

ARENA RESOURCES INC  
Form 8-K/A  
July 26, 2004

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 8-K/A**  
**Amendment No. 2**

**CURRENT REPORT**

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**Date of Report (Date of earliest event reported) May 7, 2004**

Commission File Number 001-31657

**ARENA RESOURCES, INC.**

(Exact name of registrant as specified in its charter)

<u>Nevada</u>	<u>73-1596109</u>
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

4920 South Lewis Street, Suite 107

Tulsa, Oklahoma 74105

(Address of principal executive officers)

(918) 747-6060

(Issuer's telephone number)

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On May 18, 2004 the Company filed a Form 8-K to report the acquisition of its interest in the East Hobbs San Andres Property mineral lease in Lea County, New Mexico ( East Hobbs Unit ). On May 27, 2004 the Company filed Amendment No. 1 to the Form 8-K to defer inclusion of the results of operations attributable to this acquisition until the actual date of acquisition (May 7, 2004), rather than the effective date of acquisition (March 1, 2004).

This Amendment No. 2 to Form 8-K reflects the impact of the Company's removing approximately 3.4 million barrels of oil equivalent ( BOE ) from the Company's original internal estimate of proven oil and gas reserves attributable to the East Hobbs Unit.

## **Item 2 Acquisition or Disposition of Assets**

On May 7, 2004, the Company consummated a transaction pursuant to which it acquired an 82.24% working interest, 67.60% net revenue interest, in the East Hobbs San Andres Property mineral lease ( East Hobbs ) located in Lea County, New Mexico. The East Hobbs lease was acquired primarily from EnerQuest Oil and Gas, Ltd., an unaffiliated company. Although the Purchase and Sales Agreement transferred the revenue and the related operating costs from East Hobbs to Arena beginning March 1, 2004, Arena did not control the property interests until May 7, 2004. As a result, the acquisition date for accounting purposes was May 7, 2004 and the operations of East Hobbs operations will be included in the results of operations of Arena from May 7, 2004. Revenues and operating costs for the months of March and April have been estimated and treated as adjustments to the purchase price. Those estimates are subject to adjustment when actual information is available; thus, the purchase price and the allocation of the purchase price are subject to refinement.

East Hobbs is comprised of 20 operating oil and gas wells that were unitized into one lease prior to the acquisition. The Company purchased East Hobbs for its current production and cash flow, as well as for the drilling and secondary recovery opportunities from the property. The purchase price was \$10,036,440 and consisted of \$10,008,440 of cash and \$28,000 of estimated acquisition costs. The acquisition was funded through the use of a credit facility and bridge financing, secured from MidFirst Bank.

**Item 7 Financial Statements and Exhibits**

**ARENA RESOURCES, INC.**

**EAST HOBBS SAN ANDRES PROPERTY INTERESTS ACQUIRED**

**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma condensed balance sheet has been prepared as though the acquisition of East Hobbs and the related financing had occurred on March 31, 2004 and the unaudited pro forma condensed statements of operations have been prepared to present the operations of the Company for the three months ended March 31, 2004 and for the year ended December 31, 2003 as though the acquisition of East Hobbs and the related financing had occurred at the beginning of each of those periods. The unaudited pro forma financial information is illustrative of the effects of the acquisition on operations of the Company and does not necessarily reflect the results of operations that would have resulted had the acquisition actually occurred at those dates. In addition, the pro forma financial information is not necessarily indicative of the results that may be expected for the year ending December 31, 2004, or any other period.

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**ARENA RESOURCES, INC.**

**UNAUDITED PRO FORMA CONDENSED BALANCE SHEET**

**MARCH 31, 2004**

	<b>Arena Historical</b>	<b>East Hobbs Property</b>	<b>Pro Forma</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 1,238,282	\$ -	\$ 1,238,282
Account receivable	424,515	187,221 (1)	611,736
Short-term investments	25,234	-	25,234
Prepaid expenses	32,526	-	32,526
<b>Total Current Assets</b>	<b>1,720,557</b>	<b>187,221</b>	<b>1,907,778</b>
<b>Property and Equipment, Using Full Cost Accounting</b>			
Oil and gas properties subject to amortization	8,866,225	9,983,302 (1)	18,849,527
Drilling advances	244,795	-	244,795
Equipment	48,480	-	48,480
Office equipment	36,424	-	36,424
<b>Total Property and Equipment</b>	<b>9,195,924</b>	<b>9,983,302</b>	<b>19,179,226</b>
Less: Accumulated depreciation and amortization	(611,309)	-	(611,309)
<b>Net Property and Equipment</b>	<b>8,584,615</b>	<b>9,983,302</b>	<b>18,567,917</b>
<b>Deferred Offering Costs</b>	<b>245,660</b>	<b>-</b>	<b>245,660</b>
<b>Total Assets</b>	<b>\$ 10,550,832</b>	<b>\$ 10,170,523</b>	<b>\$ 20,721,355</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 194,366	\$ 101,636 (1)	\$ 296,002
Accrued liabilities	43,413	28,000 (1)	71,413
Put option	2,905	-	2,905
Short-term note payable	-	2,000,000 (1)	2,000,000
<b>Total Current Liabilities</b>	<b>240,684</b>	<b>2,129,636</b>	<b>2,370,320</b>
<b>Long-Term Liabilities</b>			
Notes payable	-	8,008,440 (1)	8,008,440
Notes payable to related parties	400,000	-	400,000
Asset retirement liability	619,496	32,447 (1)	651,943
Deferred income taxes	861,273	-	861,273
<b>Total Long-Term Liabilities</b>	<b>1,880,769</b>	<b>8,040,887</b>	<b>9,921,656</b>
<b>Stockholders' Equity</b>			
Common stock	7,167	-	7,167
Additional paid-in capital	7,019,494	-	7,019,494
Options and warrants outstanding	810,340	-	810,340
Retain	592,378	-	592,378
<b>Total Stockholders' Equity</b>	<b>8,429,379</b>	<b>-</b>	<b>8,429,379</b>

<b>Total Liabilities and Stockholders' Equity</b>	\$ 10,550,832	\$ 10,170,523	\$ 20,721,355
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See the accompanying notes to unaudited pro forma condensed financial information.

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**ARENA RESOURCES, INC.**

**UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS**

**FOR THE THREE MONTHS ENDED MARCH 31, 2004**

	<b>Arena Historical</b>	<b>East Hobbs Property</b>	<b>Pro Forma</b>
<b>Oil and Gas Revenues</b>	\$ 1,200,400	\$ 613,006 (2)	\$ 1,813,406
<b>Costs and Operating Expenses</b>			
Oil and gas production costs	316,290	129,533 (2)	445,823
Oil and gas production taxes	78,707	57,035 (2)	135,742
Depreciation, depletion and amortization	97,555	55,069 (3)	152,624
General and administrative expense	178,202	-	178,202
<b>Total Costs and Operating Expenses</b>	670,754	241,637	912,391
<b>Other Income (Expense)</b>			
Accretion expense	(12,295)	(772) (4)	(13,067)
Interest expense	(9,113)	(86,562) (5)	(95,675)
<b>Net Other Expense</b>	(21,408)	(87,334)	(108,742)

<b>Income Before Provision for Income Taxes</b>	508,238	284,035	792,273
<b>Provision for Deferred Income Taxes</b>	189,508	107,933 (6)	297,441
<b>Net Income</b>	\$ 318,730	\$ 176,102	\$ 494,832
<b>Basic Income Per Common Share</b>	\$ 0.04		\$ 0.07
<b>Diluted Income Per Common Share</b>	0.04		0.06
<b>Basic Weighted-Average Common Shares Outstanding</b>	7,163,734		7,163,734
Effect of dilutive securities:			
Warrants	429,739		429,739
Stock options	243,441		243,441
<b>Diluted Weighted-Average Common Shares Outstanding</b>	7,836,914		7,836,914

See the accompanying notes to unaudited pro forma condensed financial information.

**ARENA RESOURCES, INC.**

**UNAUDITED PRO FORMA CONDENSED STATEMENT OF OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2003**

	<b>Arena Historical</b>	<b>East Hobbs Property</b>	<b>Pro Forma</b>
<b>Oil and Gas Revenues</b>	\$ 3,665,477	\$ 2,289,659 (2)	\$ 5,955,136
<b>Costs and Operating Expenses</b>			

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Oil and gas production costs	1,149,136	588,692 (2)	1,737,828
Oil and gas production taxes	269,563	195,473 (2)	465,036
Depreciation, depletion and amortization	338,157	236,601 (3)	574,758
		-	
General and administrative expense	557,576		557,576
<b>Total Costs and Operating Expenses</b>	<b>2,314,432</b>	<b>1,020,766</b>	<b>3,335,198</b>
<b>Other Income (Expense)</b>			
		-	
Gain from change in fair value of put options	47,699		47,699
Accretion expense	(32,212)	(2,852) (4)	(35,064)
Interest expense	(38,798)	(354,813) (5)	(393,611)
<b>Net Other Expense</b>	<b>(23,311)</b>	<b>(357,665)</b>	<b>(380,976)</b>
<b>Income from Operations Before Provision for Income Taxes</b>			
<b>and Cumulative Effect of Change in Accounting Principle</b>	<b>1,327,734</b>	<b>911,228</b>	<b>2,238,962</b>
<b>Provision for Deferred Income Taxes</b>	<b>(491,599)</b>	<b>(303,791) (6)</b>	<b>(795,390)</b>
<b>Income from Operations Before Cumulative Effect of Change</b>			
<b>in Accounting Principle</b>	<b>\$ 836,135</b>	<b>\$ 607,437</b>	<b>\$ 1,443,572</b>
<b>Income from Operations Before Cumulative Effect of Change</b>			
<b>in Accounting Principle per Share</b>			
Basic	\$ 0.12		\$ 0.21
Diluted	\$ 0.12		\$ 0.20
<b>Basic Weighted-Average Common Shares Outstanding</b>			
	<b>6,759,858</b>		<b>6,759,858</b>
Effect of dilutive securities:			
Warrants	231,476		231,476
Stock options			