

VINTAGE PETROLEUM INC  
Form 8-K  
December 06, 2004

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

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**FORM 8-K**

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

Date of report (Date of earliest event reported) November 30, 2004

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**VINTAGE PETROLEUM, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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Delaware

(State or Other Jurisdiction of Incorporation)

1-10578  
(Commission File Number)

73-1182669  
(IRS Employer Identification No.)

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110 West Seventh Street, Tulsa, Oklahoma  
(Address of Principal Executive Offices)

74119  
(Zip Code)

(918) 592-0101

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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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))
-

**Item 2.01 Completion of Acquisition or Disposition of Assets.**

On November 30, 2004, three of our indirect wholly-owned subsidiaries, Vintage Petroleum Canada Investments ULC, a Nova Scotia unlimited liability company, Vintage Canada Oil & Gas ULC, a Nova Scotia unlimited liability company, and Vintage Petroleum South America Holdings, Inc., a Cayman Islands corporation, completed the sale of all of the issued and outstanding capital stock of Vintage Petroleum Canada, Inc., an Alberta corporation and an indirect wholly-owned subsidiary of ours ( Vintage Canada ), to Daylight Acquisition Corp., an Alberta company and assignee of Midnight Oil & Gas Ltd., an Alberta company (collectively, the Midnight Group ). We received total cash consideration of approximately C\$351 million (approximately US\$275 million), subject to normal post-closing adjustments and expenses. We will use the proceeds from this sale to reduce debt outstanding under our revolving credit facility and for general corporate purposes. Vintage Canada held all of our Canadian operating assets.

Prior to closing, there was no material relationship between the Midnight Group and us or any of our affiliates or any of our directors or officers and any of their associates. The sales price was determined through arms-length negotiation between the Midnight Group and us.

This Form 8-K includes certain statements that may be deemed to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements in this Form 8-K, other than statements of historical facts, that address use of proceeds or events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. Although we believe the expectations expressed in such forward-looking statements are based on reasonable assumptions within the bounds of our knowledge of our business, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include continued availability of capital and financing, general economic, market or business conditions, the risk factors listed from time to time in our filings with the Securities and Exchange Commission, and other factors, most of which are beyond our control. We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

**Item 9.01 Financial Statements and Exhibits.**

(b) Pro forma financial information.

VINTAGE PETROLEUM, INC. AND SUBSIDIARIES:

Pro Forma Consolidated Statement of Operations for the Year Ended December 31, 2003 (Unaudited)

Pro Forma Consolidated Statement of Operations for the Nine Months Ended September 30, 2004 (Unaudited)

Pro Forma Consolidated Balance Sheet as of September 30, 2004 (Unaudited)

Notes to Pro Forma Consolidated Financial Statements (Unaudited)

(c) Exhibits.

The following documents are included as exhibits to this Form 8-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed or furnished herewith.

- 2.1 Stock Purchase Agreement dated September 22, 2004, among Midnight Oil & Gas Ltd. as Purchaser and Vintage Petroleum Canada Investments ULC, Vintage Canada Oil & Gas ULC, and Vintage Petroleum South America Holdings, Inc. as Sellers (Filed as Exhibit 2.1 to our report on Form 10-Q for the three months ended September 30, 2004).
  
- 2.2 Stock Purchase Amending and Assignment Agreement dated October 20, 2004, among Midnight Oil & Gas Ltd. as Assignor, Vintage Petroleum Canada Investments ULC, Vintage Canada Oil & Gas ULC, and Vintage Petroleum South American Holdings, Inc. as Sellers and Daylight Acquisition Corp. as Assignee (Filed as Exhibit 2.2 to our report on Form 10-Q for the three months ended September 30, 2004).

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.

VINTAGE PETROLEUM, INC.

Date: December 6, 2004

By: /s/ Michael F. Meimerstorf

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Michael F. Meimerstorf  
Vice President and Controller

**VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**

**Pro Forma Consolidated Financial Information**

On November 30, 2004, three of our indirect wholly-owned subsidiaries, Vintage Petroleum Canada Investments ULC, a Nova Scotia unlimited liability company, Vintage Canada Oil & Gas ULC, a Nova Scotia unlimited liability company, and Vintage Petroleum South America Holdings, Inc., a Cayman Islands corporation, completed the sale of all of the issued and outstanding capital stock of Vintage Petroleum Canada, Inc., an Alberta corporation and an indirect wholly-owned subsidiary of ours ( Vintage Canada ), to Daylight Acquisition Corp., an Alberta company and assignee of Midnight Oil & Gas Ltd., an Alberta company. We received total cash consideration of approximately C\$351 million (approximately US\$275 million), subject to normal post-closing adjustments and expenses. We will use the proceeds from this sale to reduce debt outstanding under our revolving credit facility and for general corporate purposes. Vintage Canada held all of our Canadian operating assets. As a result of the sale of Vintage Canada, we will also dissolve certain holding companies related to our Canadian operations.

Our historical consolidated results of operations for the year ended December 31, 2003, are derived from our 2003 audited consolidated financial statements. Certain 2003 amounts have been reclassified to conform with the 2004 presentation. These reclassifications had no effect on our loss from continuing operations before cumulative effect of change in accounting principle. Our historical consolidated financial position and results of operations as of and for the nine months ended September 30, 2004, are derived from our unaudited consolidated financial statements, which reflect our Canadian operations as discontinued operations.

The pro forma statements of operations for the year ended December 31, 2003, and the nine months ended September 30, 2004, have been prepared assuming we consummated the disposition of our Canadian operations at the beginning of the fiscal year presented with proceeds used to reduce any outstanding borrowings under our revolving credit facility. The pro forma balance sheet at September 30, 2004, has been prepared assuming we consummated the disposition of our Canadian operations on September 30, 2004, with proceeds used to reduce any outstanding borrowings under our revolving credit facility.

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.

**VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

(In thousands, except per share amounts)

(Unaudited)

|  | <u>Historical</u> | <u>Adjustments</u> | <u>Pro Forma</u> |
|--|-------------------|--------------------|------------------|
| <b>REVENUES:</b>   |                   |                    |                  |
| Oil, condensate and NGL sales  | \$ 463,521        | \$ (35,171)(a)     | \$ 428,350       |
| Gas sales  | 197,352           | (83,303)(a)        | 114,049          |
| Sulfur sales   | 2,318             | (603)(a)           | 1,715            |
| Gas marketing  | 70,633            |                    | 70,633           |
|  | <u>733,824</u>    | <u>(119,077)</u>   | <u>614,747</u>   |
| <b>COSTS AND EXPENSES:</b>   |                   |                    |                  |
| Production costs   | 159,872           | (35,505)(a)        | 124,367          |
| Transportation and storage costs   | 10,006            | (2,605)(a)         | 7,401            |
| Production and ad valorem taxes  | 18,922            | (1,453)(a)         | 17,469           |
| Export taxes   | 31,041            |                    | 31,041           |
| Exploration costs  | 74,932            | (53,325)(a)        | 21,607           |
| Gas marketing  | 68,038            |                    | 68,038           |
| General and administrative   | 57,132            | (10,224)(a)        | 46,908           |
| Stock compensation   | 6,057             | (810)(b)           | 5,247            |
| Depreciation, depletion and amortization   | 143,696           | (55,881)(a)        | 87,815           |
| Impairment of proved oil and gas properties  | 395,917           | (389,867)(a)       | 6,050            |
| Accretion  | 7,340             | (1,360)(a)         | 5,980            |
| Other operating expense  | 6,014             | 53 (a)             | 6,067            |
|  | <u>978,967</u>    | <u>(550,977)</u>   | <u>427,990</u>   |
| <b>OPERATING INCOME (LOSS)</b>   | <u>(245,143)</u>  | <u>431,900</u>     | <u>186,757</u>   |
| <b>OTHER EXPENSE:</b>  |                   |                    |                  |
| Interest expense   | 71,342            | (356)(a, c)        | 70,986           |
| Loss on early extinguishment of debt   | 5,484             |                    | 5,484            |
| Loss on disposition of assets  | 1,830             | (508)(a)           | 1,322            |
| Foreign currency exchange loss   | 6,032             | 549 (a)            | 6,581            |
| Other non-operating expense  | 546               | 205 (a)            | 751              |
|  | <u>85,234</u>     | <u>(110)</u>       | <u>85,124</u>    |
| Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principle | <u>(330,377)</u>  | <u>432,010</u>     | <u>101,633</u>   |
| <b>INCOME TAX PROVISION (BENEFIT):</b>   |                   |                    |                  |
| Current  | 43,873            | (2,418)(d)         | 41,455           |

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|  |                     |                   |                  |
|--|---------------------|-------------------|------------------|
| Deferred   | (115,380)           | 115,885 (d)       | 505              |
| Total income tax provision (benefit)   | (71,507)            | 113,467           | 41,960           |
| <b>INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b> | <b>\$ (258,870)</b> | <b>\$ 318,543</b> | <b>\$ 59,673</b> |
| <b>BASIC INCOME (LOSS) PER SHARE:</b>  |                     |                   |                  |
| Income (loss) from continuing operations before cumulative effect of change in accounting principle        | \$ (4.04)           |                   | \$ 0.93          |
| <b>DILUTED INCOME (LOSS) PER SHARE:</b>  |                     |                   |                  |
| Income (loss) from continuing operations before cumulative effect of change in accounting principle        | \$ (4.04)           |                   | \$ 0.93          |
| <b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>   |                     |                   |                  |
| Basic  | 64,022              | 94(e)             | 64,116           |
| Diluted  | 64,022              | 253(e)            | 64,275           |

See notes to pro forma consolidated financial statements



**VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004**

(In thousands, except per share amounts)

(Unaudited)

|   | <u>Historical</u> | <u>Adjustments</u> | <u>Pro Forma</u> |
|---|-------------------|--------------------|------------------|
| <b>REVENUES:</b>  |                   |                    |                  |
| Oil, condensate and NGL sales   | \$ 367,320        | \$                 | \$ 367,320       |
| Gas sales   | 127,284           |                    | 127,284          |
| Sulfur sales  | 949               |                    | 949              |
| Gas marketing   | 50,131            |                    | 50,131           |
|   | <u>545,684</u>    |                    | <u>545,684</u>   |
| <b>COSTS AND EXPENSES:</b>  |                   |                    |                  |
| Production costs  | 105,379           |                    | 105,379          |
| Transportation and storage costs  | 7,500             |                    | 7,500            |
| Production and ad valorem taxes   | 16,557            |                    | 16,557           |
| Export taxes  | 25,691            |                    | 25,691           |
| Exploration costs   | 21,000            |                    | 21,000           |
| Gas marketing   | 47,409            |                    | 47,409           |
| General and administrative  | 41,723            |                    | 41,723           |
| Stock compensation  | 7,091             | (681)(b)           | 6,410            |
| Depreciation, depletion and amortization  | 72,687            |                    | 72,687           |
| Impairment of proved oil and gas properties   | 3,915             |                    | 3,915            |
| Accretion   | 4,932             |                    | 4,932            |
| Other operating income  | (1,933)           |                    | (1,933)          |
|   | <u>351,951</u>    | <u>(681)</u>       | <u>351,270</u>   |
| <b>OPERATING INCOME</b>   | <u>193,733</u>    | <u>681</u>         | <u>194,414</u>   |
| <b>OTHER (INCOME) EXPENSE:</b>  |                   |                    |                  |
| Interest expense  | 39,321            | (2,563)(c)         | 36,758           |
| Loss on early extinguishment of debt  | 9,903             |                    | 9,903            |
| Gain on disposition of assets   | (72)              |                    | (72)             |
| Foreign currency exchange gain  | (1,112)           |                    | (1,112)          |
| Other non-operating expense   | 15,991            |                    | 15,991           |
|   | <u>64,031</u>     | <u>(2,563)</u>     | <u>61,468</u>    |
| Income from continuing operations before income taxes and cumulative effect of change in accounting principle | <u>129,702</u>    | <u>3,244</u>       | <u>132,946</u>   |
| <b>INCOME TAX PROVISION:</b>  |                   |                    |                  |
| Current   | 44,114            | 997(d)             | 45,111           |

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|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Deferred   | 5,115             |                   | 5,115             |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| Total income tax provision   | 49,229            | 997               | 50,226            |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| INCOME FROM CONTINUING OPERATIONS BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE | \$ 80,473         | \$ 2,247          | \$ 82,720         |
|  | <u>          </u> | <u>          </u> | <u>          </u> |
| BASIC INCOME PER SHARE:  |                   |                   |                   |
| Income from continuing operations before cumulative effect of change in accounting principle | \$ 1.24           |                   | \$ 1.27           |
|  | <u>          </u> |                   | <u>          </u> |
| DILUTED INCOME PER SHARE:  |                   |                   |                   |
| Income from continuing operations before cumulative effect of change in accounting principle | \$ 1.23           |                   | \$ 1.26           |
|  | <u>          </u> |                   | <u>          </u> |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:  |                   |                   |                   |
| Basic  | 64,786            | 125(e)            | 64,911            |
| Diluted  | 65,521            | (56)(e)           | 65,465            |

See notes to pro forma consolidated financial statements

## VINTAGE PETROLEUM, INC. AND SUBSIDIARIES

## PRO FORMA CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 2004

(In thousands)

(Unaudited)

|  | <u>Historical</u>   | <u>Adjustments</u>  | <u>Pro Forma</u>    |
|--|---------------------|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                     |
| <b>CURRENT ASSETS:</b>                                     |                     |                     |                     |
| Cash and cash equivalents                                  | \$ 46,012           | \$ 145,019(a, b)    | \$ 191,031          |
| Accounts receivable -                                      |                     |                     |                     |
| Oil and gas sales  | 115,861             |                     | 115,861             |
| Joint operations   | 8,616               |                     | 8,616               |
| Deferred income taxes                                      | 21,513              |                     | 21,513              |
| Prepays and other current assets                           | 10,638              |                     | 10,638              |
| Assets of discontinued operations                          | 253,387             | (253,387)(c)        |                     |
|  | <u>456,027</u>      | <u>(108,368)</u>    | <u>347,659</u>      |
| <b>PROPERTY, PLANT AND EQUIPMENT, at cost:</b>             |                     |                     |                     |
| Oil and gas properties, successful efforts method          | 2,023,933           |                     | 2,023,933           |
| Oil and gas gathering systems and plants                   | 23,890              |                     | 23,890              |
| Other  | 27,903              |                     | 27,903              |
|  | <u>2,075,726</u>    |                     | <u>2,075,726</u>    |
| Less: Accumulated depreciation, depletion and amortization | 908,462             |                     | 908,462             |
|  | <u>1,167,264</u>    |                     | <u>1,167,264</u>    |
| <b>DEFERRED INCOME TAXES</b>                               |                     |                     |                     |
|  | 14,558              |                     | 14,558              |
| <b>OTHER ASSETS, net</b>                                   |                     |                     |                     |
|  | 42,513              |                     | 42,513              |
|  | <u>\$ 1,680,362</u> | <u>\$ (108,368)</u> | <u>\$ 1,571,994</u> |
| <b>LIABILITIES AND EQUITY</b>                              |                     |                     |                     |
| <b>CURRENT LIABILITIES:</b>                                |                     |                     |                     |
| Revenue payable  | \$ 37,541           | \$                  | \$ 37,541           |
| Accounts payable - trade                                   | 53,578              |                     | 53,578              |
| Current income taxes payable                               | 21,815              |                     | 21,815              |
| Derivative financial instruments payable                   | 59,968              |                     | 59,968              |
| Other payables and accrued liabilities                     | 88,796              |                     | 88,796              |
| Liabilities of discontinued operations                     | 79,454              | (79,454)(c)         |                     |
|  | <u>341,152</u>      | <u>(79,454)</u>     | <u>261,698</u>      |
| <b>LONG-TERM DEBT</b>                                      |                     |                     |                     |
|  | 676,547             | (126,600)(b)        | 549,947             |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| DEFERRED INCOME TAXES                                | 85,214       | (30,701)(d)  | 54,513       |
| LONG-TERM LIABILITY FOR ASSET RETIREMENT OBLIGATIONS | 77,577       |              | 77,577       |
| DERIVATIVE FINANCIAL INSTRUMENTS PAYABLE AND OTHER   | 16,338       |              | 16,338       |
| <b>STOCKHOLDERS EQUITY:</b>                          |              |              |              |
| Preferred stock                                      |              |              |              |
| Common stock   | 331          |              | 331          |
| Capital in excess of par value                       | 354,217      | 862(e)       | 355,079      |
| Retained earnings                                    | 96,974       | 203,364(f)   | 300,338      |
| Accumulated other comprehensive income (loss)        | 40,293       | (75,839)(c)  | (35,546)     |
|  | 491,815      | 128,387      | 620,202      |
| Less treasury stock, at cost                         | 4,319        |              | 4,319        |
| Less unamortized cost of restricted stock awards     | 3,962        |              | 3,962        |
| Total stockholders equity                            | 483,534      | 128,387      | 611,921      |
|  | \$ 1,680,362 | \$ (108,368) | \$ 1,571,994 |

See notes to pro forma consolidated financial statements

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**VINTAGE PETROLEUM, INC. AND SUBSIDIARIES**

**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, 2003, and the nine months ended September 30, 2004, have been prepared assuming that Vintage Petroleum, Inc. and subsidiaries (collectively, the Company) consummated the disposition of its Canadian operations at the beginning of the fiscal year presented with proceeds used to reduce any outstanding borrowings under the Company's revolving credit facility. The pro forma consolidated balance sheet at September 30, 2004, has been prepared assuming the Company consummated the disposition of its Canadian operations on September 30, 2004, with proceeds used to reduce any outstanding borrowings under the Company's revolving credit facility.

The historical consolidated results of operations for the year ended December 31, 2003, are derived from the Company's 2003 audited consolidated financial statements. Certain 2003 amounts have been reclassified to conform with the 2004 presentation. These reclassifications had no effect on the Company's loss from continuing operations before cumulative effect of change in accounting principle. The historical consolidated financial position and results of operations as of and for the nine months ended September 30, 2004, are derived from the unaudited consolidated financial statements of the Company, which reflect the Company's Canadian operations as discontinued operations.

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 2003 audited consolidated financial statements and the notes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission on March 12, 2004.

**2. DISPOSITION OF CANADIAN OPERATIONS**

On November 30, 2004, three of the Company's indirect wholly-owned subsidiaries, Vintage Petroleum Canada Investments ULC, a Nova Scotia unlimited liability company, Vintage Canada Oil & Gas ULC, a Nova Scotia unlimited liability company, and Vintage Petroleum South America Holdings, Inc., a Cayman Islands corporation, completed the sale of all of the issued and outstanding capital stock of Vintage Petroleum Canada, Inc., an Alberta corporation and an indirect wholly-owned subsidiary of the Company (Vintage Canada), to Daylight Acquisition Corp., an Alberta company and assignee of Midnight Oil & Gas Ltd., an Alberta company. The Company received total cash consideration of approximately C\$351 million (approximately US\$275 million), subject to normal post-closing adjustments and expenses. The Company will use the proceeds from this sale to reduce debt outstanding under its revolving credit facility and for general corporate purposes.

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VINTAGE PETROLEUM, INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**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 Company's Canadian operations from the revenues and expenses from continuing operations as previously reported for the year ended December 31, 2003. Since the Company's Canadian operations were classified as discontinued operations in its historical statement of operations for the nine months ended September 30, 2004, no adjustments are required for this period.

(b) The pro forma stock compensation expense has been adjusted to reflect the deletion of stock compensation granted to certain Canadian employees.

(c) The pro forma interest expense has been adjusted to reflect the net reduction in interest expense resulting from the assumed repayment of any outstanding borrowings under the Company's revolving credit facility using the proceeds from the sale. This net reduction was \$273,000 for the year ended December 31, 2003, and \$2,563,000 for the nine months ended September 30, 2004.

(d) The pro forma income tax expense has been adjusted to delete the historical income tax expense related to the Company's Canadian operations. This adjustment was a reduction in the current provision of \$2,524,000 and an increase in the deferred provision of \$115,885,000 for the year ended December 31, 2003. The pro forma current income tax expense has also been adjusted to give tax effect to pro forma adjustments to interest expense, resulting in an increase in current income tax expense of \$106,000 and \$997,000 for the year ended December 31, 2003, and the nine months ended September 30, 2004, respectively.

(e) Since the Company's historical income from continuing operations before cumulative effect of change in accounting principle for the year ended December 31, 2003, was a loss, the assumed exercise of any options was anti-dilutive. The Company's pro forma income from continuing operations before cumulative effect of change in accounting principle for all periods presented is positive, therefore, the pro forma weighted average shares outstanding has been adjusted to reflect the assumed exercise of all dilutive options, as determined by applying the treasury stock method. The basic and diluted weighted average shares outstanding have been adjusted to reflect the vesting of all outstanding restricted stock rights granted to the Company's Canadian employees. These restricted stock rights became fully vested upon the completion of the sale of the Company's Canadian operations.

## VINTAGE PETROLEUM, INC. AND SUBSIDIARIES

## NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. PRO FORMA ADJUSTMENTS BALANCE SHEET

(a) The pro forma cash balance has been increased by \$271,619,000 for the estimated net proceeds received by the Company for the sale of all of the issued and outstanding capital stock of Vintage Canada. This amount consists of the following (in thousands):

|  |                   |
|--|-------------------|
| Net proceeds at closing                | \$ 274,779        |
| Less: Estimated cash transaction costs | 3,160             |
|  | <u>271,619</u>    |
|  | <u>\$ 271,619</u> |

(b) The pro forma cash and long-term debt balances have been reduced by \$126,600,000 to reflect the repayment of the balance outstanding under the Company's revolving credit facility.

(c) The pro forma balances for assets of discontinued operations, liabilities of discontinued operations and accumulated other comprehensive income (loss) have been reduced to reflect the deletion of the balances related to the Company's Canadian operations.

(d) The pro forma deferred tax liability has been decreased to reflect the recognition of a U.S. capital loss carryback resulting from the sale of the Company's Canadian operations. A deferred U.S. tax asset was recorded in the Company's historical September 30, 2004, balance sheet, but this asset was fully reserved, pending the completion of the sale of the Company's Canadian operations.

(e) The pro forma capital in excess of par balance has been increased to reflect the vesting of restricted stock rights previously granted to the Company's Canadian employees. These restricted stock rights became fully vested upon the completion of the sale of the Company's Canadian operations.

(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 its Canadian operations. The adjustment consists of the following (in thousands):

|   |            |
|---|------------|
| Estimated net proceeds                                      | \$ 271,619 |
| Deletion of assets of discontinued operations               | (253,387)  |
| Deletion of liabilities of discontinued operations          | 79,454     |
| Recognition of U.S. capital loss tax carryback              | 30,701     |
| Reversal of Canadian accumulated other comprehensive income | 75,839     |
| Vesting of Canadian stock awards                            | (862)      |

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\$ 203,364

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Exhibit Index

The following documents are included as exhibits to this Form 8-K. Those exhibits below incorporated by reference herein are indicated as such by the information supplied in the parenthetical thereafter. If no parenthetical appears after an exhibit, such exhibit is filed or furnished herewith.

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 2.1                       | Stock Purchase Agreement dated September 22, 2004, among Midnight Oil & Gas Ltd. as Purchaser and Vintage Petroleum Canada Investments ULC, Vintage Canada Oil & Gas ULC, and Vintage Petroleum South America Holdings, Inc. as Sellers (Filed as Exhibit 2.1 to our report on Form 10-Q for the three months ended September 30, 2004).   |
| 2.2                       | Stock Purchase Amending and Assignment Agreement dated October 20, 2004, among Midnight Oil & Gas Ltd. as Assignor, Vintage Petroleum Canada Investments ULC, Vintage Canada Oil & Gas ULC, and Vintage Petroleum South American Holdings, Inc. as Sellers and Daylight Acquisition Corp. as Assignee (Filed as Exhibit 2.2 to our report on Form 10-Q for the three months ended September 30, 2004). |