

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

Filing Date: **1994-01-11** | Period of Report: **1994-01-11**
SEC Accession No. **0000950124-94-000108**

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FILER

SOUTHEASTERN MICHIGAN GAS ENTERPRISES INC

CIK: **277158** | IRS No.: **382144267** | State of Incorpor.: **MI** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **000-08503** | Film No.: **94500979**
SIC: **4924** Natural gas distribution

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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: January 11, 1994

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Michigan (State of other jurisdiction of incorporation)	0-8503 (Commission File Number)	38-2144267 (I.R.S. Employer Identification No.)
405 Water Street, Port Huron, Michigan (Address of principal executive offices)		48060 (Zip Code)
Registrant's telephone number, including area code		810-987-2200

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Item 5. Other Events.

Vesta Energy Corporation ("Vesta") has filed a complaint in the Federal District Court for the Northern District of Oklahoma against seven defendants, including Southwestern Energy Company ("Southwestern") and the NOARK Pipeline System ("NOARK"), an Arkansas Limited Partnership. Southeastern Michigan Gas Enterprises, Inc.'s ("Enterprises") subsidiary, SEMCO Arkansas Pipeline Company holds a 31.67% general partnership interest in NOARK and has guaranteed 40% of NOARK's debt service on its approximately

\$88 million of debt. Southwestern holds a 47.33% general partnership interest in NOARK and has guaranteed 60% of NOARK's debt service. Neither Enterprises nor any of its subsidiaries is a party to the suit.

Vesta seeks actual damages on several theories in an aggregate amount exceeding \$1 million, seeks punitive damages in excess of \$1 million and seeks to rescind its contracts with certain of the defendants, including its contract to transport gas on the NOARK system ("the NOARK Contract"). Under the terms of the NOARK Contract, Vesta is obligated to transport up to 50,000 Mcf of firm gas per day on the NOARK system at the full firm rate. This obligation requires Vesta to pay NOARK a demand fee equal to approximately 19.3 cents per Mcf on the 50,000 Mcf/day and approximately 9.2 cents per Mcf for volumes actually transported on the NOARK system.

On January 1, 1994, Vesta discontinued shipments of firm gas pursuant to the NOARK Contract and ceased payment of the demand fee. Vesta had been shipping approximately 32,000 Mcf per day, generating revenues of approximately \$380,000 per month to NOARK. Prior to Vesta's ceasing to ship firm gas on the NOARK system, NOARK was transporting approximately 90,000 Mcf per day at firm and interruptible rates. NOARK has an operating capacity of 141,000 Mcf per day. Southwestern, which was providing approximately 25,000 Mcf per day of the gas transported by Vesta over the NOARK system, has indicated

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its current intent to continue to ship those volumes over the NOARK system, initially at the full firm rate, generating NOARK revenues of approximately

\$210,000 per month. As these circumstances continue, the loss of revenues to NOARK of approximately \$170,000 per month reduces Enterprises' net income by approximately \$35,000 per month.

It is impossible to predict the outcome of this litigation. Southwestern has indicated, after initial review of the complaint and relevant facts, that it believes there is no merit to the lawsuit and that it intends to counterclaim asking for specific performance of the NOARK Contract to transport gas and/or damages.

Item 7.(c) Exhibits.

None.

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 thereunto duly authorized.

SOUTHEASTERN MICHIGAN GAS ENTERPRISES, INC.
(Registrant)

Dated: January 11, 1994

By: /s/Ward N. Kirby

Ward N. Kirby
President and C.E.O.

