

WHITING PETROLEUM CORP  
Form 10-Q  
April 27, 2012

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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, 2012

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 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

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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, 2012: 117,617,777 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 report 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 and other liquid hydrocarbons.

“Bcf” One billion cubic feet of natural gas.

“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.

“EBITDAX” Earnings before interest, income taxes, depreciation, depletion, amortization and exploration expense.

“FASB” Financial Accounting Standards Board.

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

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

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

“MBOE” One thousand BOE.

“MBOE/d” One MBOE per day.

“Mcf” One thousand cubic feet of natural gas.

“MMBbl” One million Bbl.

“MMBOE” One million BOE.

“MMBtu” One million British Thermal Units.

“MMcf” One million cubic feet of natural gas.

“MMcf/d” One MMcf per day.

“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.

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“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
- 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.

“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 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.

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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, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,825	\$ 15,811
Accounts receivable trade, net	293,863	262,515
Prepaid expenses and other	24,691	20,377
Total current assets	328,379	298,703
Property and equipment:		
Oil and gas properties, successful efforts method:		
Proved properties	7,335,250	7,221,550
Unproved properties	372,473	354,774
Other property and equipment	148,524	150,933
Total property and equipment	7,856,247	7,727,257
Less accumulated depreciation, depletion and amortization	(2,070,259 )	(2,088,517 )
Total property and equipment, net	5,785,988	5,638,740
Debt issuance costs	31,504	33,306
Other long-term assets	73,784	74,860
<b>TOTAL ASSETS</b>	<b>\$ 6,219,655</b>	<b>\$ 6,045,609</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable trade	\$ 93,969	\$ 56,673
Accrued capital expenditures	121,969	142,827
Accrued liabilities and other	169,915	157,214
Revenues and royalties payable	119,567	103,894
Taxes payable	36,113	31,195
Derivative liabilities	87,960	73,647
Deferred income taxes	4,855	1,584
Total current liabilities	634,348	567,034
Long-term debt	1,240,000	1,380,000
Deferred income taxes	877,530	823,643
Derivative liabilities	43,646	47,763
Production Participation Plan liability	81,594	80,659
Asset retirement obligations	54,988	61,984
Deferred gain on sale	135,971	29,619
Other long-term liabilities	26,396	25,776
Total liabilities	3,094,473	3,016,478
Commitments and contingencies		
Equity:		

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Preferred stock, \$0.001 par value, 5,000,000 shares authorized; 6.25% convertible perpetual preferred stock, 172,391 shares issued and outstanding as of March 31, 2012 and December 31, 2011, aggregate liquidation preference of \$17,239,100 at March 31, 2012	-	-
Common stock, \$0.001 par value, 300,000,000 shares authorized; 118,565,350 issued and 117,617,777 outstanding as of March 31, 2012, 118,105,279 issued and 117,380,884 outstanding as of December 31, 2011	119	118
Additional paid-in capital	1,552,808	1,554,223
Accumulated other comprehensive income (loss)	(472 )	240
Retained earnings	1,564,477	1,466,276
Total Whiting shareholders' equity	3,116,932	3,020,857
Noncontrolling interest	8,250	8,274
Total equity	3,125,182	3,029,131
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 6,219,655</b>	<b>\$ 6,045,609</b>

See notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2012	2011
<b>REVENUES AND OTHER INCOME:</b>		
Oil and natural gas sales	\$ 558,697	\$ 425,683
Gain on hedging activities	1,127	3,063
Amortization of deferred gain on sale	3,753	3,367
Interest income and other	129	108
Total revenues and other income	563,706	432,221
<b>COSTS AND EXPENSES:</b>		
Lease operating	94,790	71,522
Production taxes	44,611	31,644
Depreciation, depletion and amortization	156,120	107,728
Exploration and impairment	27,578	22,237
General and administrative	34,368	18,413
Interest expense	18,456	14,458
Change in Production Participation Plan liability	935	(443 )
Commodity derivative loss, net	29,403	134,438
Total costs and expenses	406,261	399,997
<b>INCOME BEFORE INCOME TAXES</b>	<b>157,445</b>	<b>32,224</b>
<b>INCOME TAX EXPENSE:</b>		
Current	1,426	2,050
Deferred	57,573	10,760
Total income tax expense	58,999	12,810
<b>NET INCOME</b>	<b>98,446</b>	<b>19,414</b>
Net loss attributable to noncontrolling interest	24	-
<b>NET INCOME AVAILABLE TO SHAREHOLDERS</b>	<b>98,470</b>	<b>19,414</b>
Preferred stock dividends	(269 )	(270 )
<b>NET INCOME AVAILABLE TO COMMON SHAREHOLDERS</b>	<b>\$ 98,201</b>	<b>\$ 19,144</b>
<b>EARNINGS PER COMMON SHARE:</b>		
Basic	\$ 0.84	\$ 0.16
Diluted	\$ 0.83	\$ 0.16
<b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>		
Basic	117,517	117,243
Diluted	118,896	117,834

See notes to consolidated financial statements.





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WHITING PETROLEUM CORPORATION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)  
(In thousands)

	Three Months Ended March 31,	
	2012	2011
NET INCOME	\$ 98,446	\$ 19,414
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
OCI amortization on de-designated hedges(1)	(712 )	(1,934 )
Total other comprehensive loss, net of tax	(712 )	(1,934 )
COMPREHENSIVE INCOME	97,734	17,480
Comprehensive loss attributable to noncontrolling interest	24	-
COMPREHENSIVE INCOME ATTRIBUTABLE TO WHITING	\$ 97,758	\$ 17,480

(1) Presented net of income tax expense of \$415 and \$1,130 for the three months ended March 31, 2012 and 2011, respectively.

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

	Three Months Ended March 31,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 98,446	\$ 19,414
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	156,120	107,728
Deferred income tax expense	57,573	10,760
Amortization of debt issuance costs and debt discount	2,340	2,127
Stock-based compensation	4,243	3,164
Amortization of deferred gain on sale	(3,753 )	(3,367 )
Undeveloped leasehold and oil and gas property impairments	17,834	7,638
Exploratory dry hole costs	251	2,902
Change in Production Participation Plan liability	935	(443 )
Unrealized loss on derivative contracts	14,546	123,545
Other non-current	(5,853 )	(815 )
Changes in current assets and liabilities:		
Accounts receivable trade	(31,348 )	(44,303 )
Prepaid expenses and other	(5,431 )	(7,861 )
Accounts payable trade and accrued liabilities	26,498	3,708
Revenues and royalties payable	15,673	(6,534 )
Taxes payable	4,918	(3,608 )
Net cash provided by operating activities		