

WHITING PETROLEUM CORP
Form 10-Q
May 05, 2008

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, 2008

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.)

1700 Broadway, Suite 2300
Denver Colorado
(Address of principal
executive offices)

80290-2300
(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

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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 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, 2008: 42,318,634 shares.

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CERTAIN DEFINITIONS

Unless the context otherwise requires, the terms “we,” “us,” “our” or “ours” when used in this report refer to Whiting Petroleum Corporation, together with its consolidated operating 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 and other liquid hydrocarbons.

“Bcf” One billion cubic feet of natural gas.

“Bcfe” One billion cubic feet of natural gas equivalent.

“BOE” One stock tank barrel equivalent of oil, calculated by converting natural gas volumes to equivalent oil barrels at a ratio of six Mcf to one Bbl of oil.

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

“Mbbbl” One thousand barrels of oil or other liquid hydrocarbons.

“MBOE” One thousand BOE.

“MBOE/d” One thousand BOE per day.

“Mcf” One thousand cubic feet of natural gas.

“Mcfе” One thousand cubic feet of natural gas equivalent.

“MMbbbl” One million barrels of oil or other liquid hydrocarbons.

“MMBOE” One million BOE.

“MMbtu” One million British Thermal Units.

“MMcf” One million cubic feet of natural gas.

“MMcfе” One million cubic feet of natural gas equivalent.

“NGLs” Natural gas liquids.

“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 many states require plugging of abandoned wells.

“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 share in production, subject to all royalties, overriding royalties and other burdens and to share in all costs of exploration, development, operations and

all risks in connection therewith.

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (Unaudited)

WHITING PETROLEUM CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(In thousands)

	March 31, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,730	\$ 14,778
Accounts receivable trade, net	139,124	110,437
Deferred income taxes	27,128	27,720
Prepaid expenses and other	19,599	9,232
Total current assets	192,581	162,167
PROPERTY AND EQUIPMENT:		
Oil and gas properties, successful efforts method:		
Proved properties	3,373,584	3,313,777
Unproved properties	54,833	55,084
Other property and equipment	43,590	37,778
Total property and equipment	3,472,007	3,406,639
Less accumulated depreciation, depletion and amortization	(663,134)	(646,943)
Oil and gas properties held for sale, net	93,322	-
Total property and equipment, net	2,902,195	2,759,696
DEBT ISSUANCE COSTS	13,944	15,016
OTHER LONG-TERM ASSETS	18,402	15,132
TOTAL	\$ 3,127,122	\$ 2,952,011

See notes to condensed consolidated financial statements.

(Continued)

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WHITING PETROLEUM CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
 (In thousands, except share and per share data)

	March 31, 2008	December 31, 2007
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 33,951	\$ 19,280
Accrued capital expenditures	77,939	59,441
Accrued liabilities	23,227	29,098
Accrued interest	20,097	11,240
Oil and gas sales payable	30,182	26,205
Accrued employee compensation and benefits	7,622	21,081
Production taxes payable	14,857	12,936
Current portion of tax sharing liability	2,587	2,587
Current portion of derivative liability	71,197	72,796
Total current liabilities	281,659	254,664
NON-CURRENT LIABILITIES:		
Long-term debt	909,998	868,248
Asset retirement obligations	36,279	35,883
Production Participation Plan liability	40,199	34,042
Tax sharing liability	23,381	23,070
Deferred income taxes	277,723	242,964
Other long-term liabilities	2,273	2,314
Liabilities associated with oil and gas properties held for sale	1,674	-
Total non-current liabilities	1,291,527	1,206,521
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.001 par value; 75,000,000 shares authorized, 42,581,316 and 42,480,497 shares issued as of March 31, 2008 and December 31, 2007, respectively	43	42
Additional paid-in capital	968,648	968,876
Accumulated other comprehensive loss	(45,093)	(46,116)
Retained earnings	630,338	568,024
Total stockholders' equity	1,553,936	1,490,826
TOTAL	\$ 3,127,122	\$ 2,952,011

See notes to condensed consolidated financial statements.

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WHITING PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In thousands, except per share data)

	Three Months Ended March 31,	
	2008	2007
REVENUES AND OTHER INCOME:		
Oil and natural gas sales	\$ 286,731	\$ 159,714
Loss on oil and natural gas hedging activities	(22,912)	-
Interest income and other	231	209
Total revenues and other income	264,050	159,923
COSTS AND EXPENSES:		
Lease operating	55,706	49,057
Production taxes	17,686	9,612
Depreciation, depletion and amortization	50,511	44,571
Exploration and impairment	10,984	9,176
General and administrative	11,615	8,285
Change in Production Participation Plan liability	6,157	2,092
Interest expense	15,546	19,497
Unrealized derivative (gain) loss	(2,937)	1,114
Total costs and expenses	165,268	143,404
INCOME BEFORE INCOME TAXES	98,782	16,519
INCOME TAX EXPENSE:		
Current	1,709	626
Deferred	34,759	5,227
Total income tax expense	36,468	5,853
NET INCOME	\$ 62,314	\$ 10,666
NET INCOME PER COMMON SHARE, BASIC AND DILUTED	\$ 1.47	\$ 0.29
WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC	42,272	36,771
WEIGHTED AVERAGE SHARES OUTSTANDING, DILUTED	42,406	36,861

See notes to condensed consolidated financial statements.

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WHITING PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 62,314	\$ 10,666
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	50,511	44,571
Deferred income taxes	34,759	5,227
Amortization of debt issuance costs and debt discount	1,217	1,276
Accretion of tax sharing liability	311	380
Stock-based compensation	1,432	1,119
Unproved leasehold and oil and gas property impairments	2,572	2,316
Change in Production Participation Plan liability	6,157	2,092
Unrealized derivative (gain) loss	(2,937)	1,114
Other non-current	(3,316)	(1,558)
Changes in current assets and liabilities:		
Accounts receivable trade	(28,687)	7,637
Prepaid expenses and other	(10,287)	(3,060)
Accounts payable and accrued liabilities	8,771	(953)
Accrued interest	8,857	11,563
Other current liabilities	(9,221)	(20,029)
Net cash provided by operating activities	122,453	62,361
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash acquisition capital expenditures	(9,747)	(16,718)
Drilling and development capital expenditures	(160,988)	(109,402)
Proceeds from sale of oil and gas properties	234	1,281
Net cash used in investing activities	(170,501)	(124,839)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term borrowings under credit agreement	130,000	100,000
Repayments of long-term borrowings under credit agreement	(90,000)	(40,000)
Tax effect from restricted stock vesting	-	294
Net cash provided by financing activities	40,000	60,294
NET CHANGE IN CASH AND CASH EQUIVALENTS	(8,048)	(2,184)
CASH AND CASH EQUIVALENTS:		
Beginning of period	14,778	10,372
End of period	\$ 6,730	\$ 8,188
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash (refunded) paid for income taxes	\$ (3)	\$ (73)
Cash paid for interest	\$ 5,161	\$ 6,279