

WILLBROS GROUP INC
Form 8-K
January 19, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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) January 12, 2006

WILLBROS GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)
Republic of Panama

(State or Other Jurisdiction of Incorporation)

1-11953

98-0160660

(Commission File Number) (IRS Employer Identification No.)
Plaza 2000 Building, 50th Street, 8th Floor, P.O. Box 0816-01098, Panama, Republic of Panama

(Address of Principal Executive Offices) (Zip Code)
+50-7-213-0947

(Registrant's Telephone Number, Including Area Code)
Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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 (*see* General Instruction A.2. below):

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

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SIGNATURES

Purchase Agreement and Release dated January 12, 2006

Press Release dated January 17, 2006

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Item 1.01. Entry into a Material Definitive Agreement.

On January 12, 2006, Willbros Mt. West, Inc. (Willbros), a wholly owned subsidiary of Willbros Group, Inc. (the Registrant), entered into a Purchase Agreement and Release (the Purchase Agreement) with Williams Field Services Company (Williams), a wholly owned subsidiary of The Williams Companies, Inc. (TWC), pursuant to which Willbros sold to Williams, effective at 12:01 a.m. Central Standard Time on January 1, 2006, all of its membership interests in Opal TXP-4 Company, LLC, a wholly owned subsidiary of Willbros (the LLC). The LLC owns a gas processing plant known as the TXP-4 plant (the TXP-4 Plant) at Opal in Lincoln County, Wyoming, in addition to certain facilities, equipment and supplies related to the TXP-4 Plant. Concurrently with the sale of the membership interests, Willbros and Williams agreed to resolve certain issues and disputes in connection with the operation of the TXP-4 Plant. Willbros received cash payments of \$27,944,500 for conveyance of the LLC, \$4,044,000 for and in reimbursement of expenditures made by Willbros at the TXP-4 Plant and the related Jonah dehydration facility (the Jonah Dehy), and \$422,968 in funds which had been held by Williams as retainage under a separate agreement relating to the Jonah Dehy.

In addition to the cash payments described above, Williams agreed to pay to Willbros a portion of any recovery that Williams may obtain in the future from third parties which is based on damages, loss or injury related to the TXP-4 plant or the Jonah Dehy, up to \$3,400,000 in total additional payments to Willbros.

Historically, the Registrant and TWC have a commercial relationship pursuant to which Willbros and other subsidiaries of the Registrant have provided construction and engineering services to Williams and its affiliates for various projects. With respect to the TXP-4 Plant, on or about February 24, 2003, Willbros and Williams entered into a facility supply and installation agreement pursuant to which Willbros agreed to build the TXP-4 Plant on land owned by Williams; a plant operating agreement pursuant to which Williams agreed to operate the TXP-4 Plant for Willbros; and a gas processing agreement pursuant to which Willbros agreed to process at the TXP-4 Plant natural gas supplied by Williams. On or about June 6, 2003, the parties entered into an engineering, procurement and construction agreement pursuant to which Willbros agreed to construct the Jonah Dehy for Williams. Pursuant to the Purchase Agreement, which was negotiated at arms length between the parties, Willbros and Williams resolved all issues and disputes relating to or arising from these agreements.

The Purchase Agreement is filed as Exhibit 2.1 to this Current Report on Form 8-K and is incorporated by reference herein. The foregoing summary description of the Purchase Agreement and the transactions contemplated therein is not intended to be complete and is qualified in its entirety by the complete text of the Purchase Agreement.

Item 2.01. Completion of Acquisition or Disposition of Assets.

The discussion of the Purchase Agreement in Item 1.01 of this Current Report on Form 8-K is incorporated by reference herein.

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Item 8.01. Other Events

On January 17, 2006, the Registrant issued a press release announcing the awards of multiple projects with contract value in excess of \$175 million to its business units in Canada, the United States, the Middle East and West Africa. Additionally, the press release announced the sale of the TXP-4 Plant, which transaction is reported in Items 1.01 and 2.01 of this Current Report on Form 8-K. The press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(b) Pro forma financial information.

WILLBROS GROUP, INC. AND SUBSIDIARIES:

Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2004 (Unaudited)

Pro Forma Consolidated Statement of Operations for the Six Months Ended June 30, 2005 (Unaudited)

Pro Forma Consolidated Balance Sheet as of June 30, 2005 (Unaudited)

Notes to Pro Forma Consolidated Financial Statements (Unaudited)

(d) Exhibits.

The following exhibits are filed herewith:

- 2.1 Purchase Agreement and Release dated January 12, 2006, by and between Willbros Mt. West, Inc. and Williams Field Services Company

- 99.1 Press release of the Registrant dated January 17, 2006
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SIGNATURES

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.

WILLBROS GROUP, INC.

Date: January 19, 2006

By: /s/ Warren L. Williams

Warren L. Williams
Senior Vice President, Chief Financial
Officer and Treasurer

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WILLBROS GROUP, INC.

Pro Forma Consolidated Financial Information

On January 12, 2006, Willbros Mt. West, Inc. (Willbros), a wholly owned subsidiary of Willbros Group, Inc. (the Registrant), entered into a Purchase Agreement and Release (the Purchase Agreement) with Williams Field Services Company (Williams), a wholly owned subsidiary of The Williams Companies, Inc., pursuant to which Willbros sold to Williams, effective at 12:01 a.m. Central Standard Time on January 1, 2006, all of its membership interests in Opal TXP-4 Company, LLC, a wholly owned subsidiary of Willbros (the LLC). The LLC owns a gas processing plant known as the TXP-4 plant (the TXP-4 Plant) at Opal in Lincoln County, Wyoming, in addition to certain facilities, equipment and supplies related to the TXP-4 Plant. Concurrently with the sale of the membership interests, Willbros and Williams agreed to resolve certain issues and disputes in connection with the operation of the TXP-4 Plant. Willbros received cash payments of \$27,944,500 for conveyance of the LLC, \$4,044,000 for and in reimbursement of expenditures made by Willbros at the TXP-4 Plant and the related Jonah dehydration facility (the Jonah Dehy), and \$422,968 in funds which had been held by Williams as retainage under a separate agreement relating to the Jonah Dehy.

In addition to the cash payments described above, Williams agreed to pay to Willbros a portion of any recovery that Williams may obtain in the future from third parties which is based on damages, loss or injury related to the TXP-4 plant or the Jonah Dehy, up to \$3,400,000 in total additional payments to Willbros.

Our historical consolidated results of operations for the year ended December 31, 2004, are derived from our 2004 audited consolidated financial statements. Our historical consolidated financial position and results of operations as of and for the six months ended June 30, 2005, are derived from our unaudited consolidated financial statements.

The pro forma consolidated statements of operations for the year ended December 31, 2004, and the six months ended June 30, 2005, have been prepared assuming we consummated the disposition of the LLC and the TXP-4 Plant at the beginning of the fiscal period presented with proceeds used to reduce any outstanding borrowings under our revolving credit facility and for general corporate purposes. The pro forma consolidated balance sheet at June 30, 2005, has been prepared assuming we consummated the disposition of the LLC and the TXP-4 Plant on June 30, 2005, with the proceeds shown as cash to be used for working capital and capital expenditure requirements.

The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable. The pro forma consolidated financial statements do not purport to represent what our financial position or results of operations actually would have been had such transactions in fact occurred on the dates indicated or to project our financial position or results of operations for any future date or period.

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WILLBROS GROUP, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2004
(In thousands, except share and per share amounts)
(Unaudited)

| | Historical | Adjustments | Pro Forma |
|--|-------------|-----------------|-------------|
| Contract revenue | \$ 483,318 | \$ (21,216) (a) | \$ 462,102 |
| Operating expense: | | | |
| Contract (including related party costs of \$7,694) | 417,671 | (15,752) (a) | 401,919 |
| Depreciation and amortization | 16,747 | (701) (a) | 16,046 |
| General and administrative | 46,614 | | 46,614 |
| Other operating costs (including related party costs of \$1,722) | 3,571 | | 3,571 |
| | 484,603 | (16,453) | 468,150 |
| Operating income (loss) | (1,285) | (4,763) | (6,048) |
| Other income (expense): | | | |
| Interest income | 879 | | 879 |
| Interest expense | (3,413) | | (3,413) |
| Foreign exchange gain (loss) | 248 | | 248 |
| Other net | (7,180) | | (7,180) |
| | (9,466) | | (9,466) |
| Income (loss) before income taxes | (10,751) | (4,763) | (15,514) |
| Provision (benefit) for income taxes | 10,064 | (1,619) (b) | 8,445 |
| Net income (loss) | \$ (20,815) | \$ (3,144) | \$ (23,959) |
| Income (loss) per common share: | | | |
| Basic | \$ (0.99) | \$ (.16) | \$ (1.15) |
| Diluted | \$ (0.99) | \$ (.16) | \$ (1.15) |
| Weighted average number of common shares outstanding: | | | |
| Basic | 20,922,002 | | 20,922,002 |
| Diluted | 20,922,002 | | 20,922,002 |

See notes to pro forma consolidated financial statements.

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WILLBROS GROUP, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2005
(In thousands, except share and per share amounts)
(Unaudited)

| | Historical | Adjustments | Pro Forma |
|---|-------------|-----------------|-------------|
| Contract revenue | \$ 295,798 | \$ (12,900) (a) | \$ 282,898 |
| Operating expenses: | | | |
| Contract | 259,360 | (9,774) (a) | 249,586 |
| Depreciation and amortization | 10,257 | (510) (a) | 9,747 |
| General and administrative | 35,842 | | 35,842 |
| Other operating costs | 1,084 | | 1,084 |
| | 306,543 | (10,284) | 296,259 |
| Operating income (loss) | (10,745) | (2,616) | (13,361) |
| Other income (expense): | | | |
| Interest net | (1,065) | | (1,065) |
| Other net | 239 | | 239 |
| | (826) | | (826) |
| Income (loss) before income taxes | (11,571) | (2,616) | (14,187) |
| Provision for income taxes | 8,246 | (889) (b) | 7,357 |
| Net loss | \$ (19,817) | \$ (1,727) | \$ (21,544) |
| Loss per common share: | | | |
| Basic | \$ (.93) | \$ (.08) | \$ (1.01) |
| Diluted | \$ (.93) | \$ (.08) | \$ (1.01) |
| Weighted average number of common shares outstanding: | | | |
| Basic | 21,251,997 | | 21,251,997 |
| Diluted | 21,251,997 | | 21,251,997 |

See notes to pro forma consolidated financial statements.

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WILLBROS GROUP, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
June 30, 2005
(In thousands, except share and per share amounts)
(Unaudited)

| ASSETS | Historical | Adjustments | Pro Forma |
|--|------------|--------------|------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 54,452 | \$ 27,418(a) | \$ 81,870 |
| Accounts receivable, net | 142,035 | | 142,035 |
| Contract cost and recognized income not yet billed | 49,629 | | 49,629 |
| Prepaid expenses | 23,370 | | 23,370 |
| Parts inventory, net | 5,619 | | 5,619 |
| | | | |
| Total current assets | 275,105 | 27,418 | 302,523 |
| Deferred tax assets | 5,957 | (764) (b) | 5,193 |
| Property, plant and equipment, net | 128,344 | (22,154) (c) | 106,190 |
| Investments in joint ventures | 3,626 | | 3,626 |
| Goodwill | 6,427 | | 6,427 |
| Other assets | 9,942 | | 9,942 |
| | | | |
| Total assets | \$ 429,401 | \$ 4,500 | \$ 433,901 |
| | | | |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Current liabilities: | | | |
| Notes payable and current portion of long-term debt | \$ 231 | \$ | \$ 231 |
| Accounts payable and accrued liabilities | 154,986 | 3,141(d) | 158,127 |
| Contract billings in excess of cost and recognized income | 26,424 | | 26,424 |
| Accrued income taxes | 9,337 | | 9,337 |
| Capital lease payable | 5,732 | | 5,732 |
| | | | |
| Total current liabilities | 196,710 | 3,141 | 199,851 |
| 2.75% Convertible senior notes | 70,000 | | 70,000 |
| Long-term debt | 496 | | 496 |
| Other liabilities | 1,099 | (859) (e) | 240 |
| | | | |
| Total liabilities | 268,305 | 2,282 | 270,587 |
| | | | |
| Stockholders equity: | | | |
| Class A preferred stock, par value \$.01 per share, 1,000,000 shares authorized, none issued | | | |
| Common stock, par value \$.05 per share, 35,000,000 shares authorized; 21,635,725 shares issued at June 30, 2005 (21,425,980 at December 31, 2004) | 1,082 | | 1,082 |
| Capital in excess of par value | 160,931 | | 160,931 |
| Retained earnings | 3,797 | 2,218(f) | 6,015 |
| | (1,057) | | (1,057) |

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| | | | |
|---|------------|----------|------------|
| Treasury stock at cost, 93,613 shares (63,196 at December 31, 2004) | | | |
| Deferred compensation | (4,515) | | (4,515) |
| Notes receivable for stock purchases | (223) | | (223) |
| Accumulated other comprehensive income | 1,081 | | 1,081 |
| Total stockholders' equity | 161,096 | 2,218 | 163,314 |
| Total liabilities and stockholders' equity | \$ 429,401 | \$ 4,500 | \$ 433,901 |

See notes to pro forma consolidated financial statements.

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WILLBROS GROUP, INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The pro forma consolidated statements of operations for the year ended December 31, 2004, and the six months ended June 30, 2005, have been prepared assuming that Willbros Group, Inc. and subsidiaries (collectively, the Company) consummated the disposition of the LLC and the TXP-4 Plant at the beginning of the fiscal period presented with proceeds used to reduce any outstanding borrowing under our revolving credit facility and for general corporate purposes. The pro forma consolidated balance sheet at June 30, 2005, has been prepared assuming the Company consummated the disposition of the LLC and the TXP-4 Plant on June 30, 2005, with the proceeds shown as cash to be used for working capital and capital expenditure requirements.

The historical consolidated results of operations for the year ended December 31, 2004, are derived from the Company s 2004 audited consolidated financial statements. The historical consolidated financial position and results of operations as of and for the six months ended June 30, 2005, are derived from the unaudited consolidated financial statements of the Company.

The pro forma adjustments are based on available information and certain assumptions that management of the Company believes are reasonable. The pro forma consolidated financial statements do not purport to represent what the Company s financial position or results of operations actually would have been had such transactions in fact occurred on the dates indicated or to project the Company s financial position or results of operations for any future date or period. These pro forma consolidated financial statements and the notes thereto should be read in conjunction with the Company s 2004 audited consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission on November 22, 2005.

2. DISPOSITION OF OPAL GAS PLANT

On January 12, 2006, Willbros Mt. West, Inc. (Willbros), a wholly owned subsidiary of Willbros Group, Inc. (the Registrant), entered into a Purchase Agreement and Release (the Purchase Agreement) with Williams Field Services Company (Williams), a wholly owned subsidiary of The Williams Companies, Inc., pursuant to which Willbros sold to Williams, effective at 12:01 a.m. Central Standard Time on January 1, 2006, all of its membership interests in Opal TXP-4 Company, LLC, a wholly owned subsidiary of Willbros (the LLC). The LLC owns a gas processing plant known as the TXP-4 plant (the TXP-4 Plant) at Opal in Lincoln County, Wyoming, in addition to certain facilities, equipment and supplies related to the TXP-4 Plant. Concurrently with the sale of the membership interests, Willbros and Williams agreed to resolve certain issues and disputes in connection with the operation of the TXP-4 Plant. Willbros received cash payments of \$27,944,500 for conveyance of the LLC, \$4,044,000 for and in reimbursement of expenditures made by Willbros at the TXP-4 Plant and the related Jonah dehydration facility (the Jonah Dehy), and \$422,968 in funds which had been held by Williams as retainage under a separate agreement relating to the Jonah Dehy.

In addition to the cash payments described above, Williams agreed to pay to Willbros a portion of any recovery that Williams may obtain in the future from third parties which is based on damages, loss or injury related to the TXP-4 plant or the Jonah Dehy, up to \$3,400,000 in total additional payments to Willbros.

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WILLBROS GROUP, INC.
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

3. PRO FORMA ADJUSTMENTS STATEMENTS OF OPERATIONS

The following describe the adjustments made to reflect the foregoing transaction as of the dates indicated above:

(a) The pro forma revenues and expenses have been adjusted to reflect the deletion of the TXP-4 Plant operations from the revenues and expenses as previously reported for the year ended December 31, 2004, and for the six months ended June 30, 2005.

(b) The pro forma income tax expense has been adjusted to delete the historical income tax expense related to TXP-4 Plant operations. This adjustment was a reduction in the tax provision of \$1,619 for the year ended December 31, 2004, and a reduction in the tax provision of \$889 for the six months ended June 30, 2005.

4. PRO FORMA ADJUSTMENTS BALANCE SHEET

(a) The pro forma cash balance has been increased by \$27,418 for the estimated net proceeds received by the Company for the sale of the TXP-4 Plant. This amount consists of the following (in thousands):

| | |
|---------------------------------------|-----------|
| Selling price | \$ 27,944 |
| Less estimated cash transaction costs | (526) |
| Net proceeds | \$ 27,418 |

(b) The pro forma balance for deferred tax assets was reduced to recognize a reduction in the account due to the tax effects of the sale.

(c) The pro forma balance for property, plant and equipment, net, has been reduced to reflect the removal of the TXP-4 Plant and its related accumulated depreciation from the accounts.

(d) The pro forma balance for accounts payable and accrued liabilities was increased to reflect a liability for the buy-out of the operating lease of a Solar gas turbine set included in the sale of the TXP-4 Plant.

(e) The pro forma balance for other liabilities has been reduced to reflect the write-off of the asset retirement obligation associated with the TXP-4 Plant.

(f) The pro forma retained earnings balance has been increased to reflect the Company's estimated net gain and other income and expenses related to the sale of the TXP-4 Plant. The adjustment consists of the following (in thousands):

| | |
|--|-----------|
| Net proceeds | \$ 27,418 |
| Reduction of property, plant and equipment | (22,154) |
| Cost of gas turbine set included in sale | (3,141) |
| Reduction of deferred tax assets | (764) |
| Deletion of asset retirement obligation | 859 |
| | \$ 2,218 |

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EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---|
| 2.1 | Purchase Agreement and Release dated January 12, 2006, by and between Willbros Mt. West, Inc. and Williams Field Services Company |
| 99.1 | Press release of the Registrant dated January 17, 2006 |