

TENGASCO INC
Form 10-K/A
November 22, 2004

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON,
D.C. 20549**

REPORT ON FORM 10-K/A

(Mark one)

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended **December 31, 2003** or

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .

Commission File No. **0-20975**

TENGASCO, INC.

(Name of registrant as specified in its charter)

Tennessee 87-0267438 (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification No.)

603 Main Avenue, Knoxville, Tennessee 37902
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (865) 523-1124.

Securities registered pursuant to Section 12(b) of the Act: **None.**

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, \$.001 par value per share.**

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by checkmark if disclosure of delinquent filers in response to Item 405 of Regulation SK is not contained in this form and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

State the aggregate market value of the voting stock held by non-affiliates (based on the closing price on March 25, 2004 of (\$0.45):
\$13,434,488.

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Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act): Yes // No /

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second quarter:

State issuer's revenues for its most recent fiscal year: **\$6,205,520**

State the number of shares outstanding of the registrant's \$.001 par value common stock as of the close of business on the latest practicable date (March 25, 2004): **48,677,828**

Documents Incorporated By Reference: None.

10-K Amendment

This Amendment on Form, No. 1 to Form 10-K (this "Amendment") amends our annual report for the year ended December 31, 2003 filed on March 30, 2004. The purpose of this Amendment is to correct the year end December 31, 2003 Consolidated Financial Statements for an error in the application of SFAS 150 Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. Adoption of this standard resulted in a reclassification of preferred stock from the equity section on the balance sheet to a liability and a restatement to fair value of the Company's series A, B, and C Preferred Stock subject to mandatory redemption. Accordingly, for the third quarter 2003, the Company recognized a cumulative gain from a change in accounting principle of \$1,247,121. This cumulative gain resulted from the difference between the carrying amount of the preferred shares and the fair value of the shares after adoption. However, a calculation error was made in calculating the fair value of the Preferred Stock and the gain should have been \$365,675 and the resulting Preferred Stock liability should have been \$7,297,059 instead of \$6,059,860 as originally reported. See Note 2 to the Notes to Consolidated Financial Statements

Consolidated Balance Sheets

	2003	2002
	(As restated)	
December 31,		
Assets (Note 1)		
Current		
Cash and cash equivalents	\$ 312,666	\$ 184,130
Investments	60,000	34,500
Accounts receivable	508,378	730,667
Participant receivables	68,402	70,605
Inventory	280,693	262,748
Current portion of loan fees, net of accumulated amortization of \$367,032 and \$194,312, respectively (Note 7)	151,136	323,856
Other current assets (Note 14)	223,003	--
	1,604,278	1,606,506
Total current assets		
Oil and gas properties, net (on the basis of full cost accounting) (Notes 4, 7 and 16)	12,989,443	13,864,321
Pipeline facilities, net of accumulated depreciation of \$1,265,003 and \$729,043, respectively (Notes 5 and 7)	15,139,789	15,372,843
Other property and equipment, net (Notes 6 and 7)	870,730	1,685,950
Loan fees, net of accumulated amortization of \$53,542 and \$13,384, respectively	--	40,158

Other assets	--	14,613
	<u>\$ 30,604,240</u>	<u>\$ 32,584,391</u>

Liabilities and Stockholders Equity

December 31,	2003 (As restated)	2002
Current liabilities		
Current maturities of long-term debt (Notes 1 and 7)	\$ 6,127,290	\$ 7,861,245
Accounts payable - trade	1,075,948	1,396,761
Accrued interest payable (Note 9)	234,321	61,141
Accrued dividends payable (Note 9)	--	254,389
Notes payable to related parties (Note 7)	3,709,000	--
Other accrued liabilities	18,560	31,805
Current shares subject to mandatory redemption (Note 9)	1,261,876	--
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Total current liabilities	12,426,995	9,605,341
Long term debt to related parties (Note 7)	--	750,000
Shares subject to mandatory redemption (Note 9)	6,035,183	--
Asset retirement obligations (Notes 4 and 10)	668,556	--
Long term debt, less current maturities (Note 7)	221,635	1,256,209
	<hr/>	<hr/>
Total liabilities	19,352,369	11,611,550
	<hr/>	<hr/>
Commitments and Contingencies (Notes 1, 5, 7, 8, 10, and 11)		
Preferred stock, \$.0001 par value; authorized 25,000,000 shares (Note 9):		
Series A 8% cumulative, convertible, mandatorily redeemable; 28,679 and shares outstanding; redemption value \$2,867,900	--	2,867,900
Series B 8% cumulative, convertible, mandatorily redeemable; 27,550 shares outstanding; redemption value \$2,755,000, net of related commissions	--	2,591,150
Series C 6% cumulative, convertible, mandatorily redeemable; 14,491 shares outstanding, redemption value \$1,449,100 net of related commissions	--	1,303,168
	<hr/>	<hr/>
Total preferred stock	--	6,762,218

December 31,	2003 (As restated)	2002
Stockholders' equity (Note 11)		
Common stock, \$.001 par value; authorized 50,000,000 shares; 12,064,977 and 11,459,279 shares issued, respectively	12,080	11,460
Additional paid-in capital	42,721,290	42,237,276
Accumulated deficit	(31,391,499)	(27,776,726)
Accumulated other comprehensive loss	(90,000)	(115,500)
Treasury stock, at cost, 14,500 shares	--	(145,887)
Total stockholders' equity	11,251,871	14,210,623
	\$ 30,604,240	\$ 32,584,391

See accompanying notes to consolidated financial statements.

Consolidated Statements of Loss

Years ended December 31,	2003 (As restated)	2002	2001
Revenues and other income			
Oil and gas revenues	\$ 6,040,872	\$ 5,437,723	\$ 6,656,758
Pipeline transportation revenues	163,393	259,677	296,331
Interest Income	985	3,078	43,597
Total revenues and other income	6,205,250	5,700,478	6,996,686
Costs and expenses			
Production costs and taxes	3,412,201	3,094,731	2,951,746
Depreciation, depletion and amortization (Notes 4, 5 and 6)	2,308,007	2,413,597	1,849,963
General and administrative	1,486,280	1,868,141	2,957,871
Interest expense (Notes 9 and 10)	1,120,738	578,039	850,965
Public relations	31,183	193,229	293,448
Professional fees	549,503	707,296	355,480
Loss on impairment of long-lived asset	495,000	--	--
Total costs and expenses	9,402,912	8,855,033	9,259,473
Net loss	(3,197,662)	(3,154,555)	(2,262,787)
Dividends on preferred stock (Note 9)	(268,389)	(506,789)	(391,183)
Net loss attributable to common stockholders before cumulative effects of a changes in accounting principle	(3,466,051)	(3,661,344)	(2,653,970)
Cumulative effect of a change in accounting principle (Note 10)	(351,204)	--	--

Years ended December 31,	2003		
	(As restated)	2002	2001
Cumulative effect of a change in accounting principle (Note 9)	365,675	--	--
Net loss attributable to common stockholders	\$(3,451,580)	\$(3,661,344)	\$(2,653,970)
Net loss attributable to common stockholders per shares Basic and diluted:			
Operations	\$ (0.29)	\$ (0.33)	\$ (0.26)
Cumulative effect of a change in accounting principle (Note 10)	(0.03)	--	--
Cumulative effect of a change in accounting principle (Note 9)	0.03	--	--
Total	\$ (0.29)	\$ (0.33)	\$ (0.26)
Weighted average shares outstanding	11,956,135	11,062,436	10,235,253

See accompanying notes to consolidated financial statements

Consolidated Statements of Stockholder's Equity & Comprehensive Losses

	Common Stock		Additional Paid-In Capital
	Shares	Amount	
Balance, December 31, 2000	9,295,558	\$ 9,296	\$25,941,709
Net loss	--	--	--
Common stock issued with 5% stock dividend (Note 10)	498,016	498	6,374,111
Common stock issued on conversion of debt	93,069	93	523,157
Common stock issued for exercised options	274,932	275	2,340,725
Common stock issued on conversion of preferred stock	12,347	13	70,988
Common stock issued for services	10,000	10	69,990
Common stock issued in private placements, net of related expense	374,733	374	3,899,624
Common stock issued as a charitable donation	1,950	2	22,251
Treasury stock purchased	--	--	--
Dividends on convertible redeemable preferred stock	--	--	--
Balance, December 31, 2001	10,560,605	10,561	39,242,555
Net loss	--	--	--
Comprehensive loss:			
Net loss	--	--	--
Other comprehensive loss	--	--	--
2002 comprehensive loss	--	--	--
Common stock issued in private placements, net of related expenses	850,000	850	2,676,150

	Common Stock		Additional Paid-In
Common stock issued on conversion of debt	20,592	20	119,980
Common stock issued in purchase of equipment	19,582	20	149,980
Common stock issued for services	8,500	9	48,611
Dividends on convertible redeemable preferred stock	--	--	--
Balance, December 31, 2002	11,459,279	11,460	42,237,276
Net loss	--	--	--
Cumulative effects of changes in accounting principles	--	--	--
Comprehensive loss:			
Net loss	--	--	--
Other comprehensive gain	--	--	--
2003 comprehensive loss	--	--	--
Common stock issued in private placements, net of related expenses	227,275	227	249,773
Common stock issued on conversion of debt	60,528	61	69,538
Common stock issued for charity	3,571	4	5,710
Common stock issued for services	55,500	70	(64,458)
Common stock issued for exercised options	94,000	94	46,906
Common Stock issued for preferred dividends in arrears	154,824	154	170,155
Common stock issued for litigation settlement	10,000	10	6,390
Accretion of issue cost on preferred stock- series B & C	--	--	--
Dividends on convertible redeemable preferred stock	--	--	--
Balance, December 31, 2003 (As Restated)	12,064,977	\$ 12,080	\$42,721,290

Consolidated Statements of Stockholder's Equity & Comprehensive Losses

Accumulated Deficit	Comprehensive Loss	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total
			Shares	Amount	
(15,086,803)	--	--	--	--	10,864,202
(2,262,787)	--	--	--	--	(2,262,787)
(6,374,609)	--	--	--	--	--
--	--	--	--	--	523,250
--	--	--	--	--	2,341,000
--	--	--	--	--	71,001
--	--	--	--	--	70,000
--	--	--	--	--	3,899,998
--	--	--	--	--	22,253
--	--	--	14,500	(145,887)	--
(391,183)	--	--	--	--	--
(24,115,382)	--	--	14,500	(145,887)	14,991,847
(3,154,555)	--	--	--	--	(3,154,555)

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Accumulated	Comprehensive	Accumulated Other Comprehensive	Treasury Stock		
--	--	--	--	--	--
--	(3,154,555)	--	--	--	--
--	(115,500)	(115,500)	--	--	(115,500)
--	(3,270,053)	--	--	--	--
--	--	--	--	--	2,677,000
--	--	--	--	--	120,000
--	--	--	--	--	150,000
--	--	--	--	--	48,620
(506,789)	--	--	--	--	(506,789)
(27,776,726)	--	(115,500)	14,500	(145,887)	14,210,623
(3,197,662)	--	--	--	--	(3,197,662)
14,471	--	--	--	--	14,471
--	(3,197,662)	--	--	--	--
--	25,500	25,500	--	--	25,500
--	(3,172,162)	(90,000)	--	--	--
--	--	--	--	--	250,000
--	--	--	--	--	69,599
--	--	--	--	--	5,714
--	--	--	(14,500)	145,887	81,499
--	--	--	--	--	47,000
--	--	--	--	--	170,309
--	--	--	--	--	6,400
(163,193)	--	--	--	--	(163,193)
(268,389)	--	--	--	--	(268,389)
\$ (31,391,499)	\$ --	\$ (90,000)	--	\$ --	\$ 11,251,871

See accompanying notes to consolidated financial statements

Consolidated Statements of Cash Flows

	2003 (As restated)	2002	2001
Years ended December 31,			
Operating activities			
Net loss	\$ (3,197,662)	\$ (3,154,555)	\$ (2,262,787)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation, depletion and amortization	2,308,007	2,413,597	1,849,963
Compensation and services paid in stock options, stock warrants, and common stock	203,812	48,620	92,253
Loss on impairment of long-lived assets	495,000		
Accretions of liabilities	459,691		
Gain on sale of equipment	(13,103)		