

PLAINS RESOURCES INC
Form 8-K
February 27, 2003

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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): February 27, 2003

PLAINS RESOURCES INC.
(Exact name of registrant as specified in charter)

Delaware
(State of Incorporation)

13-2898764
(I.R.S. Employer Identification No.)

0-9808
(Commission File No.)

500 Dallas Street, Suite 700
Houston, Texas 77002
(Address of Principal Executive Offices)
(Zip Code)

Registrant's telephone number, including area code: (713) 739-6700

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ITEM 5. Other Events

On February 27, 2003, Plains Resources Inc. issued a press release reporting 2002 earnings. The following was included in the press release:

Houston, Texas - February 27, 2003 - Plains Resources Inc. (NYSE:PLX) today reported net income of \$10.1 million, or \$0.40 per diluted share for the fourth quarter of 2002 compared to net income of \$19.1 million, or \$0.75 per diluted share for the fourth quarter of 2001. Income from continuing operations was \$3.8 million, or \$0.14 per diluted share for the fourth quarter of 2002 compared to \$11.5 million, or \$0.45 per diluted share for the fourth quarter of 2001. Results for Plains Exploration & Production Company (NYSE: PXP), which the Company distributed to its stockholders in a tax-free spin-off on December 18, 2002, are reflected as discontinued operations in the accompanying financial statements.

"The accomplishments of 2002 set the stage for the future of Plains Resources as a stand alone entity post the effective separation date of December 18, 2002. As

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a result, we enter 2003 with a solid balance sheet coupled with the anticipation of a strong free cash flow profile" stated Mr. John T. Raymond, Chief Executive Officer & President.

The Company reported equity in earnings from its investment in Plains All American Pipeline, L.P. (NYSE: PAA) of \$4.7 million compared to \$2.7 million in the fourth quarter of last year. The Company's cash distribution from PAA was \$7.5 million in the fourth quarter of 2002.

Fourth quarter volumes from the Company's Florida properties were up 24% on an "as produced" basis, with production volumes of 2,848 barrels per day in the fourth quarter of 2002 compared to 2,304 barrels per day in the prior year quarter. In accordance with SEC Staff Accounting Bulletin 101, the Company's results reflect revenue from oil production in the period it is sold as opposed to when it is produced. The Company reported sales of 2,457 barrels of oil per day in the fourth quarter of 2002 compared to 3,163 barrels per day in the fourth quarter of 2001.

Annual Results:

For the full year, the Company reported net income of \$37.5 million, or \$1.48 per diluted share compared to net income of \$153.3 million, or \$4.75 per diluted share for 2001. Results for 2001 were impacted by special items including \$170.2 million of pre-tax gains related to the sale of a portion of the Company's investment in PAA and gains related to PAA's 2001 equity offerings. Net income from continuing operations was \$9.7 million, or \$0.34 per diluted share for 2002 compared to \$100.6 million, or \$2.81 per diluted share for 2001.

For the full year, equity in earnings from PAA was \$18.8 million compared to \$18.5 million in 2001. The Company's cash distribution from PAA was \$29.1 million in 2002.

Annual volumes from the Company's Florida properties increased 2% on an "as produced" basis, to 2,658 barrels per day in 2002 compared to 2,614 barrels per day in 2001. Reported sales

2

volumes decreased to 2,381 barrels of oil per day in 2002 compared to 2,904 barrels per day in 2001.

Total proved reserves for the Company's Florida properties were 16.3 million barrels with a pre-tax net present value (discounted at 10%) of \$87.9 million at December 31, 2002.

Conference Call/Webcast Instructions:

The Company will host a conference call to discuss the results and other forward-looking items on Thursday, February 27, 2003. The call will begin at 10:00 a.m. (central time). The dial-in conference number is: 800-233-2795 or international: 785-832-1077. Reference Conference I.D.#: Plains. The replay will be available for 2 weeks at 800-934-2729 or international at 402-220-1140.

To access the Internet webcast, please go to the Company's website at www.plainsresources.com <http://www.plainsresources.com>, under investor relations section choose "conference calls." Following the live webcast, the call will be archived for a period of sixty (60) days on the Company's website.

Plains is an independent energy company engaged in the acquisition, development and exploitation of crude oil and natural gas. Through its ownership in Plains

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All American Pipeline, L.P., Plains has interests in the midstream activities of marketing, gathering, transportation, terminalling and storage of crude oil. Plains is headquartered in Houston, Texas.

Except for the historical information contained herein, the matters discussed in this news release are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, among other things, economic conditions, oil and gas price volatility, uncertainties inherent in the exploration for and development and production of oil and gas and in estimating reserves, regulatory changes and other factors discussed in Plains Resources' filings with the Securities and Exchange Commission.

3

Plains Resources Inc.
Consolidated Statements of Income
(Amounts in Thousands, except per share data)

| | Three Months Ended December 31, | | Ye De |
|--|------------------------------------|----------|----------|
| | 2002 | 2001 | 2002 |
| Revenues | | | |
| Crude oil | | | |
| Sales | \$ 3,986 | \$ 2,902 | \$ 15,5 |
| Hedging | (189) | (850) | (6 |
| | 3,797 | 2,052 | 14,8 |
| Costs and Expenses | | | |
| Production expenses | 1,861 | 2,308 | 6,5 |
| General and administrative | 1,060 | (137) | 5,7 |
| Depreciation, depletion and amortization | 870 | 1,268 | 4,1 |
| | 3,791 | 3,439 | 16,4 |
| Other Income (Expense) | | | |
| Equity in earnings of Plains All American Pipeline, L.P. | 4,747 | 2,742 | 18,8 |
| Gains on Plains All American Pipeline, L.P. unit transactions and public offerings | - | 19,068 | 14,5 |
| Loss on debt extinguishment | - | - | (10,3 |
| Interest expense | (65) | (1,780) | (5,8 |
| Interest and other income (expense) | (24) | 56 | 2 |
| | 4,658 | 20,086 | 17,3 |
| Income From Continuing Operations Before Income Taxes | 4,664 | 18,699 | 15,8 |
| Income tax benefit (expense) | | | |
| Current | 140 | 932 | 9 |
| Deferred | (1,027) | (8,094) | (7,0 |
| | | | |

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| | | | |
|--|----------|----------|---------|
| Income From Continuing Operations | 3,777 | 11,537 | 9,7 |
| Income from discontinued operations, net of tax | 6,300 | 7,572 | 27,8 |
| | ----- | ----- | ----- |
| Income before cumulative effect of accounting change | 10,077 | 19,109 | 37,5 |
| Cumulative effect of accounting change, net of tax | - | - | - |
| | ----- | ----- | ----- |
| Net Income | 10,077 | 19,109 | 37,5 |
| Cumulative preferred dividends | (350) | (349) | (1,4 |
| | ----- | ----- | ----- |
| Income Available to Common Stockholders | \$ 9,727 | \$18,760 | \$ 36,1 |
| | ===== | ===== | ===== |
| Earnings Per Share (in dollars) | | | |
| Basic | | | |
| Income from continuing operations | \$ 0.14 | \$ 0.47 | \$ 0. |
| Discontinued operations | 0.26 | 0.32 | 1. |
| Change in accounting policy | - | - | - |
| | ----- | ----- | ----- |
| | 0.40 | \$ 0.79 | \$ 1. |
| | ===== | ===== | ===== |
| Diluted | | | |
| Income from continuing operations | \$ 0.14 | \$ 0.45 | \$ 0. |
| Discontinued operations | 0.26 | 0.30 | 1. |
| Change in accounting policy | - | - | - |
| | ----- | ----- | ----- |
| | \$ 0.40 | \$ 0.75 | \$ 1. |
| | ===== | ===== | ===== |
| Weighted average shares outstanding | | | |
| Basic | 24,006 | 23,719 | 23,8 |
| Diluted | 24,420 | 25,416 | 24,4 |

4

Plains Resources Inc.
Financial and Operating Data (unaudited)

| | Three Months Ended December 31, | | Yea |
|----------------------------------|---------------------------------|----------|--------|
| | 2002 | 2001 | 20 |
| | ----- | ----- | ----- |
| Distributions from PAA | | | |
| General partner interest | \$ 683 | \$ 433 | \$ 2,2 |
| Limited Partner Units | 6,822 | 6,524 | 26,8 |
| | ----- | ----- | ----- |
| | \$ 7,505 | \$ 6,957 | \$29,0 |
| | ===== | ===== | ===== |
| Production Volumes | | | |
| Oil and liquids (MBbls) | 262 | 212 | 9 |
| Daily Average Production Volumes | | | |
| Oil and liquids (Bbls) | 2,848 | 2,304 | 2,6 |
| Sales Volumes | | | |
| Oil and liquids (MBbls) | 226 | 291 | 8 |
| Daily Average Sales Volumes | | | |
| Oil and liquids (Bbls) | 2,457 | 3,163 | 2,3 |

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Unit Economics (in dollars)

| | | | |
|--|----------|-----------|--------|
| Average Oil & Liquids Sales Price (\$/Bbl) | | | |
| Average NYMEX | \$ 28.23 | \$ 20.53 | \$ 26. |
| Hedging revenue (expense) | (0.84) | (2.92) | (0. |
| Differential | (10.59) | (10.56) | (8. |
| | ----- | ----- | ----- |
| Net realized price | 16.80 | 7.05 | 17. |
| Average Production Expenses per Bbl | (8.23) | (7.93) | (7. |
| | ----- | ----- | ----- |
| Gross Margin per Bbl | \$ 8.57 | \$ (0.88) | \$ 9. |
| | ===== | ===== | ===== |

5

Plains Resources Inc.
Consolidated Balance Sheets
(in thousands of dollars)

| | December 31, | |
|---|--------------|-------|
| | 2002 | 20 |
| | ----- | ----- |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 8,807 | \$ |
| Accounts receivable and other current assets | 3,104 | |
| Commodity hedging contracts and other derivatives | - | |
| Inventory | 2,305 | |
| | ----- | ----- |
| | 14,216 | |
| | ----- | ----- |
| Property and Equipment, at cost | | |
| Oil and natural gas properties - full cost method | 349,517 | |
| Other property and equipment | 27 | |
| | ----- | ----- |
| | 349,544 | |
| Less allowance for depreciation, depletion and amortization | (299,214) | |
| | ----- | ----- |
| | 50,330 | |
| | ----- | ----- |
| Investment in Plains All-American Pipeline, L.P. | 70,042 | |
| | ----- | ----- |
| Other Assets | | |
| Deferred income taxes | 16,957 | |
| Other | 9,867 | |
| | ----- | ----- |
| | 26,824 | |
| | ----- | ----- |
| | \$ 161,412 | \$ |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |

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| | | |
|---|----|-----------|
| Current Liabilities | | |
| Accounts payable and other current liabilities | \$ | 8,187 |
| Current maturities of long-term debt | | 18,000 |
| | | ----- |
| | | 26,187 |
| | | ----- |
| Long-Term Debt | | |
| Bank debt | | 27,000 |
| Subordinated debt | | - |
| Other | | - |
| | | ----- |
| | | 27,000 |
| | | ----- |
| Other Long-Term Liabilities | | 2,716 |
| | | ----- |
| Deferred Income Taxes | | - |
| | | ----- |
| Stockholder' Equity | | |
| Series D Cumulative Convertible Preferred Stock | | 23,300 |
| Common Stock | | 2,806 |
| Additional paid-in capital | | 273,162 |
| Retained earnings (deficit) | | (103,882) |
| Accumulated other comprehensive income | | (2,862) |
| Treasury stock, at cost | | (87,015) |
| | | ----- |
| | | 105,509 |
| | | ----- |
| | \$ | 161,412 |
| | | ===== |

6

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PLAINS RESOURCES INC.

Date: February 27, 2003

/s/ Stephen A. Thorington

 Stephen A. Thorington
 Executive President and
 Chief Financial Officer

7