

PIONEER DRILLING CO
Form 8-K
November 02, 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): **October 29, 2004**

PIONEER DRILLING COMPANY

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction
of incorporation)

1-8182
(Commission File Number)

74-2088619
(I.R.S. Employer
Identification No.)

9310 Broadway, Building I
San Antonio, Texas
(Address of principal executive offices)

78217
(Zip Code)

Registrant's telephone number, including area code: **(210) 828-7689**

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:

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

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant

On October 29, 2004, Pioneer Drilling Company entered into a new \$47 million secured credit facility, which consists of a \$7 million revolving line and letter of credit facility and a \$40 million acquisition facility for the acquisition of drilling rigs, drilling rig transportation equipment and associated equipment. The new credit facility carries an interest rate equal to Frost National Bank's prime rate (4.75% at October 29, 2004), can be drawn as needed over the next two years and is secured by various of our assets, including all of our drilling rigs, associated equipment and receivables. Frost National Bank is the administrative agent and lead arranger under the new credit facility, and the lenders include Frost National Bank, the Bank of Scotland and Zions First National Bank.

The principal amount of each advance under the acquisition facility will be payable in equal monthly installments, plus interest, based on an amortization of the original principal amount of each advance over a period of six years from the date of the note advance. The final installment of each note advance will be due three years from the date of advance in the amount of the then remaining principal balance.

The termination date of the revolving line and letter of credit facility is one year from the date of the agreement.

The credit facility contains various covenants pertaining to debt to capitalization ratio, leverage and fixed charge coverage ratios and restricts us from paying dividends. We will determine compliance with the ratios on a quarterly basis, based on the previous four quarters. Events of default, which could trigger an early repayment requirement, include among others:

- our failure to make required payments;
- any sale of assets not permitted by the agreement;
- our failure to comply with financial covenants related to a capitalization ratio of not more than 0.3 to 1, an operating leverage ratio of not more than 3 to 1, and a fixed charge coverage ratio of not less than 1.5 to 1;
- our incurrence of additional indebtedness in excess of \$3,000,000 not already allowed by the credit agreement;
- An event which results in a change in the ownership of at least 40% of all classes of our outstanding capital stock; and
- any payment of cash dividends on our common stock.

Item 9.01. Financial Statements and Exhibits

(c) Exhibits

4.1 Credit Agreement between Pioneer Drilling Services, Ltd. and Frost National Bank, as Administrative Agent, Agent, Lead Arranger and Lender dated October 29, 2004.

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 hereunto duly authorized.

PIONEER DRILLING COMPANY

By: /s/ William D. Hibbetts
William D. Hibbetts
Senior Vice President and Chief Financial
Officer

Date: November 2, 2004