

CANO PETROLEUM, INC  
Form 8-K  
August 25, 2004

**UNITED STATES  
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 (Date of earliest event reported): **August 16, 2004**

**Cano Petroleum, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**000-50386**  
(Commission  
File Number)

**98-040164**  
(IRS Employer  
Identification No.)

**The Oil & Gas Commerce Building  
309 West 7th Street, Suite 1600  
Fort Worth, TX 76102**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(817) 698-0900**

## Edgar Filing: CANO PETROLEUM, INC - Form 8-K

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  
  - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  
  - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  
  - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 1.01 Entry into a Material Definitive Agreement**

On August 16, 2004, Cano Petroleum, Inc. (the Company) entered into a Purchase and Sale Agreement (the Purchase Agreement) with Cano Energy Corporation, a Texas corporation, whereby the Company increased its royalty interest by 10% to 65% in and to the oil, gas and mineral leasehold estates and personal property related such leasehold estates located in Lincoln County, Oklahoma covering approximately 2,178 acres (the Davenport Property). In consideration for the additional 10% royalty interest, the Company agreed to pay \$667,000.00 cash to Cano Energy Corporation as follows: (1) \$525,000 cash upon signing the Purchase Agreement; and (2) \$142,000 cash on or before October 16, 2004. Pursuant to the Purchase Agreement, Cano Energy Corporation assigned its rights to the 10% royalty interest to the Davenport Property to the Company. The assignment is effective as of October 1, 2004, at 12:00 a.m., Central Daylight Time (the Effective Time). For each day after October 16, 2004 that the total purchase price of \$667,000.00 is not paid to Cano Energy Corporation, the Effective Time shall be increased by one day.

The Company currently manages Cano Energy Corporation's accounting and records system (the System) and has agreed to correct all material defects to the System prior to September 1, 2004. The System shall be deemed free of material defects when Cano Energy Corporation's accounting software, OGAS, reports an accurate balance sheet, historical income statement and historical cash flow statement since inception for an August 31, 2004 report date. For each day after August 31, 2004 that the System retains material defects, the Effective Time shall be increased by one day. This adjustment to the Effective Date is in addition to any adjustments that are made to the Effective Date due to delays in payment of the purchase price under the Purchase Agreement.

**Item 9.01 Financial Statements and Exhibits.**

(c) Exhibits:

10.1 Purchase and Sale Agreement, dated August 16, 2004, by and between Cano Energy Corporation and Cano Petroleum, Inc.

**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 hereunto duly authorized.

Dated: August 25, 2004

**CANO PETROLEUM, INC.**

By: /s/ Michael Ricketts  
Michael Ricketts  
Chief Financial Officer