

WHITING PETROLEUM CORP
Form 10-Q
April 28, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended March 31, 2016

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 number: 001 31899

WHITING PETROLEUM CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

20 0098515
(I.R.S. Employer
Identification No.)

80290 2300

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1700 Broadway, Suite 2300

Denver, Colorado

(Address of principal executive offices) (Zip code)

(303) 837 1661

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has 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 for 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 check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of the Registrant's common stock outstanding at April 15, 2016: 204,385,177 shares.

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Glossary of Certain Definitions

Unless the context otherwise requires, the terms “we”, “us”, “our” or “ours” when used in this Quarterly Report on Form 10-Q refer to Whiting Petroleum Corporation, together with its consolidated subsidiaries. When the context requires, we refer to these entities separately.

We have included below the definitions for certain terms used in this report:

“Bbl” One stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to oil, NGLs and other liquid hydrocarbons.

“Bcf” One billion cubic feet, used in reference to natural gas or CO₂.

“BOE” One stock tank barrel of oil equivalent, computed on an approximate energy equivalent basis that one Bbl of crude oil equals six Mcf of natural gas and one Bbl of crude oil equals one Bbl of natural gas liquids.

“CO₂” Carbon dioxide.

“CO₂ flood” A tertiary recovery method in which CO₂ is injected into a reservoir to enhance hydrocarbon recovery.

“completion” The installation of permanent equipment for the production of crude oil or natural gas.

“costless collar” An option position where the proceeds from the sale of a call option at its inception fund the purchase of a put option at its inception.

“deterministic method” The method of estimating reserves or resources using a single value for each parameter (from the geoscience, engineering or economic data) in the reserves calculation.

“development well” A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

“differential” The difference between a benchmark price of oil and natural gas, such as the NYMEX crude oil spot price, and the wellhead price received.

“dry hole” A well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

“EOR” Enhanced oil recovery.

“exploratory well” A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir.

“FASB” Financial Accounting Standards Board.

“FASB ASC” The Financial Accounting Standards Board Accounting Standards Codification.

“field” An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms “structural feature” and “stratigraphic condition” are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas of interest, etc.

“GAAP” Generally accepted accounting principles in the United States of America.

“gross acres” or “gross wells” The total acres or wells, as the case may be, in which a working interest is owned.

“ISDA” International Swaps and Derivatives Association, Inc.

“lease operating expense” or “LOE” The expenses of lifting oil or gas from a producing formation to the surface, constituting part of the current operating expenses of a working interest, and also including labor, superintendence, supplies, repairs, short-lived assets,

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maintenance, allocated overhead costs and other expenses incidental to production, but not including lease acquisition or drilling or completion expenses.

“LIBOR” London interbank offered rate.

“MBbl” One thousand barrels of oil, NGLs or other liquid hydrocarbons.

“MBOE” One thousand BOE.

“MBOE/d” One MBOE per day.

“Mcf” One thousand cubic feet, used in reference to natural gas or CO₂.

“MMBbl” One million Bbl.

“MMBOE” One million BOE.

“MMcf” One million cubic feet, used in reference to natural gas or CO₂.

“MMcf/d” One MMcf per day.

“net acres” or “net wells” The sum of the fractional working interests owned in gross acres or wells, as the case may be.

“net production” The total production attributable to our fractional working interest owned.

“NGL” Natural gas liquid.

“NYMEX” The New York Mercantile Exchange.

“plug-and-perf technology” A horizontal well completion technique in which hydraulic fractures are performed in multiple stages, with each stage utilizing a bridge plug to divert fracture stimulation fluids through the casing perforations into the formation within that stage.

“plugging and abandonment” Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of most states require plugging of abandoned wells.

“prospect” A property on which indications of oil or gas have been identified based on available seismic and geological information.

“proved developed reserves” Proved reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well.

“proved reserves” Those reserves which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations—prior to the time at which contracts

providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced, or the operator must be reasonably certain that it will commence the project, within a reasonable time.

The area of the reservoir considered as proved includes all of the following:

- a. The area identified by drilling and limited by fluid contacts, if any, and
- b. Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

Reserves that can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when both of the following occur:

- a. Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based, and

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b. The project has been approved for development by all necessary parties and entities, including governmental entities.

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period before the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

“reasonable certainty” If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical and geochemical) engineering, and economic data are made to estimated ultimate recovery with time, reasonably certain estimated ultimate recovery is much more likely to increase or remain constant than to decrease.

“reserves” Estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

“reservoir” A porous and permeable underground formation containing a natural accumulation of producible crude oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

“royalty” The amount or fee paid to the owner of mineral rights, expressed as a percentage or fraction of gross income from crude oil or natural gas produced and sold, unencumbered by expenses relating to the drilling, completing or operating of the affected well.

“SEC” The United States Securities and Exchange Commission.

“working interest” The interest in a crude oil and natural gas property (normally a leasehold interest) that gives the owner the right to drill, produce and conduct operations on the property and to a share of production, subject to all royalties, overriding royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

“workover” Operations on a producing well to restore or increase production.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

WHITING PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share and per share data)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,061	\$ 16,053
Accounts receivable trade, net	261,728	332,428
Derivative assets	127,794	158,729
Prepaid expenses and other	28,923	27,980
Total current assets	419,506	535,190
Property and equipment:		
Oil and gas properties, successful efforts method	14,128,284	13,904,525
Other property and equipment	165,686	168,277
Total property and equipment	14,293,970	14,072,802
Less accumulated depreciation, depletion and amortization	(3,625,294)	(3,323,102)
Total property and equipment, net	10,668,676	10,749,700
Other long-term assets	93,055	104,195
TOTAL ASSETS	\$ 11,181,237	\$ 11,389,085
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable trade	\$ 77,170	\$ 77,276
Accrued capital expenditures	79,356	94,105
Revenues and royalties payable	124,133	179,601
Accrued interest	51,528	62,661
Accrued lease operating expenses	47,596	55,291
Accrued liabilities and other	60,708	50,261
Taxes payable	41,925	47,789
Accrued employee compensation and benefits	8,766	32,829
Total current liabilities	491,182	599,813
Long-term debt	5,334,595	5,197,704

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Deferred income taxes	528,624	593,792
Asset retirement obligations	153,019	155,550
Deferred gain on sale	44,963	48,974
Other long-term liabilities	36,154	34,664
Total liabilities	6,588,537	6,630,497
Commitments and contingencies		
Equity:		
Common stock, \$0.001 par value, 300,000,000 shares authorized; 209,701,542 issued and 204,385,177 outstanding as of March 31, 2016 and 206,441,303 issued and 204,147,647 outstanding as of December 31, 2015	210	206
Additional paid-in capital	4,665,734	4,659,868
Retained earnings (accumulated deficit)	(81,218)	90,530
Total Whiting shareholders' equity	4,584,726	4,750,604
Noncontrolling interest	7,974	7,984
Total equity	4,592,700	4,758,588
TOTAL LIABILITIES AND EQUITY	\$ 11,181,237	\$ 11,389,085

See notes to consolidated financial statements.

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WHITING PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(in thousands, except per share data)

	Three Months Ended March 31,	
	2016	2015
REVENUES AND OTHER INCOME:		
Oil, NGL and natural gas sales	\$ 289,697	\$ 519,848
Gain (loss) on sale of properties	(1,934)	3,198
Amortization of deferred gain on sale	3,849	5,836
Interest income and other	395	350
Total revenues and other income	292,007	529,232
COSTS AND EXPENSES:		
Lease operating expenses	114,376	166,365
Production taxes	25,927	44,378
Depreciation, depletion and amortization	312,292	283,519
Exploration and impairment	35,491	80,924
General and administrative	44,796	43,980
Interest expense	81,907	74,257
(Gain) loss on extinguishment of debt	(90,619)	5,589
Derivative (gain) loss, net	4,761	(9,851)
Total costs and expenses	528,931	689,161
LOSS BEFORE INCOME TAXES	(236,924)	(159,929)
INCOME TAX EXPENSE (BENEFIT):		
Current	3	149
Deferred	(65,169)	(53,950)
Total income tax benefit	(65,166)	(53,801)
NET LOSS	(171,758)	(106,128)
Net loss attributable to noncontrolling interests	10	17
NET LOSS AVAILABLE TO COMMON SHAREHOLDERS	\$ (171,748)	\$ (106,111)