

ABRAXAS PETROLEUM CORP  
Form 10-Q/A  
November 14, 2007  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q/A Number 2**

(Mark One)

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

For the Quarter Ended June 30, 2007

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

Commission File Number 0-16701

**ABRAXAS PETROLEUM CORPORATION**

(Exact name of Registrant as specified in its charter)

**Nevada**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**74-2584033**  
(I.R.S. Employer  
Identification Number)

500 N. Loop 1604 East, Suite 100, San Antonio, Texas 78232

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (210)490-4788

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the restraint was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  or No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one)

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Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares of the issuer's common stock, par value \$0.01 per share outstanding as of August 6, 2007 was 48,760,511.

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## EXPLANATORY NOTE

Abraxas Petroleum Corporation is filing this Amendment Number 2 to its Quarterly Report on Form 10-Q/A Number 1 for the period ended June 30, 2007, initially filed with the SEC on August 9, 2007, in order to correct the accounting for depletion on oil and gas properties. Due to an error in the estimating of proved undeveloped reserves our total proved reserves as of December 31, 2006 were revised downward. As a result of the downward adjustment to our proved reserves our depletion expense was understated by approximately \$246,000 and \$500,000 for the three and six months ended June 30, 2007. Additionally, as a result of the increase in depletion, the gain realized on the transfer of the assets to Abraxas Energy Partners increased by approximately \$837,000. This resulted in a restatement of the Condensed Balance Sheet and the Condensed Statement of Operations for the three and six months ended June 30, 2007. Cash flow from operations was not impacted by this restatement. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, the complete text of Form 10-Q as revised is included in this filing.

## Forward-Looking Information

We make forward-looking statements throughout this document. Whenever you read a statement that is not simply a statement of historical fact (such as statements including words like “believe”, “expect”, “anticipate”, “intend”, “plan”, “seek”, “estimate”, “could”, “potentially” or similar expression) must remember that these are forward-looking statements and that our expectations may not be correct, even though we believe they are reasonable. The forward-looking information contained in this document is generally located in the material set forth under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” but may be found in other locations as well. These forward-looking statements generally relate to our plans and objectives for future operations and are based upon our management’s reasonable estimates of future results or trends. The factors that may affect our expectations regarding our operations include, among others, the following:

- our success in development, exploitation and exploration activities;
- our ability to make planned capital expenditures;
- declines in our production of natural gas and crude oil;
- prices for natural gas and crude oil;
- our ability to raise equity capital or incur additional indebtedness;
- economic and business conditions;
- political and economic conditions in oil producing countries, especially those in the Middle East;
- price and availability of alternative fuels;
- our restrictive debt covenants;
- our acquisition and divestiture activities;
- results of our hedging activities; and
- other factors discussed elsewhere in this document.

In addition to these factors, important factors that could cause actual results to differ materially from our expectations (“Cautionary Statements”) are disclosed under “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2006, which are incorporated by reference herein. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the Cautionary Statements.

**ABRAXAS PETROLEUM CORPORATION**

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## Abraxas Petroleum Corporation

## Condensed Consolidated Balance Sheets

(in thousands)

	June 30, 2007 (Unaudited)	December 31, 2006
Assets:		
Current assets:		
Cash	\$ 11,488	\$ 43
Accounts receivable, net		
Joint owners	281	556
Oil and gas production	5,858	5,645
Other	447	39
	6,586	6,240
Hedge asset – current	2,399	—
Other current assets	257	470
Total current assets	20,730	6,753
Property and equipment:		
Oil and gas properties, full cost method of accounting:		
Proved	247,032	347,245
Other property and equipment	3,554	3,519
Total	250,586	350,764
Less accumulated depreciation, depletion, and amortization	144,656	246,353
Total property and equipment – net	105,930	104,411
Deferred financing fees, net	863	4,446
Hedge asset – long-term	1,403	—
Other assets	1,145	1,330
Total assets	\$ 130,071	\$ 116,940

See accompanying notes to condensed consolidated financial statements (unaudited)



**Abraxas Petroleum Corporation****Condensed Consolidated Balance Sheets (continued)****(in thousands)**

	<b>June 30, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	\$ 3,287	\$ 5,268
Joint interest oil and gas production payable	2,715	2,621
Accrued interest	222	1,427
Other accrued expenses	2,088	1,156
Hedge liability – current	457	—
Total current liabilities	8,769	10,472
Long-term debt	35,000	127,614
Hedge liability – long-term	1,416	—
Future site restoration	1,074	1,019
Total liabilities	46,259	139,105
Minority interest in partnership	28,036	—
Commitments and contingencies		
Stockholders' equity (deficit):		
Common Stock, par value \$.01 per share-		
Authorized 200,000 shares, issued 48,759 and 42,762	488	428
Additional paid-in capital	187,080	164,210
Accumulated deficit	(132,876 )	(187,483 )
Treasury stock, at cost, -0- and 35,552 shares	—	(285 )
Accumulated other comprehensive income	1,084	975
Total stockholders' equity (deficit)	55,776	(22,165 )



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Total liabilities and stockholders' equity	\$ 130,071	\$ 116,940
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See accompanying notes to condensed consolidated financial statements (unaudited)

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## Abraxas Petroleum Corporation

## Condensed Consolidated Statements of Operations

(Unaudited)

(in thousands except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:				
Oil and gas production revenues	\$ 12,660	\$ 12,385	\$ 24,192	\$ 25,149
Realized hedge income (loss)	—	430	(126 )	283
Unrealized hedge income	1,900	54	1,816	363
Rig revenues	311	429	639	805
Other	2	6	3	9
	14,873	13,304	26,524	26,609
Operating costs and expenses:				
Lease operating and production taxes	3,063	2,716	6,025	5,538
Depreciation, depletion, and amortization	3,601	3,737	7,256	7,136
Rig operations	202	219	373	430
General and administrative (including stock based compensation of \$372, \$199, \$544, and \$370)	1,267	1,136	2,583	2,422
	8,133	7,808	16,237	15,526
Operating income	6,740	5,496	10,287	11,083
Other (income) expense:				
Interest income	(53 )	—	(67 )	(1 )
Interest expense	2,784	4,115	6,935	8,086
Amortization of deferred financing fee	149	398	547	795
Loss on debt extinguishment	6,455	—	6,455	—
Gain on sale of assets	(59,335 )	—	(59,335 )	—
	(50,000 )	4,513	(45,465 )	8,880
Income before income tax and minority interest	56,740	983	55,752	2,203
Income tax expense				