

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

SOUTHERN MINERAL CORP

CIK: **92223** | IRS No.: **362068676** | State of Incorporation: **NV** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-08043** | Film No.: **99670393**
SIC: **1311** Crude petroleum & natural gas

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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): July 9, 1999

SOUTHERN MINERAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

NEVADA (State or Other Jurisdiction of Incorporation)	0-8043 (Commission File Number)	36-2068676 (I.R.S. Employer Identification No.)
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1201 Louisiana Street, Suite 3350 Houston, Texas (Address of Principal Executive Offices)	77002-5609 (Zip Code)
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Registrant's telephone number, including area code: (713) 658-9444

ITEM 5. OTHER EVENTS.

On July 21, 1999, Southern Mineral Corporation (the "Company") announced a proposed financial restructuring by either an exchange offer or a prepackaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code of 1978, as amended (the "Bankruptcy Code"). The proposed restructuring would (a) reduce the Company's debt by eliminating at least 98% of its 6.875% Convertible Subordinated Debentures due 2007 (the "Debentures"), (b) significantly adjust the Company's capitalization and (c) modify the terms of the Company's secured debt.

The exchange offer involves the exchange of at least 98% of each \$1,000 principal amount of Debentures (including all accrued but unpaid interest thereon) for (a) 377.8 shares of the Company's common stock, par value \$.01 per share (the "Common Stock"), (b) a warrant to purchase 188.9 shares of Common

Stock for a period of three years at an exercise price of \$1.50 per share and (c) \$241.50 in cash (the "Exchange Offer").

The prepackaged plan involves the elimination of 100% of the Debentures on terms similar to the Exchange Offer by the Company's filing a petition for a prepackaged plan of reorganization under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court (the "Prepackaged Plan").

In addition to a number of other conditions to the Exchange Offer and the Prepackaged Plan, (a) the Company must either modify its current domestic credit facility or enter into a new domestic credit facility on terms such that (i) the initial borrowing base will be at least \$20.0 million, (ii) it will bear at the lender's prime or index rate and (iii) it will not mature before June 1, 2002 (to date, the lenders under the Company's current domestic credit facility have not agreed to the Company's requested modification) and (b) pursuant to an agreement with EnCap Energy Capital Fund III, L.P. ("EnCap") and certain of its affiliates, the Company must sell 43,829,787 shares of Common Stock for \$20,600,000 (the EnCap Investment). In connection the EnCap Investment, the Company will pay a fee of \$600,000 and 2,127,660 shares of Common Stock to an affiliate of EnCap.

The Company has also entered into an agreement to sell its Brushy Creek Field and Texan Gardens Field interests to ANR Production Company for \$16,280,000 (the "ANR Sale").

The consummation of each of the Exchange Offer, the Prepackaged Plan, the EnCap Investment and the ANR Sale are subject to a number of conditions which are described with greater particularity in the Company's Preliminary Proxy Statement/Prospectus/Disclosure Statement, as filed with the Securities and Exchange Commission on July 21, 1999 (Registration No. 333-83345). For more information concerning (a) the EnCap Investment (including the conditions to the consummation of the EnCap Investment) see Exhibit 10.32 to the Company's Preliminary Proxy Statement/Prospectus /Disclosure Statement and (b) the ANR Sale (including the conditions to the consummation of the ANR Sale) see Exhibit 10.34 to the Company's Preliminary Proxy Statement/Prospectus/Disclosure Statement.

The foregoing summary is qualified in its entirety by the Company's Preliminary Proxy Statement/Prospectus/Disclosure Statement.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial Statements of Acquired Business. Not applicable.
- (b) Pro Forma Financial Information. Not applicable.
- (c) Exhibits.

99.1 Press Release, dated July 21, 1999, announcing the Exchange Offer, the Prepackaged Plan, the EnCap Investment and the ANR Sale.

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.

SOUTHERN MINERAL CORPORATION

Date: July 26, 1999

By: /s/ MICHAEL E. LUTTRELL

Michael E. Luttrell
Vice President-Finance and
Chief Financial Officer

INDEX TO EXHIBITS

EXHIBIT
NUMBER

99.1 Press Release, dated July 21, 1999, announcing the Exchange Offer, the Prepackaged Plan, the EnCap Investment and the ANR Sale.

CONTACT:

Michael E. Luttrell
Vice President-Finance
and Chief Financial Officer
(713) 658-9444

July 21, 1999

SOUTHERN MINERAL ANNOUNCES RESTRUCTURING PLANS

Houston, Texas--Southern Mineral Corporation (NASDAQ: SMIN) announced that its Board of Directors has approved a restructuring of the Company that involves a \$20.6 million equity infusion, the sale of certain properties in Texas and an exchange offer for its 6.875% Convertible Subordinated Debentures due 2007. The restructuring plan comes after an extensive process by the Company to evaluate strategic opportunities for the Company to maximize shareholder value. The Company expects that the restructuring, including the equity infusion, and the asset sale will improve the Company's financial condition and allow the Company to pursue new opportunities for growth in the future.

The sale of the Company's properties consists of the sale of certain proven and unproven property interests in Texas to ANR Production Company, for \$16.28 million, subject to certain adjustments. The properties include all of the Company's interest in the Brushy Creek and Texan Gardens Fields in Dewitt, Lavaca and Hidalgo counties of Texas. The transaction is expected to close by early August 1999, following the satisfaction of certain conditions, but is not conditioned on the restructuring transactions described below. The Company expects that the proceeds from the sale will be used primarily for reduction of its domestic bank indebtedness with the remainder, if any, for general corporate purposes.

The financial restructuring involves a \$20.6 million equity investment by affiliates of EnCap Investments L.L.C. (EnCap) in exchange for 43,829,787 newly issued shares of the Company's Common Stock pursuant to a Stock Purchase Agreement, which number of shares will represent a controlling interest in the Company. With over \$1 billion in funds under management, EnCap Investments L.L.C. is an institutional funds management firm specializing in financing the upstream and midstream sectors of the oil and gas industry. EnCap is a wholly-owned subsidiary of El Paso Energy Corporation (NYSE:EPG).

The EnCap transaction is conditioned upon, among other things, exchange of at least 98% of the Company's outstanding Convertible Debentures for a combination of cash, Common Stock and warrants to purchase Common Stock and receipt of certain third party consents. For each \$1,000 principal amount of Convertible

Debentures (including

accrued interest), the Company will offer to exchange (1) 377.8 shares of Common Stock, (2) warrants to purchase 188.9 shares of Common Stock for a period of three years for an exercise price of \$1.50 per share, and (3) \$241.50 in cash. Consummation of the restructuring is also conditioned upon shareholder approval of the issuance of the additional shares to EnCap and the shares and warrants to the debenture holders. Certain fees will be payable to EnCap in connection with the transactions.

If the exchange offer is unsuccessful, but certain other conditions are met, the Company may proceed with the EnCap investment and the restructuring of its capital structure through a prepackaged plan of reorganization under Chapter 11 of the U. S. Bankruptcy Code.

This news release is neither an offer to purchase, sell or exchange any securities of Southern Mineral nor a solicitation of an offer to purchase, sell or exchange securities. Solicitations and acceptance of the exchange offer and the prepackaged plan will only be made by a proxy statement/ prospectus/ disclosure statement. Copies of the preliminary proxy/statement/ prospectus/ disclosure statement may be obtained from the Company.

Southern Mineral Corporation is an oil and gas acquisition, exploration and production company that owns interests in oil and gas properties located along the Texas Gulf Coast, the Mid-Continent, Canada and Ecuador. The Company's principal assets include interests in the Big Escambia Creek field in Alabama and the Pine Creek field in Alberta, Canada. The Company's Common Stock is listed on the NASDAQ National Market under the symbol SMIN, and its Convertible Debentures are listed on the NASDAQ Smallcap Market under the symbol SMING.

This news release contains forward-looking statements within the meaning of the Securities Litigation Reform Act. The projections and statements reflect the Company's current views with respect to future events and financial performance that involve risks and uncertainties including uncertainties related to successful negotiations with other parties, price volatility, production levels, closing of the transaction, capital availability, operational and other risks, uncertainties and factors described from time to time in the Company's publicly available SEC reports. Actual results may differ materially from those projected.