April 1, 2004, subject to final purchase price adjustments.

The pro forma statement of operations for the year ended December 31, 2003 is presented as if the transaction had occurred on January 1, 2003.

The pro forma statement of operations for the three months ended March 31, 2004 is presented as if the transaction had occurred on January 1, 2004.

The pro forma condensed balance sheet is presented as if the transaction had occurred on March 31, 2004.

The unaudited pro forma information is presented for illustrative purposes only and may not be indicative of the results that would have been obtained had the transaction occurred on the pro forma dates assumed, nor is it necessarily indicative of future consolidated results of operations. This unaudited pro forma financial information should be read in conjunction with Denbury's historical financial statements and related notes, which are included in its Annual Report on Form 10-K for the year ended December 31, 2003, and its Quarterly Report on Form 10-Q for the three months ended March 31, 2004.

DENBURY RESOURCES INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2004
(Amounts in thousands except share amounts)
(Unaudited)

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	Historical
Assets	-----
Current assets	
Cash and cash equivalents	\$ 17,208
Accrued production receivables	39,487
Related party accrued production receivable - Genesis	8,810
Trade and other receivables	19,307
Deferred tax asset	39,518

Total current assets	124,330

Property and equipment	
Oil and natural gas properties (using full cost accounting)	
Proved	1,456,736
Unevaluated	46,082
CO2 properties and equipment	105,779
Less accumulated depletion and depreciation	(722,508)

Net property and equipment	886,089

Investment in Genesis	7,226
Other assets	22,185

Total assets	\$ 1,039,830
	=====
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable and accrued liabilities	\$ 63,672
Oil and gas production payable	24,013
Derivative liabilities	46,791
Current income taxes	-

Total current liabilities	134,476

Long-term liabilities	
Long-term debt	303,251
Asset retirement obligations	42,199
Derivative liabilities	2,121
Deferred revenue - Genesis	20,957
Deferred tax liability	88,732
Other	2,077

Total long-term liabilities	459,337

Stockholders' equity	
Preferred stock, \$.001 par value, 25,000,000 shares authorized; none issued and outstanding	-
Common stock, \$.001 par value, 100,000,000 shares authorized; 54,681,382 and 54,190,042 shares issued at March 31, 2004 and December 31, 2003, respectively	55
Paid-in capital in excess of par	406,534
Retained earnings	68,960

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Accumulated other comprehensive loss	(29,271)
Treasury stock, at cost, 17,921 and 8,162 shares at March 31, 2004 and December 31, 2003, respectively	(261)

Total stockholders' equity	446,017

Total liabilities and stockholders' equity	\$ 1,039,830
	=====

See accompanying notes to unaudited pro forma financial information

DENBURY RESOURCES INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2003
(Amounts in thousands except per share amounts)
(Unaudited)

	Historical
Revenues	
Oil, natural gas and related product sales	
Unrelated parties	\$ 336,521
Related party - Genesis	48,942
CO2 sales and transportation fees	
Unrelated parties	7,512
Related party - Genesis	676
Loss on settlements of derivative contracts	(62,210)
Interest income and other	1,573

Total revenues	333,014

Expenses	
Lease operating expenses	89,439
Production taxes and marketing expenses	14,819
CO2 operating expenses	1,710
General and administrative expenses	15,189
Interest	23,201
Loss on early retirement of debt	17,629
Depletion and depreciation	94,708
Amortization of derivative contracts and other non-cash hedging adjustments	(3,578)

Total expenses	253,117

Equity in net income of Genesis	256

Income before income taxes	80,153
Income tax provision	

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Current income taxes	(91)
Deferred income taxes	26,303

Net income before cumulative effect change in accounting principle	\$ 53,941
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Net income per common share before change in accounting principle	
Basic	\$ 1.00
Diluted	0.97
Weighted average common shares outstanding	
Basic	53,881
Diluted	55,464

See accompanying notes to unaudited pro forma financial informat

DENBURY RESOURCES INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2004
(Amounts in thousands except per share amounts)
(Unaudited)

	Historical	P Ad fo Off
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Revenues		
Oil, natural gas and related product sales		
Unrelated parties	\$ 91,274	
Related party - Genesis	18,962	
CO2 sales and transportation fees		
Unrelated parties	284	
Related party - Genesis	1,077	
Loss on settlements of derivative contracts	(14,268)	
Interest income and other	419	
	-----	-----
Total revenues	97,748	
	-----	-----
Expenses		
Lease operating expenses	22,528	
Production taxes and marketing expenses	4,067	
CO2 operating expenses	144	
General and administrative expenses	4,748	
Interest	5,081	
Depletion and depreciation	27,324	
Amortization of derivative contracts and other non-cash hedging adjustments	818	
	-----	-----
Total expenses	64,710	
	-----	-----
Equity in net income (loss) of Genesis	(93)	
	-----	-----

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Income before income taxes	32,945
Income tax provision	
Current income taxes	2,119
Deferred income taxes	8,522

Net income	\$ 22,304
	=====
Net income per common share	
Basic	\$ 0.41
Diluted	0.40
Weighted average common shares outstanding	
Basic	54,388
Diluted	56,313

See accompanying notes to unaudited pro forma financial information

Notes to Unaudited Pro Forma Financial Information related to sale of Denbury Offshore, Inc.

Explanation of adjustments to Unaudited Pro Forma Condensed Consolidated Balance Sheet at March 31, 2004:

- (1) To record the increase in cash resulting from the estimated net cash proceeds received from the sale, after transaction costs, of approximately \$182 million, and repayment of Denbury's bank debt of \$80 million. The final purchase price is subject to closing adjustments.
- (2) To record transfer of assets and liabilities as a result of the sale.
- (3) To reclassify estimated current and deferred taxes as a result of the sale.
- (4) To record estimated reduction to full-cost pool and unevaluated properties.
- (5) To record re-payment of outstanding bank debt as a result of the sale.
- (6) To record estimated adjustments for natural gas commodity hedges that no longer qualify for hedge accounting due to the sale of associated production in the sale transaction.

Explanation of adjustments to Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2003 and the three months ended March 31, 2004:

- (1) To remove oil and natural gas revenues related to properties owned by Denbury Offshore, Inc. and disposed in the sale transaction.
- (2) To adjust loss on settlements of natural gas commodity hedges related to properties owned by Denbury Offshore, Inc. and disposed in the sale transaction.

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- (3) To remove operating expenses related to properties owned by Denbury Offshore, Inc. and disposed in the sale transaction.
- (4) To remove employee severance expense related to the sale.
- (5) To reduce interest expense for outstanding bank debt repaid with cash proceeds from the transaction.
- (6) To reduce depletion and depreciation for impact of disposed properties to depletion full-cost pool.
- (7) To record estimated adjustments for natural gas commodity hedges that no longer qualify for hedge accounting due to the sale of associated production in the sale transaction.
- (8) Estimated income tax effects related to the pro forma adjustments in (1) - (7) above.

(c) Exhibits. The following exhibits are filed with this report on Form 8-K:

Exhibit No. -----	Exhibit Description -----
2.1	Stock Purchase Agreement made as of July 19, 2004 between Denbury Resources Inc. and Newfield Exploration Company

SIGNATURE

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, thereunto duly authorized.

Dated: August 4, 2004

Denbury Resources Inc.
(Registrant)

By: /s/ Phil Rykhoek

Phil Rykhoek
Sr. Vice President and CFO