

Form 8-K/A for NEW CENTURY ENERGY CORP.

8-May-2006

Completion of Acquisition or Disposition of Assets, Creation of a Dire

ITEM 2.01. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS.

On November 1, 2005, New Century Energy Corp. (the "Company," "we," "us"), entered into a Purchase and Sale Agreement ("Agreement") with Mr. Gerald W. Green, the "Seller." Pursuant to the Agreement, we agreed to purchase certain interests in and to certain oil and gas leases which are located within and adjacent to the Lindholm-Hanson Gas Unit in the Wishbone Field in McMullen County, Texas, located 80 miles south of San Antonio, Texas (the "Unit"), for \$1,890,000, which we funded from our current cash flows and operations. The interests purchased total a 1.75% working interest and a 1.3125% net revenue interest in the leases (the "Interest"). On January 3, 2006, we closed the purchase of the Interest, and our total ownership of interests within the Lindholm-Hanson Gas Unit increased to a 15.20% working interest and a 12.2140% net revenue interest and our total ownership of the Lindholm fee #1 well, which is outside of the Unit includes a 12.10% working interest and an 8.9820% net revenue interest.

The effective date of the sale of the Seller's Interest is October 1, 2005 (the "Effective Date"). The closing date for the purchase was November 22, 2005, but was subsequently extended to January 3, 2006, through an Amendment to Purchase and Sale Agreement dated November 2, 2005 (the "Amendment" and the "Closing"). The Amendment also provided that we would equally share the net revenue of the Interest with the Seller for the month of October 2005; provided that we would wire Seller a deposit in the amount of 10% of the purchase price of the Interest, which deposit is refundable to us only in the event that Seller does not have clear title to the Interest at the time of closing; that we will be responsible for all Approval for Expenditures ("AFE") on the new proposed Lindholm-Hanson #9 well, which is planned to spud within thirty days of the Amendment; that any monies paid by Seller in connection with the #9 well prior to October 1, 2005, will be repaid to Seller by us; that we will be responsible for all AFE charges from the date of the Amendment for the workover on the #4 well; and that Seller shall be refunded for all unused and prepaid expenses with U.S. Enercorp, Ltd. for drilling the #11 and Fee #1 wells.

Additionally, under the Agreement, we agreed to assume all duties and obligations of the Seller, express and implied, with respect to the purchased Interest, including those arising under any lease, contract, agreement, document, permit, applicable law, statute or rule, regulation, or order of any governmental authority and defend, indemnify and hold Seller harmless from and pay or reimburse Seller for any and all claims in connection with the duties and obligations of Seller in connection with the ownership of the Interest, before or after the Effective Date, except (a) to the extent any such claim has been asserted against Seller prior to the Effective Date, (b) as set forth in the Agreement, or (c) any claim that is expressly assumed by Seller.

We also agreed to defend, indemnify and hold Seller harmless from and pay or reimburse Seller for any and all claims for damage to the environment, environmental cleanup, remediation or compliance, or for any other relief, arising directly or indirectly from or incident to the use, occupation, operation, maintenance or abandonment of any of the Interest, or condition of the Interest, whether latent or patent, including without limitation, contamination of the property or premises with Naturally Occurring Radioactive Materials ("NORM"), whether such claim was caused by Seller's negligence or strict liability, whether in law or equity, excluding Seller, Seller's agents, employees or contracts gross negligence or willful misconduct.

The Agreement called for certain assets to be excluded from the sale of the leases including:

A) All minute books, tax returns, partnership documents of Seller and their business records not related to the purchased interests;

B) All records that were (i) proprietary in nature, (ii) covered by the attorney-client privilege or work product doctrine, (iii) not readily severable from Seller's general records, or (iv) required by applicable law to be retained by Seller;

C) All rights and claims arising, occurring, or existing in Seller prior to the Effective Date including, but not limited to, any and all contract rights, claims penalties, receivables, revenues, recoupment rights, rights of reimbursement, audit rights, recovery rights (excepting gas imbalances), accounting adjustments, mispayments, erroneous payments or other claims of any nature relating solely to any time period prior to the Effective Date; and

D) Any claims, rights and interests of Seller or any of Seller's affiliates in and to any refunds of taxes or fees of any nature whatsoever which relate solely to and arise out of the period prior to the Effective Date.

All production of oil, gas and other minerals from the Interest prior to the Effective Date and all proceeds from the sale of such production remained the property of the Seller under the Agreement. All such production upon and after the Effective Date and all proceeds from the sale thereof (other than the one-half the net revenue interest from the Interest granted to Seller pursuant . . .

ITEM 2.03. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

Effective November 1, 2005, we entered into the Purchase and Sale Agreement with the Seller, as described above, and agreed to pay the Seller an aggregate of \$1,890,000, as described in greater detail above under "Item 2.01 Entry Into A Material Definitive Agreement."

ITEM 4.02. NON-RELIANCE ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS OR A RELATED AUDIT REPORT OR COMPLETED INTERIM REVIEW.

The Company had previously reported in Item 4.02 in its original 8-K filing and amendment number 1 to this original 8-K filing, that on November 3, 2005, our Chief Executive Officer and Chief Financial Officer, Edward R. DeStefano concluded that the Company's unaudited financial statements for the three months ended March 31, 2005, which are included in the Company's Form 10-QSB for the three months ended March 31, 2005, filed with the Commission on May 16, 2005, and the Company's unaudited financial statements for the three and six months ended June 30, 2005, which are included in the Company's Form 10-QSB for the quarter ended June 30, 2005, filed with the Commission on August 22, 2005, could no longer be relied upon and that the Company's audited financial statements for the year ended December 31, 2004, which were included in its Form 10-KSB for the fiscal year ended December 31, 2004, which was filed with the Commission on March 31, 2005, could no longer be relied upon.

In connection with the initial filing of a Registration Statement on Form SB-2 ("Form SB-2") on August 5, 2005, and in the customary course of SEC review of the Form SB-2 and other prior Company filings, the SEC issued a comment letter (the "Comment Letter") to the Company dated October 19, 2005. The Comment Letter included comments indicating that the Company's accounting for the secured convertible debt ("Convertible Note") was not in accordance with U.S. generally accepted accounting principles. Specifically, the Convertible Note was deemed to not meet the definition of a "conventional convertible note," and therefore, embedded derivatives included therein such as the Convertible Note feature, stock warrants and stock options issued to the lender, and certain other provisions, should

have been accounted for as derivative liabilities and not initially recorded as beneficial conversion features within stockholders' equity.

The Company is currently addressing the Comment Letter and has since filed its amended 2004 annual report on Form 10-KSB/A (filed with the Commission on December 7, 2005); and its amended 2005 first quarter report on Form 10-QSB/A (filed with the Commission on December 8, 2005), which contained restated financial information for the year ended December 31, 2004 and the quarter ended March 31, 2005, respectively. On December 2, 2005, the Company received another comment letter from the SEC, which revised in part, the previous guidance on accounting for the embedded derivatives on the Convertible Note. The Company utilized this revised guidance, together with the original guidance as still in effect, and filed its amended 2005 second quarter report on Form 10-QSB/A (filed with the Commission on December 20, 2005). On December 20, 2005, the Company filed its report on Form 10-QSB for the quarter ended September 30, 2005. On December 30, 2005, the Company filed a Form RW announcing its withdrawal of its Registration Statement on Form SB-2, so that it can address all prior SEC Comment Letters prior to moving forward. The Company is currently finalizing its formal response on all prior Comment Letters for submission to the SEC.

The Company believes that the restatements will be a one time occurrence and that moving forward its Controls and Procedures will once again be effective as the Company has received guidance from the SEC regarding its asset retirement obligation, which has been added to its restated financial statements in connection with the estimated future cost of plugging and abandonment of our oil and gas properties at the estimated end of their oil and gas producing lives; the Laurus Master Fund, Ltd. convertible note accounting involved a highly complex transaction involving an "unconventional" convertible note, and the Company does not anticipate entering into any additional complex financing transactions involving derivatives in the future; the Company is utilizing the guidelines communicated to us by the Commission after various communications regarding accounting for derivatives; the Company has, as of the December 31, 2004 fiscal year end added a certified public accountant to its accounting staff as well as additional outside certified public accountants to manage and review the Company's accounting issues.

ITEM 8.01. OTHER EVENTS.

We previously disclosed our November 4, 2005, Amendment Agreement with Laurus Master Fund, Ltd. ("Laurus") under this Item 8.01 "Other Events" in our Form 8-K filing, filed with the Commission on November 7, 2005, as well as Amendment No. 1 to this 8-K filing, filed with the Commission on December 6, 2005. As of the date of this Report, our Amendment Agreement with Laurus has been superseded by the Third Amendment Agreement entered into with Laurus on December 30, 2005, and the transactions related thereto, which are described in greater detail in our Report on Form 8-K filed with the Commission on January 4, 2006. As a result, the prior information regarding Laurus and our November 4, 2005 Amendment Agreement has been removed from this amended Form 8-K filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(A) FINANCIAL STATEMENTS OF THE LINDOLM-HANSON GAS UNIT ACQUISITION

Attached hereto as Exhibit 99.1.

(B) PRO FORMA FINANCIAL INFORMATION:

Attached hereto as Exhibit 99.2.

(C) EXHIBITS:

- 10.1(1) Securities Purchase Agreement
- 10.2(1) Secured Convertible Term Note
- 10.3(1) Common Stock Purchase Warrant
- 10.4(1) Master Security Agreement
- 10.5(1) Registration Rights Agreement
- 10.6(1) Option Agreement
- 10.7(2) September 2, 2005 Purchase and Sale Agreement
- 10.8(3) Securities Purchase Agreement
- 10.9(3) Secured Term Note
- 10.10(3) Reaffirmation and Ratification Agreement
- 10.11(3) Funds Escrow Agreement
- 10.12(3) Mortgage, Deed of Trust, Security Agreement,
Financing
Statement and Assignment of Production in Wharton
County,
Texas
- 10.13(3) Mortgage, Deed of Trust, Security Agreement,
Financing
Statement and Assignment of Production in McMullen
County,
Texas
- 10.14(3) Mortgage, Deed of Trust, Security Agreement,
Financing
Statement and Assignment of Production in Matagorda
County,
Texas

10.15(4) Purchase and Sale Agreement dated November 1, 2005 and exhibits

10.16(4) Amendment to Purchase and Sale Agreement dated November 2, 2005

10.17(4) Amendment Agreement to June 2005 Securities Purchase Agreement

99.1* Financial Statements of the Lindholm-Hanson Gas Unit

99.2* Pro Forma Financial Information

(1) Filed as exhibits to our Report on Form 8-K filed with the Commission on July 8, 2005, and incorporated herein by reference.

(2) Filed as exhibit 10.1 to our Report on Form 8-K filed with the Commission on September 7, 2005, and incorporated herein by reference.

(3) Filed as exhibits to our Report on Form 8-K filed with the Commission on September 21, 2005, and incorporated herein by reference.

(4) Filed as exhibits to our Report on Form 8-K filed with the Commission on November 7, 2005, and incorporated herein by reference.

* Filed herewith.