

EVERGREEN RESOURCES INC
Form DEFA14A
May 19, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

EVERGREEN RESOURCES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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- (3) Filing Party:
- (4) Date Filed:

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On May 19, 2004, Evergreen Resources, Inc. (the Company) participated in Bear Stearns Global Credit Conference held in New York City during which some of the terms of the proposed merger of the Company with a wholly owned subsidiary of Pioneer Natural Resources Company were discussed. Set forth below are the slides presented at the conference.

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EVERGREEN RESOURCES, INC.

Bear Stearns

Global Credit Conference

New York

May 19, 2004

Forward Looking Statements

[LOGO]

This presentation contains forward-looking statements within the meaning of federal securities laws, including statements regarding, among other things, the company's growth strategies; anticipated trends in the company's business and its future results of operations; market conditions in the oil and gas industry; the ability of the company to make and integrate acquisitions; and the impact of government regulations. These forward-looking statements are based largely on the company's expectations and are subject to a number of risks and uncertainties, many of which are beyond the company's control. Actual results could differ materially from those implied by these forward-looking statements as a result of, among other things, a decline in natural gas production, a decline in natural gas prices, incorrect estimations of required capital expenditures, increases in the cost of drilling, completion and gas collection, an increase in the cost of production and operations, an inability to meet projections, and/or changes in general economic conditions. In light of these and other risks and uncertainties of which the company may be unaware or which the company currently deems immaterial, there can be no assurance that actual results will be as projected in the forward-looking statements. These and other risks and uncertainties are described in more detail in the company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

EVG / PXD - Transaction Terms

Transaction Consideration:	Evergreen's common shareholders will receive: 0.58175 shares of Pioneer stock, \$19.50 per share in cash and Cash equal to the greater of: \$0.35 per share (~\$15 million) as a consideration from Pioneer for the Kansas properties Net proceeds from the sale of the Kansas properties to a third party
Purchase Price per Share:	\$39.35 (assuming Pioneer retains Kansas properties)
Transaction Structure:	Tax-free (Section 368a) Reorganization
Estimated Closing:	September / October
Conditions:	Pioneer shareholder approval Evergreen shareholder approval Hart Scott Rodino approval
Termination Fee:	\$35 million

Strategic Implications for PXD/EVG

Pioneer Strategy

Evergreen Model

Moderate low-risk growth from onshore, long-live foundation assets	Best long-lived onshore gas platform in North America with excellent growth potential
Lower maintenance capital needed to preserve stable production and reserve base	Maintenance capital requirements among lowest in upstream sector
Deploy position of free cash flow to high impact, high return exploration and acquisitions	Exceptional full cycle economics provide strong free cash flow available for reinvestment
Harvest portion of cash flow from exploration successes to rebalance portfolio with additional long-life assets	Reserve profile strongly complements diversified portfolio foundation
Grow through consolidation of core areas	Substantial Rockies acreage position in key growth basins with significant consolidation potential
Strengthen expertise and improve ability to leverage other plays	Preeminent CBM platform providing ability to leverage expertise with
	Statistic plays
	Fracture simulation technology
	Lower pressure gas gathering systems

Impact to PXD with EVG

Adds 2.4 TCFE of proved and probable North America gas reserves at acquisition cost plus future development costs of \$1.22 per MCFE

Adds 1.5 TCFE of proved reserves at an acquisition finding cost of \$1.40 per MCFE

Adds ~900 BCFE of low-risk probable reserves

Adds 2,000+ low-risk drilling locations in new core area

Adds eight years of low-risk production growth from current drilling locations

Accretive to free cash flow per share in 2005

Increases North America reserves from 81% to 86%

Increases natural gas reserves from 46% to 59%

Creates new core area onshore U.S.

Creates operating efficiencies and economies of scale

Provides Denver office to access Rockies opportunities

Enhances Canadian asset portfolio

Pioneer is Reloading Lower-Risk Onshore Base (MBOE/D

[CHART]

Over time, production profile shifts to more risky projects

[CHART]

Rebalances production profile adding low-risk growth to base

EVG: A Simple Story in a Complex Industry

Long-lived reserves from geographically diverse core areas

Well-executed business strategy, primarily focused on unconventional North American natural gas with balanced pursuit of development, exploration and acquisition opportunities

Proven ability to generate sustained growth while demonstrating financial discipline

Low-cost structure maintained through control of operations, economies of scale, vertical integration and technological innovation

Low-risk, development-oriented growth profile supplemented by exploration upside and strategic acquisitions in core operating areas

Experienced management team with a solid track record of success

U.S. Unconventional Gas Opportunity

U.S. Conventional vs. Unconventional Gas Resource Potential (Tcf)

[GRAPHIC]

Source: Energy Information Administration, Office of Integrated Analysis and Forecasting (as of 1999)

Coal Bed Methane As % of Total U.S. Gas Production

[CHART]

Source: Cambridge Energy Research Associates (Updated February 2004)

Conventional Gas vs. Coal Bed Methane Production

	Conventional Gas	Coal Bed Methane
Gas Quality	Gas typically associated with NGLs: approximately 80% methane	Gas typically dry: approximately 99%+ methane, H ₂ S not present
Drilling	500 to 15,000 feet	500 to 5,000 feet
Water Production	Usually brine; rates may increase during production life; water is typically re-injected	Rates typically decrease during production life; numerous options for disposal; water may be usable at surface
Reservoir	Gas reserves and production are closely tied to initial pressure	Gas is adsorbed on the coal and is produced desorbed when pressure is decreased
Production Mechanism	Reservoir pressure maintenance	Reservoir desorption and dewatering
Compression	Fewer stages required	More stages required
Well Drilling Pattern	Initially, 1 to 2 wells per section, but density may be increased	4 to 8 wells per section
Gas Production	Gas can be shut-in and reactivated with little problems	CBM well may need dewatering reinstated if not continually produced
Production Profile	[CHART]	[CHART]

Evergreen's Competitive Advantage

Structured to optimize the development of unconventional natural gas reservoirs

Vertical integration makes Evergreen unique in the industry

Direct control of nearly every phase of operations, from drilling and completing wells through gathering and marketing of gas production

Construct and own extensive gas gathering and compression system in the Raton Basin

Operational control enables Evergreen to effectively manage its growth

Operates substantially all producing properties

Operational control provides an efficient cost structure as well as the quality control and capital / technical flexibility necessary to succeed in unconventional natural gas development

Large and contiguous acreage positions provide economies of scale and improved flexibility in field development

Track record of technological innovation provides competitive edge in technology-driven unconventional gas development

First E&P company to economically recover CBM from under-pressured coal reservoirs in the Raton Basin

Meaningful innovations in fracture stimulation and cementing techniques

Evergreen Acreage Position

(Thousands of acres)

	Developed		Undeveloped		Total	
	Gross	Net	Gross	Net	Gross	Net
Raton	224	205	189	161	413	367
Piceance/Uintah	53	48	192	176	245	223
Canada	87	45	71	60	159	105

Evergreen Asset Base

[GRAPHIC]

Proved reserves	1.5 TCFE
% operated	~100%
% natural gas	~100%
% North America	100%
2003 net average production	127 MMCFE/D
Current net daily production	150 MMCFE/D
R/P ratio	32 years
PDP R/P ratio	20 years

Track Record of Reserve and Production Growth

Proved Reserves

[CHART]

Production

[CHART]

Raton Basin - Overview

[GRAPHIC]

Working Interest		75 - 100%
Operator		EVG
Proved Reserves 12/31/03 (Bcfe)		1,393
% PUD		38%
% Gas		100%
Current Production (MMcfe/d)		133
R/P (Years)		29
Net Developed Acreage		205,452
Net Undeveloped Acreage		161,249
Total Net Acreage		366,701
2004 Capex Budget (\$mm)	\$	109
Wells to Be Drilled		200

Raton Basin - Geology

[GRAPHIC]

Multiple intervals continue to be developed in new wells, as well as existing wells through state-of-the-art recompletions.

The coals and tight sands of the Raton and Vermejo formations are our primary objectives.

Extensive in-fill drilling opportunities continue to exist in the current gas price environment (\$4.00/Mcf or greater).

Raton Basin Comparative Well Economics

	Vermejo Coal Well	Raton Coal Twin Well
Well Cost	\$ 400,000	\$ 200,000
Reserves	~ 1.15Bcf	~ 1.0Bcf
Finding Cost	\$ 0.35/ Mcf	\$ 0.20/ Mcf
\$4.00 per Mcf Nymex		
Payout	~ 4.0 years	~ 4.0years
ROI	> 6.5:1	> 8:1
Rate of Return	> 40%	> 50%
\$5.00 per Mcf Nymex		
Payout	~ 4.0years	~ 4.0years
ROI	> 8:1	> 10:1
Rate of Return	> 50%	> 60%

Evergreen - Production History

[CHART]

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Raton Basin Future Development Plan

[GRAPHIC]

Vermejo coals: development, extensions & infill drilling (~1,000 locations)

Raton coals: twin wells (~400 locations)

Deep fractured shales and Raton sands opportunities

As of 1/1/2004

Evergreen's Gas Collection System

[GRAPHIC]

Wholly owned and operated

Capacity to absorb future production growth

System redundancy

As of 1/1/04

Rocky Mountain Gas Basins

[GRAPHIC]

Piceance / Uintah Basins - Overview

[GRAPHIC]

Average Working Interest		84%
Operator		EVG, et al
Proved Reserves 12/31/03 (Bcfe)		65
% PUD		49%
% Gas		94%
Daily Production Since Acquisition (MMcfe/d)		6
R/P (Years)		30
Net Developed Acreage		47,710
Net Undeveloped Acreage		175,723
Total Net Acreage		223,433
2004 Capex Budget (\$mm)	\$	35
Wells to Be Drilled		55

Piceance / Uintah Basins Geology and Opportunities

[GRAPHIC]

Development drilling

Stepout drilling

Infill drilling

Exploration drilling

Recompletions of existing zones

New zone additions

Canada - Overview

[GRAPHIC]

Average Working Interest		63%
Operator		EVG, et al
Proved Reserves 12/31/03 (Bcfe)		37
% PUD		28%
% Gas		88%
Daily Production Since Acquisition (MMcfe/d)		11
R/P (Years)		9
Net Developed Acreage		44,728
Net Undeveloped Acreage		60,106
Total Acreage		104,834
2004 Capex Budget (\$mm)	\$	34
Wells to Be Drilled		65

Canada Geology and Opportunities

[GRAPHIC]

Development drilling

Stepout drilling

Infill drilling

Exploration drilling

Recompletions of existing zones

New zone additions

Conventional & unconventional reservoirs

Kansas - Overview

Total Net Acreage: 746,000

[GRAPHIC]

Kansas Geology and Opportunities

[GRAPHIC]

Perfect fit with business strategy of acquiring and developing unconventional natural gas properties in North America

Prospective pay zones include:

12+ coals

6+ shales

3 - 6 sands

60+ wells drilled in 2004

Approximately 100 wells in production testing by 12/31/04

Alaska's Cook Inlet Basin

[GRAPHIC]

Established Conventional Gas:

Discovered 1957

Declining gas supply in this region

6.2 Tcf produced to date

Cook Inlet Basin Resource

1.5 trillion tons coal possible

200 Tcf CBM resource possible

Pioneer Unit acquired in 2001

Evergreen Expands Acreage in 2003

5 core holes drilled to test gas quality

Financial Overview

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\$200 Million Senior Subordinated Notes

Issuer:	Evergreen Resources, Inc.
Amount:	\$200 million
Form:	Senior Subordinated Notes
Distribution:	144A / Reg S offering (with registration rights)
Maturity:	8 Years (2012)
Mandatory Redemption:	Change of control put at 101%
Optional Redemption:	Non-callable for 4 years; 3-year equity claw back: 35% of issue at a premium of par plus coupon
Use of Proceeds:	Repay existing bank debt and general corporate purposes
Ratings:	Ba3 / BB-
Interest Rate:	5 7/8%, yield 6%

Hedging Position

Remaining Contract Period	Market	Volume in Mcf/day	Weighted Average \$/Mcf
Apr 04 Oct 04	Midcontinent	65,000	4.86
Apr 04 Dec 04	Midcontinent	50,000	4.20
Apr 04 Dec 04	Northwest Pipeline	3,000	4.33
Apr 04 Dec 04	AECO Canada	4,739	4.63
Oct 04	Midcontinent	10,000	5.79
Nov 04 Dec 04	Midcontinent	50,000	5.89
Jan 05 Dec 05	Midcontinent	100,000	5.14

Corporate Performance

Consistently Ranked as an Industry Leader in:

Low Finding and Development Costs

Reserve Per Share Growth

Production Per Share Growth

Recycle Ratio (Full Cycle Economics)

Historical Financial Performance

Net Income(1)

[CHART]

Funds From Operations(2)

[CHART]

(1) **2002 net income adjusted for after-tax impairment of international properties.**

(2) **Defined as cash flow from operations before changes in working capital.**

Components of Growth

Reserve Replacement

[CHART]

Finding and Development Costs(1), (2)

[CHART]

-
- (1) **Includes capital spending on gathering and compression system.**
 - (2) **2003 costs exclude \$33.4 million deferred tax gross-up associated with Carbon acquisition.**

Low cost Structure / High Profitability

Lease Operating Expenses

[CHART]

Efficiency Ratio(1)

[CHART]

(1) **Efficiency Ratio = Netback / F&D costs from all sources.**

Proven Reserves

(In Trillion Cubic Feet Equivalent)

[CHART]

* Includes Carbon Energy

2004 Drilling Program

Gross Wells Drilled	Q1 (a)	Q2 (e)	Q3 (e)	Q4 (e)	Total (e)
Raton Basin	47	64	52	37	200
Kansas	12	10	20	19	61
Piceance/Uintah	5	15	20	15	55
Canada	2	18	32	13	65
Total Wells	66	107	124	84	381
Total Wells w/o Kansas	54	97	104	65	320

2004 Capital Budget

(In Millions of Dollars)

	Q1a	Q2e	Q3e	Q4e	2004e
Raton Basin:					
Drilling and completion	\$ 15.2	\$ 14.2	\$ 11.9	\$ 8.5	\$ 49.8
Collection and compression	7.5	10.5	7.7	6.1	31.8
Equipment	1.8	3.8	1.4	0.3	7.3
Other costs	6.1	5.7	4.8	3.0	19.6
Total Raton Basin	\$ 30.6	\$ 34.2	\$ 25.8	\$ 17.9	\$ 108.5
Piceance/Uintah	2.6	12.6	15.0	4.5	34.7
Canada	7.3	13.3	6.7	6.5	33.8
Alaska & Others	\$ 2.7	1.7	1.0	1.0	6.4
Total Kansas costs	\$ 7.3	\$ 12.5	\$ 10.9	\$ 5.9	\$ 36.6
Total Capital Budget	\$ 50.5	\$ 74.3	\$ 59.4	\$ 35.8	\$ 220.0
Total Capital Budget w/o KS	\$ 43.2	\$ 61.8	\$ 48.5	\$ 29.9	\$ 183.4

Highlights

Nearly 100% of Proven Reserves and Production are Nat. Gas

Almost 100% Operated

Fully Integrated Operations and Services

Established Track Record of Predictable Reserve Growth

Large Inventory of Highly Prospective Future Drilling Locations

Raton Basin CBM only about 50% Drilled

Excellent Well Economics with Proven Low Cost Model

Expanding to Other Areas with Extensive Upside Potential

1000 s of Prospective Locations if Other Areas Successful

Predictable Performance and Growing Net Asset Value

Announced Merger with PXD Creates Corporate and Operating Synergies

The proposed merger will be submitted to each of Pioneer's and Evergreen's stockholders for their consideration, and Pioneer will file with the SEC a registration statement containing the joint proxy statement prospectus to be used by Pioneer to solicit approval of its stockholders to issue additional stock in the merger and to be used by Evergreen to solicit the approval of its stockholders for the proposed merger. Pioneer will also file other documents concerning the proposed merger. You are urged to read the registration statement and the joint proxy statement prospectus regarding the proposed merger when they become available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the joint proxy statement prospectus including the registration statement, as well as other filings containing information about Pioneer at the SEC's Internet Site (<http://www.sec.gov>). Copies of the joint proxy statement prospectus can also be obtained without charge, by directing a request to: Susan Spratlen; 5205 N. O'Connor Blvd, Suite 900, Irving, Texas 75039; 972-969-3583

Pioneer and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Pioneer in connection with the proposed merger. Evergreen and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Evergreen in connection with the proposed merger. Additional information regarding the interests of those participants may be obtained by reading the joint proxy statement prospectus regarding the proposed merger when it becomes available.

[GRAPHIC]

Recognized Leader in Coal Bed Methane
Technology & Development

EVERGREEN RESOURCES, INC.

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Legal Information

This filing contains forward-looking statements within the meaning of federal securities laws, including statements regarding, among other things, Evergreen's growth strategies; anticipated trends in Evergreen's business and its future results of operations; market conditions in the oil and gas industry; the ability of the company to make and integrate acquisitions; and the impact of government regulations. These forward-looking statements are based largely on Evergreen's expectations and are subject to a number of risks and uncertainties, many of which are beyond Evergreen's control. Actual results could differ materially from those implied by these forward-looking statements as a result of, among other things, a decline in natural gas production, a decline in natural gas prices, incorrect estimations of required capital expenditures, increases in the cost of drilling, completion and gas collection, an increase in the cost of production and operations, an inability to meet projections, and/or changes in general economic conditions. In light of these and other risks and uncertainties of which Evergreen may be unaware or which Evergreen currently deems immaterial, there can be no assurance that actual results will be as projected in the forward-looking statements. These and other risks and uncertainties are described in more detail in Evergreen's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

This filing also contains forward looking statements regarding Evergreen's proposed merger with a wholly owned subsidiary of Pioneer Natural Resources. Forward-looking statements relating to expectations about future results or events regarding the proposed merger are based upon information available to Evergreen as of today's date, and Evergreen does not assume any obligation to update any of these statements. The forward-looking statements are not guarantees of the future performance of Pioneer, Evergreen or the combined company, and actual results may vary materially from the results and expectations discussed. For instance, although Pioneer and Evergreen have signed an agreement for a subsidiary of Pioneer to merge with Evergreen, there is no assurance that they will complete the proposed merger. The merger agreement will terminate if the companies do not receive necessary approval of each of Pioneer's and Evergreen's stockholders or government approvals or fail to satisfy conditions to closing. Additional risks and uncertainties related to the proposed merger include, but are not limited to, conditions in the financial markets relevant to the proposed merger, the successful integration of Evergreen into Pioneer's business, and each company's ability to compete in the highly competitive oil and gas exploration and production industry. The revenues, earnings and business prospects of Pioneer, Evergreen and the combined company and their ability to achieve planned business objectives will be subject to a number of risks and uncertainties. These risks and uncertainties include, among other things, volatility of oil and gas prices, product supply and demand, competition, government regulation or action, foreign currency valuation changes, foreign government tax and regulation changes, litigation, the costs and results of drilling and operations, Pioneer's and Evergreen's ability to replace reserves, implement its business plans, or complete its development projects as scheduled, access to and cost of capital, uncertainties about estimates of reserves, quality of technical data, environmental and weather risks, acts of war or terrorism. These and other risks are identified from time to time in Pioneer's and Evergreen's SEC reports and public announcements.

The proposed merger of Evergreen with a wholly owned subsidiary of Pioneer will be submitted to each of Pioneer's and Evergreen's stockholders for their consideration, and Pioneer will file with the SEC a registration statement containing the joint proxy statement prospectus to be used by Pioneer to solicit approval of its stockholders to issue additional stock in the merger and to be used by Evergreen to solicit the approval of its

stockholders for the proposed merger. Pioneer and Evergreen will also file other documents concerning the proposed merger. You are urged to read the registration statement and the joint proxy statement prospectus regarding the proposed merger when they become available and any other relevant documents filed with the SEC, as well as any amendments or supplements to those documents, because they will contain important information. You will be able to obtain a free copy of the joint proxy statement prospectus including the registration statement, as well as other filings containing information about Evergreen at the SEC's Internet Site (<http://www.sec.gov>). Copies of the joint proxy statement prospectus can also be obtained, without charge, by directing a request to Evergreen Resources, Inc., John B. Kelso, 1401 17th Street, Suite 1200, Denver, Colorado 80202, or via telephone at 303-298-8100.

Evergreen and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Evergreen in connection with the proposed merger. Pioneer and its directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Pioneer in connection with the proposed merger. Additional information regarding the interests of those participants may be obtained by reading the joint proxy statement prospectus regarding the proposed merger when it becomes available.
