

PARALLEL PETROLEUM CORP /DE/

Form 8-K/A

May 22, 2002

Securities and Exchange Commission Washington, D.C. 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): March 7, 2002 PARALLEL PETROLEUM CORPORATION

----- (Exact name of registrant as specified in its charter) Delaware

----- (State or other jurisdiction of incorporation) 0-13305 75-1971716 -----

(Commission file (IRS employer number) identification number) 110 N. Marienfeld, Suite 465, Midland, Texas 79701

----- (Address of principal executive offices) (Zip code) (915) 684-3727

----- (Registrant's telephone number including area code)

----- (Former name or former address, if changed since last report) Item

2. Acquisition or Disposition of Assets. Disposition of Assets As reported in our Form 8-K Report dated June 30, 1999, Parallel Petroleum Corporation and three other privately owned oil and gas companies formed First Permian, L.P., a Delaware limited partnership (Formerly, First Permian, L.L.C., a Delaware limited liability company), in June, 1999, for the purpose of acquiring all of the oil and gas properties owned by Fina Oil and Chemical Company located in thirty-two counties in the Permian Basin of west Texas. First Permian acquired the properties from Fina on June 30, 1999 for a purchase price of \$96.125 million. Parallel Petroleum Corporation owns 30.675% of the total number of outstanding common units of partnership interests in First Permian. The remaining membership interests are owned in varying percentages by fourteen other members of First Permian, L.P. On March 7, 2002, First Permian, L.P. entered into an Agreement of Sale and Purchase, dated as of March 7, 2002, with Energen Resources Corporation, a wholly owned subsidiary of Energen Corporation. Under terms of the March 7, 2002 purchase agreement between First Permian and Energen, First Permian agreed to sell all of its oil and gas properties to Energen Resources Corporation for a total of \$120 million in cash and 3,043,479 shares of Energen Corporation common stock. The closing of the sale occurred on April 8, 2002, with an effective date of January 1, 2002. Net of purchase price adjustments, First Permian's owners, including Parallel, received total cash in the amount of \$117,243,000 and 3,043,479 shares of Energen Corporation common stock. Parallel's share of the sales proceeds, net of its share of First Permian's liabilities, was approximately \$31.6 million, which included \$6.05 million in cash and 933,589 shares of Energen Corporation common stock having a market value of \$25.58 million, based on the closing sale price of \$27.40 per share on the closing date. Energen Corporation's common stock is listed on the New York Stock Exchange under the symbol EGN. Energen Corporation is headquartered in Birmingham, Alabama and is a diversified energy holding company engaged primarily in the acquisition, development, exploration and production of oil, natural gas and natural gas liquids in the continental United States and in the purchase, distribution and sale of natural gas, principally in central and north Alabama. Item 7. Financial Statements and Exhibits. (a) Financial Statements. Filed herewith, beginning on page F-1, are the unaudited pro forma consolidated balance sheets and statements of operations of the Company as of the dates indicated. -2- (b) Exhibits. Exhibit No. Description 10.1 Agreement of Sale and Purchase, dated March 7, 2002, between First Permian, L.L.C. and Energen Resources Corporation (Incorporated by reference to Exhibit 10.1 of Form 8-K of the Registrant dated March 21, 2002 and filed with the SEC on March 22, 2002). 10.2 Amended and Restated Limited Liability Company Agreement of First Permian, L.L.C., dated as of May 31, 2000 (Incorporated by reference to Exhibit 10.16 of Form 10-K of the Registrant for the fiscal year ended December 31, 2000). -3- PARALLEL PETROLEUM CORPORATION Index to Financial Statements Page Financial Statements: Unaudited Pro forma Consolidated Balance Sheets For the Fiscal Quarter Ended March 31, 2002 F-3 Unaudited Pro forma Consolidated Statements of Operations For the Year Ended December 31, 2001 and March 31, 2002 F-5 F-1 PARALLEL PETROLEUM CORPORATION UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS On March 7, 2002, First Permian, L.P. entered into an Agreement of Sale and Purchase with Energen Resources Corporation ("Energen"), a wholly owned subsidiary of Energen Corporation. Under the terms of the agreement, First Permian agreed to sell all of its oil and gas properties to Energen for a total of \$120 million in cash and 3,043,479 shares of Energen Corporation common stock. The closing of the sale occurred on April 8, 2002, with an effective date of January 1, 2002. Parallel received a distribution of \$5.5 million in cash and \$25.6 million in Energen Corporation common stock (933,589 shares at \$27.40 per share, the market value of Energen's common stock on the date of closing) attributable to its 30.675% equity investment in First Permian, L.P. The unaudited pro forma

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consolidated balance sheets and statements of operations have been prepared to give effect to the sale of First Permian's properties as if the transaction had taken place as of January 1, 2002 for the statements of operations and as of March 31, 2002 for the balance sheets. The unaudited pro forma consolidated financial statements included herein are not necessarily indicative of the results that might have occurred had the transactions taken place at the dates specified and are not intended to be a projection of future results. In addition, future results may vary significantly from the results reflected in the accompanying unaudited proforma, consolidated financial statements because of normal production declines, changes in product prices, future acquisitions and divestitures, and other factors. The following unaudited pro forma consolidated financial statements should be read in conjunction with the financial statements and the related notes of the Company. F-2 PARALLEL PETROLEUM CORPORATION BALANCE SHEETS

	(unaudited) March 31, 2002	Pro forma Adjustments	(unaudited) Pro forma March 31, 2002
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,249,109	5,501,703 (a)	\$ 6,750,812
Accounts receivable:			
Oil and gas	1,265,973		1,265,973
Others, net of allowance for doubtful account of \$0 in 2001 and 2002	242,546		242,546
Affiliate	31,262		31,262
	1,539,781		1,539,781
Fair value of derivative instruments	51,246		51,246
Other assets	111,549		111,549
Total current assets	2,951,685	5,501,703	8,453,388
Property and equipment, at cost:			
Oil and gas properties, full cost method	87,538,232		87,538,232
Other	566,807		566,807
	88,105,039		88,105,039
Less accumulated depreciation and depletion	(57,209,008)		(57,209,008)
Net property and equipment	30,896,031		30,896,031
Net deferred tax asset	6,616,397	(6,616,397) (c)	-
Investment in First Permian	157,471	(157,471) (b)	-
Marketable securities, available for sale	-	25,580,339 (a)	25,580,339
Other assets, net of accumulated amortization of \$55,984 in 2001 and \$65,097 in 2002	70,619		70,619
	\$40,692,203	\$24,308,174	\$65,000,377
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F-3 PARALLEL PETROLEUM CORPORATION BALANCE SHEETS (Continued) (unaudited)

(unaudited) March 31, 2002	Pro forma Adjustments	Pro forma March 31, 2002
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Current maturities of long-term debt	\$ 3,300,000		\$ 3,
Accounts payable and accrued liabilities:			
Trade	2,728,007	1,481,515 (d)	4,
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	6,028,007	1,481,515	7,
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Long-term debt, excluding current maturities	9,265,589		9,
Deferred taxes payable	-	3,688,673 (c)	3,
Stockholders' equity:			
Series A preferred stock -- par value \$.10 per share (aggregate liquidation preference of \$26) authorized 50,000 shares	-		
Preferred stock -- \$.60 cumulative convertible preferred stock -- par value of \$.10 per share (aggregate liquidation preference of \$10) authorized 10,000,000 shares, issued and outstanding 974,500 in 2001 and 2002	97,450		
Common stock -- par value \$.01 per share, authorized 60,000,000 shares, issued and outstanding 20,663,861 in 2001 and 2002	206,639		
Additional paid-in capital	33,941,323		33,
Retained earnings (deficit)	(8,846,805)	19,137,986	10,
	-----	-----	-----
Total stockholders' equity	25,398,607	19,137,986	44,
Commitments and contingencies			
	-----	-----	-----
	\$40,692,203	\$ 24,308,174	\$65,
	=====	=====	=====

*The balance sheet as of December 31, 2001 has been derived from Parallel's audited financial statements.

_____ (a) To record proceeds from the sale of oil and gas properties by First Permian, L.P. As of the date of this report, Parallel has not determined the use of the cash proceeds from the sale of First Permian's properties, but expects such proceeds will be used for working capital purposes, capital expenditures, the reduction of outstanding bank debt or a combination of any of the foregoing. (b) To remove remaining investment in First Permian, net of Parallel's share of first quarter net loss and adjust gain from the sale. (c) To remove tax asset related to carryforwards utilized and record taxes due as a result of the estimated taxable gain on the sale of Parallel's equity interest in First Permian. (d) To record incentive awards payable to employees as a result of the sale of First Permian.

F-4 PARALLEL PETROLEUM CORPORATION STATEMENTS OF OPERATIONS (Unaudited)

	Year Ended December 31, 2001	Pro forma Adjustments
	-----	-----
Oil and gas revenues	\$ 17,840,024	
	-----	-----
Cost and expenses:		
Lease operating expense	3,920,840	
General and administrative	1,346,454	1,481,515 (d)
Depreciation, depletion and amortization	6,318,105	
Impairment of oil and gas properties	16,819,813	
	-----	-----
	28,405,212	1,481,515
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Operating income (loss)	(10,565,188)	(1,481,515)

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Other income (expense), net:		
Equity in income loss of First Permian, LLC	840,529	(840,529) (b)
Gain on Sale of Equity Investment		31,082,042 (a)
		366,765 (b)
Change in fair value of derivatives	-	
Interest income	142,948	
Other income	93,922	
Interest expense	(802,017)	
Other expense	(529,317)	
Total other expense, net	(253,935)	30,608,278
Income (loss) before income taxes	(10,819,123)	29,126,763
Income tax expense (benefit), net	(6,111,548)	11,007,082 (c)
Net income (loss)	\$ (4,707,575)	\$ 40,133,845
Cumulative preferred stock dividend	(609,063)	
Net income (loss) available to common stockholders	\$ (5,316,638)	\$ 40,133,845
Net income (loss) per common share:		
Basic	\$ (0.26)	\$ 1.94
Diluted	\$ (0.26)	\$ 1.94
Weighted average common share outstanding		
Basic	20,663,861	20,663,861
Diluted	20,663,861	20,663,861

*The balance sheet as of December 31, 2001 has been derived from Parallel's audited financial statements.

(a) To record proceeds from the sale of oil and gas properties by First Permian, L.P. As of the date of this report, Parallel has not determined the use of the cash proceeds from the sale of First Permian's properties, but expects such proceeds will be used for working capital purposes, capital expenditures, the reduction of outstanding bank debt or a combination of any of the foregoing. (b) To remove remaining investment in First Permian, net of Parallel's share of first quarter net loss and adjust gain from the sale. (c) To remove tax asset related to carryforwards utilized and record taxes due as a result of the estimated taxable gain on the sale of Parallel's equity interest in First Permian. (d) To record incentive awards payable to employees as a result of the sale of First Permian.

F-5 PARALLEL PETROLEUM CORPORATION STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,		
	2002	Pro forma Adjustments	Pro forma Amount
Oil and gas revenues	\$ 1,971,191		\$ 1,971,191
Cost and expenses:			
Lease operating expense	549,376		549,376
General and administrative	349,764	1,481,515 (d)	1,831,279
Depreciation, depletion and amortization	1,354,630		1,354,630
Impairment of oil and gas properties			
	2,253,770	1,481,515	3,735,285

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Operating income (loss)	(282,579)	(1,481,515)	(1,764,094)
Other income (expense), net:			
Equity in income loss of First Permian, LLC	(316,293)	316,293 (b)	-
Gain on Sale of Equity Investment		31,082,042 (a)	
		(473,764) (b)	30,608,278
Change in fair value of derivatives	(339,858)		(339,858)
Interest income	10,378		10,378
Other income	5,997		5,997
Interest expense	(153,057)		(153,057)
Other expense	(172,066)		(172,066)
Total other expense, net	(964,899)	30,924,571	29,959,672
Income (loss) before income taxes	(1,247,478)	29,443,056	28,195,578
Income tax expense (benefit), net	(478,727)	10,712,897 (c)	10,234,170
Net income (loss)	\$ (768,751)	\$ 18,730,159	\$ 17,961,408
Cumulative preferred stock dividend	(146,175)		(146,175)
Net income (loss) available to common stockholders	\$1(914,926)	\$ 18,730,159	\$ 17,815,233
Net income (loss) per common share:			
Basic	\$ (0.04)	\$ 0.90	\$ 0.86
Diluted	\$ (0.04)	\$ 0.90	\$ 0.86
Weighted average common share outstanding			
Basic	20,663,861	20,663,861	20,663,861
Diluted	20,663,861	20,663,861	20,663,861

_____ (a) To record proceeds from the sale of oil and gas properties by First Permian, L.P. As of the date of this report, Parallel has not determined the use of the cash proceeds from the sale of First Permian's properties, but expects such proceeds will be used for working capital purposes, capital expenditures, the reduction of outstanding bank debt or a combination of any of the foregoing. (b) To remove remaining investment in First Permian, net of Parallel's share of first quarter net loss and adjust gain from the sale. (c) To remove tax asset related to carryforwards utilized and record taxes due as a result of the estimated taxable gain on the sale of Parallel's equity interest in First Permian. (d) To record incentive awards payable to employees as a result of the sale of First Permian. F-6

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: May 21, 2002 PARALLEL PETROLEUM CORPORATION By:/s/ Larry C. Oldham ----- Larry C. Oldham, President and Principal Financial Officer S-1