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ABRAXAS PETROLEUM CORP  
Form 8-K  
March 25, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

F O R M 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report  
March 25, 2003

Abraxas Petroleum Corporation  
(Exact name of registrant as specified in its charter)

Nevada  
(State of other jurisdiction of incorporation)

0-19118  
(Commission File Number)

74-2584033  
(I.R.S. Employer Identification Number)

500 N. Loop 1604 East, Suite 100  
San Antonio, Texas 78232  
(Address of principal executive offices)

Registrant's telephone number, including area code:  
210-490-4788

Item 9. REGULATION FD DISCLOSURE

See attached Press Release

The following exhibits are filed as part of this report:

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NUMBER

DOCUMENT

99.1

Press release dated March 25, 2003

SIGNATURES

Pursuant to the requirement 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.

ABRAXAS PETROLEUM CORPORATION

By:     /s/Chris Williford                      
Chris Williford  
Executive Vice President, Chief Financial  
Officer and Treasurer

Dated: March 25, 2003

Exhibit 99.1

NEWS RELEASE

ABRAXAS ANNOUNCES 2002 FINANCIAL RESULTS AND YEAR END RESERVES

Results from recently sold Canadian operations classified as "Discontinued Operations"

SAN ANTONIO, TX (March 25, 2003) - Abraxas Petroleum Corporation (AMEX:ABP) today reported financial and operating results for the fourth quarter and the full year ended December 31, 2002. Due to required accounting treatment under GAAP, results for all reported periods related to the Canadian operations sold in January 2003 have been classified as "Discontinued Operations" on the Company's Statements of Operations and as "Assets Held for Sale" on the Company's Balance Sheet. Consequently any comparisons or discussions contained herein, unless specifically identified to Discontinued Operations, are related to continuing operations only.

Continuing Operations:

Revenues in the fourth quarter of 2002 were \$6.9 million compared to \$5.0 million in 2001. Net earnings for the fourth quarter of 2002 were a loss of \$6.7 million compared to a loss of \$9.2 million in 2001. Higher commodity price realizations in Q4 2002, \$3.85 per Mcfe, compared to Q4 2001, \$2.26 per Mcfe, was the driver behind the increase in revenues and the narrower loss. For the full year of 2002, a net loss of \$60.8 million was incurred compared to a loss of \$16.0 million in 2001. Included in the full year 2002 loss was a non-cash proved property impairment (ceiling test) charge of \$32.9 million.

As Reported Including Discontinued Operations:

The net loss for the fourth quarter of 2002 was \$5.7 million including a gain of

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\$976,000 from discontinued operations. This compares to a loss of \$12.9 million in the fourth quarter of 2001 including a loss from discontinued operations of \$3.7 million. The reported loss for the full year of 2002 was \$118.5 million including a loss from discontinued operations of \$57.7 million and impairment charges totaling \$86.3 million. During 2001 the Company reported a loss of \$19.7 million including a loss of \$3.7 million from discontinued operations. The 2001 numbers do not include any impairment charges.

The Company reported 112.5 Bcfe of proven reserves at year-end 2002 with a PV-10 of \$137 million. Additional operational detail, including production data, price realizations, reserve breakdown and other pertinent information for the comparable fourth quarters of 2001 and 2002, as well as full year comparisons, can be found in the attached tables. The Company has also attempted to provide the reader with a better understanding of the impact on the Company's balance sheet of the transactions completed in January of 2003, specifically the Canadian sale, the new senior credit agreement and the exchange offer all previously announced on January 24, 2003. An unaudited pro forma balance sheet at December 31, 2002, giving effect to the results of the transactions discussed above can be found in the attached tables.

Abraxas CEO Bob Watson commenting on 2002 results and subsequent transactions, "The work that we did during 2002, not only associated with the drill bit but also with the transactions completed in January of 2003, has allowed Abraxas to re-engineer our balance sheet and establish a much firmer foundation upon which to develop our retained assets. The Canadian sale, the new credit facility and the successful completion of the exchange offer have dramatically changed our capital structure, reducing our overall debt by 48% and reducing our cash interest costs from about \$34 million a year to \$4 million. We anticipate that this decrease in cash interest payments and the increase in commodity prices will lead to an improvement in liquidity which will allow us to accelerate the development of our extensive inventory of retained assets and replicate the value creation demonstrated in our Canadian sale."

As a result of final 2002 financial results and current market conditions, Abraxas has updated its operating and financial guidance for year 2003 as follows:

|                                    |       |
|------------------------------------|-------|
| Production:                        |       |
| BCFE (approximately 80% gas)       | 7 - 8 |
| Price Differentials (Pre Hedge):   |       |
| \$ Per BO                          | 0.64  |
| \$ Per MCF                         | 0.51  |
| Lifting Costs, \$ Per MCFE         | 1.21  |
| G&A, \$ Per MCFE                   | 0.69  |
| Capital Expenditures (\$ Millions) | 15.00 |

Abraxas invites your participation in a conference call on Wednesday, March 26th, at 1:30 pm CST to discuss the contents of this release and respond to questions. Please call 1-800-967-7140 between 1:20 and 1:30 pm CST, confirmation code 729258, if you would like to participate in the call. There will be a replay of the conference call available by calling 1-888-203-1112, confirmation code 729258, beginning approximately 4:30 pm CST Wednesday, March 26th, through 5:00 pm CST Wednesday, April 2nd.

Abraxas Petroleum Corporation is a San Antonio-based crude oil and natural gas exploitation and production company. The Company operates in Texas, Wyoming and western Canada.

Safe Harbor for forward-looking statement: Statements in this release looking forward in time involve known and unknown risks and uncertainties, which may cause the Company's actual results in future periods to be materially different from any future performance suggested in this release. Such factors may include,

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but may not be necessarily limited to, changes in the prices received by the Company for crude oil and natural gas. In addition, the Company's future crude oil and natural gas production is highly dependent upon the Company's level of success in acquiring or finding additional reserves. Further, the Company operates in an industry sector where the value of securities is highly volatile and may be influenced by economic and other factors beyond the Company's control. In the context of forward-looking information provided for in this release, reference is made to the discussion of risk factors detailed in the Company's filing with the Securities and Exchange Commission during the past 12 months.

**FOR MORE INFORMATION CONTACT:**

Janice Herndon/Manager Corp. Communications  
 Telephone 210.490.4788  
 jherndon@abraxaspetroleum.com  
 www.abraxaspetroleum.com

### Abraxas Petroleum Corporation and Subsidiaries Consolidated Statements of Operations

(In thousands except per share data)

|   | Three Months Ended<br>December 31, |         | Twelve Months End<br>December 31, |          |
|---|------------------------------------|---------|-----------------------------------|----------|
|   | 2002                               | 2001    | 2002                              | 2001     |
| Revenue:                                  |                                    |         |                                   |          |
| Oil and gas production revenues           | \$6,796                            | \$4,812 | \$21,601                          | \$34,812 |
| Rig revenues                              | 123                                | 149     | 635                               | 1,000    |
| Other                                     | 1                                  | 2       | 71                                | 100      |
|   | 6,920                              | 4,963   | 22,307                            | 35,912   |
| Operating costs and expenses:             |                                    |         |                                   |          |
| Lease operating and production taxes      | 2,109                              | 2,465   | 7,910                             | 9,800    |
| Depreciation, depletion, and amortization | 2,300                              | 2,752   | 9,654                             | 12,000   |
| Proved Property impairment                | -                                  | -       | 32,850                            | -        |
| Rig operations                            | 128                                | 154     | 567                               | -        |
| Stock - based compensation                | -                                  | -       | -                                 | (2,000)  |
| General and administrative                | 1,556                              | 885     | 5,082                             | 4,000    |
|   | 6,093                              | 6,256   | 56,063                            | 24,000   |
| Operating income (loss)                   | 827                                | (1,293) | (33,756)                          | 11,912   |
| Other (income) expense:                   |                                    |         |                                   |          |
| Interest income                           | (36)                               | (312)   | (92)                              | -        |
| Amortization of deferred financing fees   | 331                                | 865     | 1,325                             | 1,000    |
| Interest expense                          | 6,040                              | 6,272   | 24,689                            | 23,000   |
| Financing costs                           | 967                                | -       | 967                               | -        |
| Loss (gain) on sale of equity investment  | -                                  | 845     | -                                 | -        |
| Other                                     | 201                                | 191     | 201                               | -        |
|   | 201                                | 191     | 201                               | -        |

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|  |           |            |             |        |
|--|-----------|------------|-------------|--------|
|  | 7,503     | 7,861      | 27,090      | 26,    |
| Income (loss) from continuing operations before taxes and extraordinary gain | (6,676)   | (9,154)    | (60,846)    | (15,   |
| Income tax expense (benefit)   | -         | -          | -           |        |
| -----  |           |            |             |        |
| Income (loss) from continuing operations before extraordinary item           | (6,676)   | (9,154)    | (60,846)    | (16,   |
| Income (loss) from discontinued operations                                   | 976       | (3,696)    | (57,681)    | (3,    |
| -----  |           |            |             |        |
| Income (loss) before extraordinary item                                      | (5,700)   | (12,850)   | (118,527)   | (19,   |
| Debt extinguishment  | -         | -          | -           |        |
| -----  |           |            |             |        |
| Net income (loss)  | (\$5,700) | (\$12,850) | (\$118,527) | (\$19, |
| =====  |           |            |             |        |
| Earnings (loss) per common share:  |           |            |             |        |
| Net income (loss) from continuing operations before extraordinary item       | (\$0.22)  | (\$0.31)   | (\$2.03)    | (\$0   |
| Discontinued operations (loss)   | 0.03      | (0.12)     | (1.92)      | (0     |
| Extraordinary item   | -         | -          | -           |        |
| -----  |           |            |             |        |
| Net income (loss) per common share   | (\$0.19)  | (\$0.43)   | (\$3.95)    | (\$0   |
| =====  |           |            |             |        |

ABRAXAS PETROLEUM CORPORATION  
YEAR-END RESULTS

| (In thousands except per share data) | Three Months               |      | Twelve Months              |
|--------------------------------------|----------------------------|------|----------------------------|
|                                      | Ended December 31,<br>2002 | 2001 | Ended December 31,<br>2002 |
|                                      | ----                       | ---- | ----                       |

Continuing Operations Data:

|  |         |          |           |     |
|--|---------|----------|-----------|-----|
| Revenues                                       | \$6,920 | \$4,963  | \$22,307  | \$3 |
| EBITDA   | 3,127   | 1,459    | 8,748     | 2   |
| Cash Flow (Before Working Capital Changes)     | (4,044) | (4,692)  | (17,017)  | (   |
| Continuing Operations Net Loss                 | (6,676) | (9,154)  | (60,846)  | (1  |
| Continuing Operations Net Loss Per Share       | (.22)   | (.31)    | (2.03)    |     |
| Net Income (loss) from Discontinued Operations | 976     | (3,696)  | (57,681)  | (   |
| Net Income (loss) from Discontinued Per Share  | .03     | (.12)    | (1.92)    |     |
| Reported Net Loss                              | (5,700) | (12,850) | (118,527) | (1  |
| Reported Net Loss Per Share                    | (.19)   | (.43)    | (3.95)    |     |
| Weighted Ave. Shares Outstanding (Millions)    | 30.0    | 30.0     | 30.0      |     |

Production:

|                     |        |        |        |   |
|---------------------|--------|--------|--------|---|
| Crude Oil (BPD)     | 742    | 825    | 725    |   |
| NGL (BPD)           | 30     | 184    | 26     |   |
| Natural Gas (MCFPD) | 14,551 | 17,500 | 15,561 | 2 |
| MMCFEPD             | 19.2   | 23.6   | 20.1   |   |

Prices (net of hedge costs):

|                      |         |         |         |    |
|----------------------|---------|---------|---------|----|
| Crude Oil (\$/BBL)   | \$30.91 | \$18.68 | \$24.42 | \$ |
| NGL's (\$/BBL)       | 18.57   | 11.93   | 14.88   |    |
| Natural Gas (\$/MCF) | 3.46    | 2.04    | 2.64    |    |
| Price per MCFE       | 3.85    | 2.26    | 2.95    |    |

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| Expenses:                          |        |        |        |
|------------------------------------|--------|--------|--------|
| Lease Operating (\$/MCFE)          | \$1.19 | \$1.14 | \$1.08 |
| General & Administrative (\$/MCFE) | .88    | .45    | .69    |
| Interest (\$/MCFE)                 | 3.40   | 2.75   | 3.36   |
| D/D/A (\$/MCFE)                    | 1.30   | 1.27   | 1.32   |

| Reserves:              |  |           |     |
|------------------------|--|-----------|-----|
| Consolidated PV-10     |  | \$136,584 | \$7 |
| U. S. Reserves (Bcfe)  |  | 97.6      |     |
| Canada Reserves (Bcfe) |  | 14.9      |     |

|   | Balance Sheet Data (In \$000s) |                   |
|---|--------------------------------|-------------------|
|   | Year End                       | Year End          |
|   | December 31, 2002              | December 31, 2001 |
| Cash  | \$557                          | \$3,59            |
| Working Capital (Deficit)*                  | (67,547)                       | (2,98)            |
| Property and Equipment, Net                 | 95,926                         | 127,48            |
| Total Assets**                              | 181,425                        | 303,61            |
| Long-Term Debt***                           | 190,979                        | 262,24            |
| Shareholders Equity (Deficit)               | (142,254)                      | (28,58)           |
| Actual Common Shares Outstanding (Millions) | 30.0                           | 30.               |

\*2002 Working capital includes a current liability of \$63.5 million for senior secured notes which were paid off on January 23, 2003. It does not include assets and liabilities held for sale for either period.

\*\*Total Assets include assets held for sale (total assets from continued operations equal \$107.2 million for 2002 and \$139.7 million for 2001)

\*\*\*2002 Long-term debt includes the second lien and old notes that were exchanged in the tender offer in January, 2003.

### ABRAXAS PETROLEUM CORPORATION AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEET AT DECEMBER 31, 2002

|                              | AS REPORTED          |                          |
|------------------------------|----------------------|--------------------------|
|                              | ON 10-K<br>(Audited) | PROFORMA*<br>(Unaudited) |
| (Dollars in Thousands)       |                      |                          |
| <b>ASSETS:</b>               |                      |                          |
| Current Assets               | \$ 7,923             | \$ 7,923                 |
| Assets held for sale         | 74,247               | -                        |
| Property and Equipment - Net | 95,926               | 95,926                   |
| Other Assets                 | 3,329                | 5,844                    |
| Total Assets                 | \$ 181,425           | \$ 109,693               |

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|   |    |           |              |
|---|----|-----------|--------------|
| -----   |    |           |              |
| LIABILITIES & STOCKHOLDER'S DEFICIT:                    |    |           |              |
| Current liabilities                                     | \$ | 75,470    | \$ 6,970     |
| Liabilities related to assets held for sale             |    | 56,697    | -            |
| Long-term debt  |    | 190,979   | 175,298 (1)  |
| Other liabilities                                       |    | 533       | 533          |
| Stockholder's equity (deficit)                          |    | (142,254) | (73,108) (2) |
| -----   |    |           |              |
| Total liabilities and stockholder's equity<br>(deficit) | \$ | 181,425   | \$ 109,693   |
| -----   |    |           |              |

\* Gives effect as to the sales of Canadian Abraxas Petroleum Ltd. and Grey Wolf Exploration Inc., the closing of the Company's new senior credit agreement, the redemption of the Company's previous first lien notes and the completion of the exchange offer related to the Company's former second lien and old notes, as if all transactions happened at December 31, 2002.

(1) Consists of new senior credit agreement with outstanding balance of \$46.7 million and \$128.6 million which represents the carrying value of the \$109.7 million face amount of the newly exchanged notes, due in May 2007.

(2) Reflects estimated gain on sale of Canadian subsidiaries to be booked in the first quarter 2003 (approximately \$69 million), minus transaction costs of exchange offer that will be expensed (approximately \$3.6 million), plus issuance of new shares related to the exchange offer (approximately \$3.8 million).