WHITING PETROLEUM CORP
Form 10-Q
July 30, 2015
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 June 30, 2015

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

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 July 15, 2015: 204,142,725 shares.

TABLE OF CONTENTS

Table of Contents

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 CO_2.

“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.

“CO_2” Carbon dioxide.

“CO_2 flood” A tertiary recovery method in which CO_2 is injected into a reservoir to enhance hydrocarbon recovery.

“completion” The installation of permanent equipment for the production of crude oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

“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, 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. Generally, an exploratory well is any well that is not a development well, an extension well, a service well or a stratigraphic test well.

“extension well” A well drilled to extend the limits of a known 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, 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.

“MBbl/d” One MBbl per day.

“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.

“MMBtu” One million British Thermal Units.

“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 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:

2

Table of Contents

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.

"proved undeveloped reserves" or "PUDs" Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances. Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless specific circumstances justify a longer time. Under no circumstances shall estimates of proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

"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.

"recompletion" An operation whereby a completion in one zone is abandoned in order to attempt a completion in a different zone within the existing wellbore.

"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.

“royalty interest” An interest in an oil or natural gas property entitling the owner to shares of the crude oil or natural gas production free of costs of exploration, development and production operations.

“SEC” The United States Securities and Exchange Commission.

“service well” A service well is a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane, CO_2 or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation or injection for in-situ combustion.

“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.

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

WHITING PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share and per share data)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 60,154	$ 78,100
Accounts receivable trade, net	454,506	543,172
Derivative assets	32,076	135,577
Prepaid expenses and other	50,598	86,150
Total current assets	597,334	842,999
Property and equipment:		
Oil and gas properties, successful efforts method	15,698,099	14,949,702
Other property and equipment	292,125	276,582
Total property and equipment	15,990,224	15,226,284
Less accumulated depreciation, depletion and amortization	(3,388,964)	(3,083,572)
Total property and equipment, net	12,601,260	12,142,712
Goodwill	875,676	875,676
Debt issuance costs	80,058	53,274
Other long-term assets	59,594	104,843
TOTAL ASSETS	$ 14,213,922	$ 14,019,504
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable trade	$ 89,557	$ 62,664
Accrued capital expenditures	189,404	429,970
Revenues and royalties payable	223,871	254,018
Current portion of Production Participation Plan liability	-	113,391
Accrued liabilities and other	148,343	169,193
Taxes payable	65,019	63,822
Accrued interest	67,791	67,913
Deferred income taxes	18,886	47,545

Total current liabilities	802,871	1,208,516
Long-term debt	5,245,354	5,628,782
Deferred income taxes	1,216,022	1,230,630
Asset retirement obligations	146,079	167,741
Deferred gain on sale	55,453	60,305
Other long-term liabilities	40,312	20,486
Total liabilities	7,506,091	8,316,460
Commitments and contingencies		
Equity:		
Common stock, $0.001 par value, 300,000,000 shares authorized; 206,472,261 issued and 204,142,725 outstanding as of June 30, 2015 and 168,346,020 issued and 166,889,152 outstanding as of December 31, 2014	206	168
Additional paid-in capital	4,645,266	3,385,094
Retained earnings	2,054,327	2,309,712
Total Whiting shareholders' equity	6,699,799	5,694,974
Noncontrolling interest	8,032	8,070
Total equity	6,707,831	5,703,044
TOTAL LIABILITIES AND EQUITY	$ 14,213,922	$ 14,019,504

See notes to consolidated financial statements.

4

Table of Contents

WHITING PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
REVENUES AND OTHER INCOME:				
Oil, NGL and natural gas sales	$ 650,527	$ 825,760	$ 1,170,375	$ 1,547,010
Gain (loss) on sale of properties	(64,776)	1,796	(61,578)	12,355
Amortization of deferred gain on sale	3,738	7,473	9,574	15,217
Interest income and other	520	593	870	1,289
Total revenues and other income	590,009	835,622	1,119,241	1,575,871
COSTS AND EXPENSES:				
Lease operating	143,375	118,361	309,740	233,147
Production taxes	56,729	68,857	101,107	128,887
Depreciation, depletion and amortization	322,411	268,509	605,930	503,774
Exploration and impairment	57,557	31,512	138,481	73,619
General and administrative	44,987	35,555	88,967	67,889
Interest expense	89,176	39,045	163,433	81,189
Loss on early extinguishment of debt	45	-	5,634	-
Change in Production Participation Plan liability	-	(3,636)	-	-
Commodity derivative loss, net	102,419	26,076	92,568	50,611
Total costs and expenses	816,699	584,279	1,505,860	1,139,116
INCOME (LOSS) BEFORE INCOME TAXES	(226,690)	251,343	(386,619)	436,755
INCOME TAX EXPENSE (BENEFIT):				
Current	(84)	7,355	65	8,355
Deferred	(77,311)	92,562	(131,261)	167,923
Total income tax expense (benefit)	(77,395)	99,917	(131,196)	176,278
NET INCOME (LOSS)	(149,295)	151,426	(255,423)	260,477
Net loss attributable to noncontrolling interests	21	18	38	36

NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ (149,274)	$ 151,444	$ (255,385)	$ 260,513
EARNINGS (LOSS) PER COMMON SHARE:				
Basic	$ (0.73)	$ 1.27	$ (1.37)	$ 2.19
Diluted	$ (0.73)	$ 1.26	$ (1.37)	$ 2.17
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	204,130	118,968	186,657	118,946
Diluted	204,130	120,027	186,657	120,045

See notes to consolidated financial statements.

5

Table of Contents

WHITING PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Six Months Ended June 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (255,423)	$ 260,477
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	605,930	503,774
Deferred income tax expense (benefit)	(131,261)	167,923
Amortization of debt issuance costs, debt discount and debt premium	19,828	7,342
Stock-based compensation	13,481	11,046
Amortization of deferred gain on sale	(9,574)	(15,217)
(Gain) loss on sale of properties	61,578	(12,355)
Undeveloped leasehold and oil and gas property impairments	51,553	36,031
Exploratory dry hole costs	799	3,622
Loss on early extinguishment of debt	5,634	-
Non-cash portion of derivative losses	184,395	44,744
Other, net	(3,130)	(3,205)
Changes in current assets and liabilities:		
Accounts receivable trade, net	88,666	(123,297)
Prepaid expense and other	35,245	(13,633)
Accounts payable trade and accrued liabilities	(110,635)	(10,628)
Revenues and royalties payable	(30,147)	15,589
Taxes payable	1,197	19,453
Net cash provided by operating activities	528,136	891,666
CASH FLOWS FROM INVESTING ACTIVITIES:		
Drilling and development capital expenditures	(1,727,396)	(1,326,080)
Acquisition of oil and gas properties	(20,402)	(44,519)
Other property and equipment	(8,727)	(34,675)
Proceeds from sale of oil and gas properties	311,628	83,152
Net cash used in investing activities	(1,444,897)	(1,322,122)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	1,111,148	-
Issuance of 1.25% Convertible Senior Notes due 2020	1,250,000	-
Issuance of 6.25% Senior Notes due 2023	750,000	-
Partial redemption of 8.125% Senior Notes due 2019	(2,475)	-
Redemption of 5.5% Senior Notes due 2021	(353,500)	-
Redemption of 5.5% Senior Notes due 2022	(404,000)	-

Borrowings under credit agreement	2,000,000	100,000
Repayments of borrowings under credit agreement	(3,400,000)	(100,000)
Repayment of tax sharing liability	-	(26,373)
Debt and equity issuance costs	(54,295)	(4,461)
Restricted stock used for tax withholdings	(1,111)	(11,340)
Proceeds from stock options exercised	3,048	253
Net cash provided by (used in) financing activities	898,815	(41,921)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,946)	(472,377)
CASH AND CASH EQUIVALENTS:		
Beginning of period	78,100	699,460
End of period	$ 60,154	$ 227,083
NONCASH INVESTING ACTIVITIES:		
Accrued capital expenditures related to property additions	$ 189,404	$ 216,076

See notes to consolidated financial statements.

6

Table of Contents

WHITING PETROLEUM CORPORATION

CONSOLIDATED STATEMENTS OF EQUITY (unaudited)

(in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Whiting Shareholders' Equity	Noncontrolling Interest	Total Equity
BALANCES-January 1, 2014	120,102	$ 120	$ 1,583,542	$ 2,244,905	$ 3,828,567	$ 8,132	$ 3,836,699
Net income (loss)	-	-	-	260,513	260,513	(36)	260,477
Exercise of stock options	5	-	253	-	253	-	253
Restricted stock issued	908	1	(1)	-	-	-	-
Restricted stock forfeited	(381)	(1)	1	-	-	-	-
Restricted stock used for tax withholdings	(191)	-	(11,340)	-	(11,340)	-	(11,340)
Stock-based compensation	-	-	11,046	-	11,046	-	11,046
BALANCES-June 30, 2014	120,443	$ 120	$ 1,583,501	$ 2,505,418	$ 4,089,039	$ 8,096	$ 4,097,135
BALANCES-January 1, 2015	168,346	$ 168	$ 3,385,094	$ 2,309,712	$ 5,694,974	$ 8,070	$ 5,703,044
Net loss	-	-	-	(255,385)	(255,385)	(38)	(255,423)
Issuance of common stock	37,000	37	1,100,000	-	1,100,037	-	1,100,037
Equity component of Convertible Senior Notes, net	-	-	144,755	-	144,755	-	144,755
Exercise of stock options	149	-	3,048	-	3,048	-	3,048
Restricted stock issued	1,209	1	(1)	-	-	-	-
Restricted stock forfeited	(194)	-	-	-	-	-	-
Restricted stock used for tax withholdings	(38)	-	(1,111)	-	(1,111)	-	(1,111)
Stock-based compensation	-	-	13,481	-	13,481	-	13,481
BALANCES-June 30, 2015	206,472	$ 206	$ 4,645,266	$ 2,054,327	$ 6,699,799	$ 8,032	$ 6,707,831

See notes to consolidated financial statements.

Table of Contents

WHITING PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. BASIS OF PRESENTATION

Description of Operations—Whiting Petroleum Corporation, a Delaware corporation, is an independent oil and gas company engaged in the exploration, development, acquisition and production of crude oil, NGLs and natural gas primarily in the Rocky Mountains and Permian Basin regions of the United States. Unless otherwise specified or the context otherwise requires, all references in these notes to “Whiting” or the “Company” are to Whiting Petroleum Corporation and its consolidated subsidiaries, Whiting Oil and Gas Corporation (“Whiting Oil and Gas”), Whiting US Holding Company, Whiting Canadian Holding Company ULC (formerly Kodiak Oil & Gas Corp., “Kodiak”), Whiting Resources Corporation (formerly Kodiak Oil & Gas (USA) Inc.) and Whiting Programs, Inc.

Consolidated Financial Statements—The unaudited consolidated financial statements include the accounts of Whiting Petroleum Corporation, its consolidated subsidiaries and Whiting’s pro rata share of the accounts of Whiting USA Trust I (“Trust I”) pursuant to Whiting’s 15.8% ownership interest in Trust I. On January 28, 2015, the net profits interest that Whiting conveyed to Trust I terminated as a result of 9.11 MMBOE (which amount is equivalent to 8.20 MMBOE attributable to the 90% net profits interest) having been produced and sold from the underlying properties. Upon termination, the net profits interest in the underlying properties reverted back to Whiting. Investments in entities which give Whiting significant influence, but not control, over the investee are accounted for using the equity method. Under the equity method, investments are stated at cost plus the Company’s equity in undistributed earnings and losses. All intercompany balances and transactions have been eliminated upon consolidation. These financial statements have been prepared in accordance with GAAP for interim financial reporting. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal recurring accruals and adjustments) necessary to present fairly, in all material respects, the Company’s interim results. However, operating results for the periods presented are not necessarily indicative of the results that may be expected for the full year. The consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q should be read in conjunction with Whiting’s consolidated financial statements and related notes included in the Company’s 2014 Annual Report on Form 10-K. Except as disclosed herein, there have been no material changes to the information disclosed in the notes to the consolidated financial statements included in the Company’s 2014 Annual Report on Form 10 K.

Earnings Per Share—Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings per common share is calculated by dividing adjusted net income available to common shareholders by the weighted average number of diluted common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted earnings per share calculations consist of unvested restricted stock awards, outstanding stock options and contingently issuable shares of convertible debt, all using the treasury stock method. In the computation of diluted earnings per share, excess tax benefits that would be created upon the assumed vesting of unvested restricted shares or the assumed exercise of stock options (i.e. hypothetical excess tax benefits) are included in the assumed proceeds component of the treasury stock method to the extent that such excess tax benefits are more likely than not to be realized. In addition, to the extent the conversion value of the convertible debt exceeds the aggregate principal amount of the notes, such conversion spread is included in the diluted earnings per share computation under the treasury stock method. When a loss from continuing operations exists, all potentially dilutive securities are anti-dilutive and are therefore excluded from the computation of diluted earnings per share.

2. OIL AND GAS PROPERTIES

Net capitalized costs related to the Company's oil and gas producing activities at June 30, 2015 and December 31, 2014 are as follows (in thousands):

	June 30, 2015	December 31, 2014
Proved leasehold costs	$ 3,541,574	$ 3,637,026
Unproved leasehold costs	974,256	1,232,040
Costs of completed wells and facilities	10,645,009	9,319,808
Wells and facilities in progress	537,260	760,828
Total oil and gas properties, successful efforts method	15,698,099	14,949,702
Accumulated depletion	(3,303,361)	(3,003,270)
Oil and gas properties, net	$ 12,394,738	$ 11,946,432

3. ACQUISITIONS AND DIVESTITURES

2015 Acquisitions

There were no significant acquisitions during the six months ended June 30, 2015.

2015 Divestitures

In June 2015, the Company completed the sale of its interests in certain producing oil and gas wells, effective June 1, 2015, for a total purchase price of $185 million (subject to post-closing adjustments) and resulting in a pre-tax loss on sale of $95 million. The properties included over 2,000 gross wells in 134 fields across 10 states.

In April 2015, the Company completed the sale of its interests in certain producing oil and gas wells, effective May 1, 2015, for a purchase price of $108 million (subject to post-closing adjustments) and resulting in a pre-tax gain on sale of $31 million. The properties are located in 187 fields across 14 states, and predominately consist of assets that were previously included in the underlying properties of Whiting USA Trust I.

2014 Acquisitions

On December 8, 2014, the Company completed the acquisition of Kodiak Oil & Gas Corp. (now known as Whiting Canadian Holding Company ULC, “Kodiak”), whereby Whiting acquired all of the outstanding common stock of Kodiak (the “Kodiak Acquisition”). Pursuant to the terms of the Kodiak Acquisition agreement, Kodiak shareholders received 0.177 of a share of Whiting common stock in exchange for each share of Kodiak common stock they owned. Total consideration for the Kodiak Acquisition was $1.8 billion, consisting of 47,546,139 Whiting common shares issued at the market price of $37.25 per share on the date of issuance plus the fair value of Kodiak’s outstanding equity awards assumed by Whiting. The aggregate purchase price of the transaction was $4.3 billion, which included the assumption of Kodiak’s outstanding debt of $2.5 billion as of December 8, 2014 and the net cash acquired of $19 million.

Kodiak was an independent energy company focused on exploration and production of crude oil and natural gas reserves, primarily in the Williston Basin region of the United States. As a result of the Kodiak Acquisition, Whiting acquired approximately 327,000 gross (178,000 net) acres located primarily in North Dakota, including interests in 778 producing oil and gas wells and undeveloped acreage. Approximately 10,000 of the net acres acquired were located in Wyoming and Colorado.

The Kodiak Acquisition was accounted for using the acquisition method of accounting for business combinations. The allocation of the purchase price is based upon management’s estimates and assumptions related to the fair value of assets acquired and liabilities assumed on the acquisition date using currently available information. Transaction costs relating to the Kodiak Acquisition were expensed as incurred. The initial accounting for the Kodiak Acquisition is preliminary, and adjustments to provisional amounts (such as goodwill, certain accrued receivables and liabilities, and their related deferred taxes) or recognition of additional assets acquired or liabilities assumed, may occur as additional information is obtained about facts and circumstances that existed as of the acquisition date.

The consideration transferred, preliminary fair value of assets acquired and liabilities assumed, and the resulting goodwill as of the acquisition date are as follows (in thousands):

Consideration:	
Fair value of Whiting’s common stock issued (1)	$ 1,771,094
Fair value of Kodiak restricted stock units assumed by Whiting (2)	9,596
Fair value of Kodiak options assumed by Whiting	7,523
Total consideration	$ 1,788,213
Fair value of liabilities assumed:	
Accounts payable trade	$ 18,390
Accrued capital expenditures	104,509
Revenues and royalties payable	57,423
Accrued liabilities and other	45,695
Taxes payable	12,676
Accrued interest	18,070
Current deferred tax liability	30,279

Table of Contents

Long-term debt		2,500,875
Asset retirement obligations		8,646
Other long-term liabilities		15,735
Amount attributable to liabilities assumed	$	2,812,298
Fair value of assets acquired:		
Cash and cash equivalents	$	18,879
Accounts receivable trade, net		219,654
Derivative assets		85,718
Prepaid expenses and other		8,624
Oil and gas properties, successful efforts method:		
Proved properties		2,266,607
Unproved properties		1,000,396
Other property and equipment		11,347
Long-term deferred tax asset		107,497
Other long-term assets		6,113
Amount attributable to assets acquired	$	3,724,835
Goodwill	$	875,676

(1) 47,546,139 shares of Whiting common stock at $37.25 per share (closing price as of December 5, 2014) based on Kodiak's 268,622,497 common shares outstanding at closing.
(2) 257,601 shares of Whiting common stock issued at $37.25 per share (closing price as of December 5, 2014) based on Kodiak's 1,455,409 restricted stock units held by employees as of December 8, 2014.

Goodwill recognized as a result of the Kodiak Acquisition totaled $876 million, none of which is deductible for income tax purposes. Goodwill is primarily attributable to the operational and financial synergies expected to be realized from the acquisition, including the employment of optimized completion techniques on Kodiak's undrilled acreage which will improve hydrocarbon recovery, the realization of savings in drilling and well completion costs, the accelerated development of Kodiak's asset base, and the acquisition of experienced oil and gas technical personnel.

2014 Divestitures

In March 2014, the Company completed the sale of approximately 49,900 gross (41,000 net) acres in its Big Tex prospect, which consisted mainly of undeveloped acreage as well as its interests in certain producing oil and gas wells, located in the Delaware Basin of Texas for a cash purchase price of $76 million resulting in a pre-tax gain on sale of $12 million.

4. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2015 and December 31, 2014 (in thousands):

	June 30,	December 31,

	2015	2014
Credit agreement	$ -	$ 1,400,000
6.5% Senior Subordinated Notes due 2018	350,000	350,000
5% Senior Notes due 2019	1,100,000	1,100,000
8.125% Senior Notes due 2019, including unamortized debt premium of $21,663 and $23,742, respectively	819,213	823,742
1.25% Convertible Senior Notes due 2020, including unamortized debt discount of $226,699	1,023,301	-
5.75% Senior Notes due 2021, including unamortized debt premium of $2,840 and $3,180, respectively	1,202,840	1,203,180
5.5% Senior Notes due 2021, including unamortized debt premium of $867	-	350,867
5.5% Senior Notes due 2022, including unamortized debt premium of $993	-	400,993
6.25% Senior Notes due 2023	750,000	-
Total debt	$ 5,245,354	$ 5,628,782

Table of Contents

Credit Agreement—Whiting Oil and Gas, the Company's wholly-owned subsidiary, has a credit agreement with a syndicate of banks that as of June 30, 2015 had a borrowing base of $4.5 billion, with aggregate commitments of $3.5 billion. In April 2015, the Company entered into an amendment to its credit agreement to reaffirm the existing borrowing base in connection with the May 1, 2015 regular redetermination, as well as to modify certain financial covenants contained in the agreement. The Company may increase the maximum aggregate amount of commitments under the credit agreement up to the $4.5 billion borrowing base if certain conditions are satisfied, including the consent of lenders participating in the increase. As of June 30, 2015, the Company had $3.5 billion of available borrowing capacity, which was net of $5 million in letters of credit with no borrowings outstanding.

The borrowing base under the credit agreement is determined at the discretion of the lenders, based on the collateral value of the Company's proved reserves that have been mortgaged to such lenders, and is subject to regular redeterminations on May 1 and November 1 of each year, as well as special redeterminations described in the credit agreement, in each case which may reduce the amount of the borrowing base. Upon a redetermination of the borrowing base, either on a periodic or special redetermination date, if borrowings in excess of the revised borrowing capacity were outstanding, the Company could be forced to immediately repay a portion of its debt outstanding under the credit agreement.

A portion of the revolving credit facility in an aggregate amount not to exceed $100 million may be used to issue letters of credit for the account of Whiting Oil and Gas or other designated subsidiaries of the Company. As of June 30, 2015, $95 million was available for additional letters of credit under the agreement.

The credit agreement provides for interest only payments until December 2019, when the credit agreement expires and all outstanding borrowings are due. Interest under the revolving credit facility accrues at the Company's option at either (i) a base rate for a base rate loan plus the margin in the table below, where the base rate is defined as the greatest of the prime rate, the federal funds rate plus 0.5% per annum, or an adjusted LIBOR rate plus 1.0% per annum, or (ii) an adjusted LIBOR rate for a Eurodollar loan plus the margin in the table below. Additionally, the Company also incurs commitment fees as set forth in the table below on the unused portion of the aggregate commitments of the lenders under the revolving credit facility, which are included as a component of interest expense.

Ratio of Outstanding Borrowings to Borrowing Base	Applicable Margin for Base Rate Loans	Applicable Margin for Eurodollar Loans	Commitment Fee
Less than 0.25 to 1.0	0.50%	1.50%	0.375%
Greater than or equal to 0.25 to 1.0 but less than 0.50 to 1.0	0.75%	1.75%	0.375%
Greater than or equal to 0.50 to 1.0 but less than 0.75 to 1.0	1.00%	2.00%	0.50%
Greater than or equal to 0.75 to 1.0 but less than 0.90 to 1.0	1.25%	2.25%	0.50%
Greater than or equal to 0.90 to 1.0	1.50%	2.50%	0.50%

The credit agreement contains restrictive covenants that may limit the Company's ability to, among other things, incur additional indebtedness, sell assets, make loans to others, make investments, enter into mergers, enter into hedging contracts, incur liens and engage in certain other transactions without the prior consent of its lenders. Except for limited exceptions, the credit agreement also restricts the Company's ability to make any dividend payments or distributions on its common stock. These restrictions apply to all of the net assets of the subsidiaries. As of June 30, 2015, total restricted net assets were $6.5 billion, and there were no retained earnings free from restrictions. The credit agreement requires the Company, as of the last day of any quarter, (i) to have a consolidated current assets to consolidated current liabilities ratio (as defined in the credit agreement and which includes an add back of the available borrowing capacity under the credit agreement) of not less than 1.0 to 1.0 and (ii) to not exceed a total senior secured debt to the last four quarters' EBITDAX ratio (as defined in the credit agreement) of 2.5 to 1.0 until the earlier of (a) January 1, 2017 or (b) the commencement of an investment-grade debt rating period as described below, and to not exceed a total debt to EBITDAX ratio (as defined in the credit agreement) of 4.0 to 1.0 thereafter. The Company was in compliance with its covenants under the credit agreement as of June 30, 2015.

Under the terms of the credit agreement, at any time during which Whiting has an investment-grade debt rating from Moody's Investors Service, Inc. or Standard & Poor's Ratings Group and Whiting has elected, at its discretion, to effect an investment-grade rating period, (i) certain security requirements, including the borrowing base requirement, and restrictive covenants will cease to apply, (ii) certain other restrictive covenants will become less restrictive, (iii) an additional financial covenant will be imposed, and (iv) the interest rate margin applicable to all revolving borrowings as well as the commitment fee with respect to the revolving facility will be based upon the Company's debt rating rather than the ratio of outstanding borrowings to the borrowing base.

The obligations of Whiting Oil and Gas under the credit agreement are secured by a first lien on substantially all of Whiting Oil and Gas' and Whiting Resource Corporation's properties included in the borrowing base for the credit agreement. The Company has guaranteed the obligations of Whiting Oil and Gas under the credit agreement and has pledged the stock of its subsidiaries as security for its guarantee.

Senior Notes and Senior Subordinated Notes—In September 2010, the Company issued at par $350 million of 6.5% Senior Subordinated Notes due October 2018 (the "2018 Senior Subordinated Notes"). The estimated fair value of these notes was $353 million and $345 million as of June 30, 2015 and December 31, 2014, respectively, based on quoted market prices for this debt security, and such fair value is therefore designated as Level 1 within the valuation hierarchy.

In September 2013, the Company issued at par $1.1 billion of 5% Senior Notes due March 2019 (the "2019 Senior Notes") and $800 million of 5.75% Senior Notes due March 2021, and issued at 101% of par an additional $400 million of 5.75% Senior Notes due March 2021 (collectively, the "2021 Senior Notes"). The estimated fair value of the 2019 Senior Notes was $1.1 billion and $1.0 billion as of June 30, 2015 and December 31, 2014, respectively. The estimated fair value of the 2021 Senior Notes was $1.2 billion and $1.1 billion as of June 30, 2015 and December 31, 2014, respectively. These fair values are based on quoted market prices for these debt securities, and such fair values are therefore designated as Level 1 within the valuation hierarchy.

Kodiak Senior Notes. In conjunction with the Kodiak Acquisition, Whiting US Holding Company, a wholly-owned subsidiary of the Company, became a co-issuer of Kodiak's $800 million of 8.125% Senior Notes due December 2019 (the "2019 Kodiak Notes"), $350 million of 5.5% Senior Notes due January 2021 (the "2021 Kodiak Notes"), and $400 million of 5.5% Senior Notes due February 2022 (the "2022 Kodiak Notes" and together with the 2019 Kodiak Notes and the 2021 Kodiak Notes, the "Kodiak Notes"). The Kodiak Notes were recorded at their fair values of $824 million, $351 million and $401 million, respectively, on December 8, 2014, the closing date of the acquisition.

Upon closing of the Kodiak Acquisition, the indentures under which the Kodiak Notes were issued (the "Kodiak Indentures") were amended to (i) modify certain covenants and restrictions, (ii) provide for unconditional and irrevocable guarantees by Whiting Petroleum Corporation and Whiting Oil and Gas of the prompt payment, when due, of any amounts owed under the Kodiak Notes and the Kodiak Indentures, and (iii) allow Whiting US Holding Company to become a co-issuer of the Kodiak Notes. Also in conjunction with the Kodiak Acquisition, in December 2014, each of the indentures governing the Company's 2019 Senior Notes, 2021 Senior Notes and 2018 Senior Subordinated Notes were amended to include Whiting US Holding Company, Kodiak and Whiting Resources Corporation as guarantors. Shortly after closing, the Kodiak Notes were deregistered in accordance with the Securities Exchange Act of 1934, and accordingly, the Company is exempt from the reporting requirements under Rule 3-10 of Regulation S-X of the SEC with respect to the Kodiak Notes.

Repurchase of Kodiak Notes. On January 7, 2015, as required under the Kodiak Indentures upon a change in control of Kodiak, Whiting offered to repurchase at 101% of par all $1,550 million principal amount of Kodiak Notes then outstanding. On March 6, 2015, Whiting paid $760 million to repurchase $2 million aggregate principal amount of the 2019 Kodiak Notes, $346 million aggregate principal amount of the 2021 Kodiak Notes and $399 million aggregate principal amount of the 2022 Kodiak Notes, which payment consisted of the 101% redemption price and all accrued and unpaid interest on such notes. On May 1, 2015, Whiting paid $5 million to repurchase the remaining $4 million aggregate principal amount of the 2021 Kodiak Notes and $1 million aggregate principal amount of the 2022 Kodiak Notes, which payment consisted of the 101% redemption price and all accrued and unpaid interest on such notes. The Company financed the repurchases with borrowings under its revolving credit facility. As a result of the repurchases, Whiting recognized a $6 million loss on early extinguishment of debt, which consisted of an $8 million cash charge related to the redemption premium on the Kodiak Notes, partially offset by a $2 million non-cash credit related to the acceleration of unamortized debt premiums on such notes.

The remaining debt premium on the 2019 Kodiak Notes is being amortized as a reduction to interest expense over the life of the notes. The estimated fair value of the 2019 Kodiak Notes was $839 million and $812 million as of June 30, 2015 and December 31, 2014, respectively, based on quoted market prices for this debt security, and such fair value is therefore designated as Level 1 within the valuation hierarchy.

Issuance of Senior Notes. In March 2015, the Company issued at par $750 million of 6.25% Senior Notes due April 2023 (the “2023 Senior Notes” and together with the 2019 Senior Notes and 2021 Senior Notes, the “Whiting Senior Notes”). The Company used the net proceeds from this issuance to repay a portion of the debt outstanding under its credit agreement. The estimated fair value of the 2023 Senior Notes was $743 million as of June 30, 2015. The fair value is based on quoted market prices for this debt security, and such fair value is therefore designated as Level 1 within the valuation hierarchy.

Convertible Senior Notes—In March 2015, the Company issued at par $1,250 million of 1.25% Convertible Senior Notes due April 2020 (the “Convertible Senior Notes”) for net proceeds of $1.2 billion, net of initial purchasers’ fees of $25 million. The Company used the net proceeds from this issuance to repay a portion of the debt outstanding under its credit agreement. The notes will mature on April 1, 2020 unless earlier converted in accordance with their terms.

Table of Contents

The Company has the option to settle conversions of these notes with cash, shares of common stock or a combination of cash and common stock at its election. The Company's intent is to settle the principal amount of the Convertible Senior Notes in cash upon conversion. Prior to January 1, 2020, the Convertible Senior Notes will be convertible only under the following circumstances: (i) during any calendar quarter commencing after the calendar quarter ending on June 30, 2015 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of the Convertible Senior Notes for each trading day of the measurement period is less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events. On or after January 1, 2020, the Convertible Senior Notes will be convertible at any time until the second scheduled trading day immediately preceding the April 1, 2020 maturity date of the notes. The notes will be convertible at an initial conversion rate of 25.6410 shares of Whiting's common stock per $1,000 principal amount of the notes, which is equivalent to an initial conversion price of approximately $39.00. The conversion rate will be subject to adjustment in some events. In addition, following certain corporate events that occur prior to the maturity date, the Company will increase, in certain circumstances, the conversion rate for a holder who elects to convert its Convertible Senior Notes in connection with such corporate event. As of June 30, 2015, none of the contingent conditions allowing holders of the Convertible Senior Notes to convert these notes had been met.

Upon issuance, the Company separately accounted for the liability and equity components of the Convertible Senior Notes. The liability component was recorded at the estimated fair value of a similar debt instrument without the conversion feature. The difference between the principal amount of the Convertible Senior Notes and the estimated fair value of the liability component was recorded as a debt discount and will be amortized to interest expense over the term of the notes using the effective interest method, with an effective interest rate of 5.61% per annum. The fair value of the Convertible Senior Notes as of the issuance date was estimated at $1.0 billion, resulting in a debt discount at inception of $238 million. The equity component, representing the value of the conversion option, was computed by deducting the fair value of the liability component from the initial proceeds of the Convertible Senior Notes issuance. This equity component was recorded, net of deferred taxes and issuance costs, in additional paid-in capital within shareholders' equity, and will not be remeasured as long as it continues to meet the conditions for equity classification.

Transaction costs related to the Convertible Senior Notes issuance were allocated to the liability and equity components based on their relative fair values. Issuance costs attributable to the liability component were recorded within debt issuance costs on the consolidated balance sheet and are being amortized to expense over the term of the notes using the effective interest method. Issuance costs attributable to the equity component were recorded as a charge to additional paid-in capital within shareholders' equity.

The Convertible Senior Notes consist of the following at June 30, 2015 (in thousands):

Liability component:	
Principal	$ 1,250,000
Less: note discount	(226,699)

Net carrying value	$ 1,023,301
Equity component (1)	$ 237,500

(1) Recorded in additional paid-in capital, net of $5 million of issuance costs and $88 million of deferred taxes.
The estimated fair value of the Convertible Senior Notes was $1.4 billion as of June 30, 2015. The fair value is based on quoted market prices for this debt security, and such fair value is therefore designated as Level 1 within the valuation hierarchy.

Interest expense recognized on the Convertible Senior Notes related to the stated interest rate and amortization of the debt discount totaled $14 million and $15 million for the three and six months ended June 30, 2015, respectively.

The Whiting Senior Notes and the Convertible Senior Notes are unsecured obligations of Whiting Petroleum Corporation and the 2019 Kodiak Notes are unsecured obligations of Whiting US Holding Company, and these unsecured obligations are subordinated to all of the Company's secured indebtedness, which consists of Whiting Oil and Gas' credit agreement. The 2018 Senior Subordinated Notes are also unsecured obligations of Whiting Petroleum Corporation and are subordinated to all of the Company's senior debt, which currently consists of the Whiting Senior Notes, the Convertible Senior Notes, the 2019 Kodiak Notes and Whiting Oil and Gas' credit agreement.

The Company's obligations under the 2018 Senior Subordinated Notes, the Whiting Senior Notes and the Convertible Senior Notes are fully and unconditionally guaranteed by the Company's wholly-owned subsidiaries, Whiting Oil and Gas, Whiting US Holding

Table of Contents

Company, Whiting Canadian Holding Company ULC and Whiting Resources Corporation (the "Guarantors"). Any subsidiaries other than these Guarantors are minor subsidiaries as defined by Rule 3-10(h)(6) of Regulation S X of the SEC. Whiting Petroleum Corporation has no assets or operations independent of this debt and its investments in its consolidated subsidiaries.

5. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations represent the present value of estimated future costs associated with the plugging and abandonment of oil and gas wells, removal of equipment and facilities from leased acreage, and land restoration (including removal of certain onshore and offshore facilities in California) in accordance with applicable local, state and federal laws. The Company follows FASB ASC Topic 410, Asset Retirement and Environmental Obligations, to determine its asset retirement obligation amounts by calculating the present value of the estimated future cash outflows associated with its plug and abandonment obligations. The current portions at June 30, 2015 and December 31, 2014 were $7 million and $12 million, respectively, and have been included in accrued liabilities and other. Revisions to the liability typically occur due to changes in estimated abandonment costs or well economic lives, or if federal or state regulators enact new requirements regarding the abandonment of wells. The following table provides a reconciliation of the Company's asset retirement obligations for the six months ended June 30, 2015 (in thousands):

Asset retirement obligation at January 1, 2015	$	179,931
Additional liability incurred		8,374
Revisions to estimated cash flows		3,165
Accretion expense		12,485
Obligations on sold properties		(50,968)
Liabilities settled		86
Asset retirement obligation at June 30, 2015	$	153,073

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risks relating to its ongoing business operations, and Whiting uses derivative instruments to manage its commodity price risk. Whiting follows FASB ASC Topic 815, Derivatives and Hedging, to account for its derivative financial instruments.

Commodity Derivative Contracts—Historically, prices received for crude oil and natural gas production have been volatile because of seasonal weather patterns, supply and demand factors, worldwide political factors and general economic conditions. Whiting enters into derivative contracts such as costless collars, swaps and crude oil sales and delivery contracts to achieve a more predictable cash flow by reducing its exposure to commodity price volatility. Commodity derivative contracts are thereby used to ensure adequate cash flow to fund the Company's capital programs and to manage returns on acquisitions and drilling programs. The Company does not enter into derivative contracts for speculative or trading purposes.

Crude Oil Costless Collars and Swaps. Costless collars are designed to establish floor and ceiling prices on anticipated future oil or gas production, while swaps are designed to establish a fixed price for anticipated future oil or gas production. While the use of these derivative instruments limits the downside risk of adverse price movements, they may also limit future revenues from favorable price movements.

The table below details the Company's costless collar and swap derivatives entered into to hedge forecasted crude oil production revenues as of July 1, 2015.

Whiting Petroleum Corporation

Derivative Instrument	Period	Contracted Crude Oil Volumes (Bbl)	Weighted Average NYMEX Price Collar Ranges for Crude Oil (per Bbl)
Three-way collars (1)	Jul - Dec 2015	8,700,000	\$44.48 - \$54.83 - \$70.54
	Jan - Dec 2016	16,800,000	\$43.75 - \$53.75 - \$74.40
Collars	Jul - Dec 2015	1,255,200	\$51.06 - \$57.37
	Jan - Dec 2016	3,000,000	\$51.00 - \$63.48
	Jan - Dec 2017	3,000,000	\$53.00 - \$70.44
Swaps	Jul - Dec 2015	1,531,170	\$76.41
	Total	34,286,370	

Table of Contents

(1) A three-way collar is a combination of options: a sold call, a purchased put and a sold put. The sold call establishes a maximum price (ceiling) Whiting will receive for the volumes under contract. The purchased put establishes a minimum price (floor), unless the market price falls below the sold put (sub-floor), at which point the minimum price would be NYMEX plus the difference between the purchased put and the sold put strike price.

Crude Oil Sales and Delivery Contract. The Company has a long-term crude oil sales and delivery contract for oil volumes produced from its Redtail field in Colorado. Under the terms of the agreement, Whiting has committed to deliver certain fixed volumes of crude oil through 2020. The Company determined that it was not probable that future oil production from its Redtail field would be sufficient to meet the minimum volume requirement specified in this contract, and accordingly, that the Company would not settle this contract through physical delivery of crude oil volumes. As a result, Whiting determined that this contract would not qualify for the "normal purchase normal sale" exclusion and has therefore reflected the contract at fair value in the consolidated financial statements. As of June 30, 2015, the estimated fair value of this derivative contract was a liability of $8 million.

Embedded Commodity Derivative Contract—In May 2011, Whiting entered into a long-term contract to purchase CO_2 for use in its EOR project that is being carried out at its North Ward Estes field in Texas. This contract contained a price adjustment clause that was linked to changes in NYMEX crude oil prices. The Company had determined that the portion of this contract linked to NYMEX oil prices was not clearly and closely related to the host contract, and the Company therefore bifurcated this embedded pricing feature from its host contract and reflected it at fair value in the consolidated financial statements. This contract has been terminated.

Derivative Instrument Reporting—All derivative instruments are recorded in the consolidated financial statements at fair value, other than derivative instruments that meet the "normal purchase normal sale" exclusion. The following table summarizes the effects of commodity derivative instruments on the consolidated statements of income for the three and six months ended June 30, 2015 and 2014 (in thousands):

		Loss Recognized in Income Six Months Ended June 30,	
Not Designated as ASC 815 Hedges	Income Statement Classification	2015	2014
Commodity contracts	Commodity derivative loss, net	$ 92,568	$ 27,491
Embedded commodity contracts	Commodity derivative loss, net	-	23,120
Total		$ 92,568	$ 50,611

		Loss Recognized in Income Three Months Ended June 30,	
Not Designated as			

ASC 815 Hedges	Income Statement Classification	2015	2014
Commodity contracts	Commodity derivative loss, net	$ 102,419	$ 17,304
Embedded commodity contracts	Commodity derivative loss, net	-	8,772
Total		$ 102,419	$ 26,076

Offsetting of Derivative Assets and Liabilities. The Company typically has numerous hedge positions with each individual financial derivative counterparty that span a several-month time period and that typically result in both fair value asset and liability positions held with that counterparty. These positions are all offset to a single fair value asset or liability amount at the end of each reporting period. The Company nets its financial derivative instrument fair value amounts executed with the same counterparty pursuant to ISDA master agreements, which provide for net settlement over the term of the contract and in the event of default or termination of the contract. The following tables summarize the location and fair value amounts of all derivative instruments in the consolidated balance sheets, as well as the gross recognized derivative assets, liabilities and amounts offset in the consolidated balance sheets (in thousands):

Table of Contents

Not Designated as ASC 815 Hedges	Balance Sheet Classification	June 30, 2015 (1) Gross Recognized Assets/ Liabilities	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
Derivative assets:				
Commodity contracts - current	Derivative assets	$ 91,419	$ (59,343)	$ 32,076
Commodity contracts - non-current	Other long-term assets	52,155	(52,136)	19
Total derivative assets		$ 143,574	$ (111,479)	$ 32,095
Derivative liabilities:				
Commodity contracts - current	Accrued liabilities and other	$ 74,481	$ (59,343)	$ 15,138
Commodity contracts - non-current	Other long-term liabilities	72,453	(52,136)	20,317
Total derivative liabilities		$ 146,934	$ (111,479)	$ 35,455

Not Designated as ASC 815 Hedges	Balance Sheet Classification	December 31, 2014 (1) Gross Recognized Assets/ Liabilities	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
Derivative assets:				
Commodity contracts - current	Derivative assets	$ 154,329	$ (18,752)	$ 135,577
Commodity contracts - non-current	Other long-term assets	45,459	-	45,459
Total derivative assets		$ 199,788	$ (18,752)	$ 181,036
Derivative liabilities:				
Commodity contracts - current	Accrued liabilities and other	$ 18,752	$ (18,752)	$ -
Total derivative liabilities		$ 18,752	$ (18,752)	$ -

(1) Because counterparties to the Company's financial derivative contracts are lenders under Whiting Oil and Gas' credit agreement, which eliminates its need to post or receive collateral associated with its derivative positions, columns for cash collateral pledged or received have not been presented in the tables above.

Contingent Features in Financial Derivative Instruments. None of the Company's derivative instruments contain credit-risk-related contingent features. Counterparties to the Company's financial derivative contracts are high credit-quality financial institutions that are lenders under Whiting's credit agreement. The Company uses only credit agreement participants to hedge with, since these institutions are secured equally with the holders of Whiting's bank debt, which eliminates the potential need to post collateral when Whiting is in a derivative liability position. As a result, the Company is not required to post letters of credit or corporate guarantees for its derivative counterparties in order to secure contract performance obligations.

7. FAIR VALUE MEASUREMENTS

Cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates their fair value because of the short-term maturity of these instruments. The Company’s credit agreement has a recorded value that approximates its fair value since its variable interest rate is tied to current market rates. The Company’s Senior Notes (including the Kodiak Notes), Convertible Senior Notes and Senior Subordinated Notes are recorded at cost, and the fair values of these instruments are included in the Long-Term Debt footnote. The Company’s derivative financial instruments are recorded at fair value and include a measure of the Company’s own nonperformance risk or that of its counterparties, as appropriate.

The Company follows FASB ASC Topic 820, Fair Value Measurement and Disclosure, which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

- Level 1: Quoted Prices in Active Markets for Identical Assets – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Table of Contents

- Level 2: Significant Other Observable Inputs – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Significant Unobservable Inputs – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. The Company reflects transfers between the three levels at the beginning of the reporting period in which the availability of observable inputs no longer justifies classification in the original level.

The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014, and indicate the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair values (in thousands):

	Level 1	Level 2	Level 3	Total Fair Value June 30, 2015
Financial Assets				
Commodity derivatives – current	$ -	$ 32,076	$ -	$ 32,076
Commodity derivatives – non-current	-	19	-	19
Total financial assets	$ -	$ 32,095	$ -	$ 32,095
Financial Liabilities				
Commodity derivatives – current	$ -	$ 13,399	$ 1,739	$ 15,138
Commodity derivatives – non-current	-	14,515	5,802	20,317
Total financial liabilities	$ -	$ 27,914	$ 7,541	$ 35,455

	Level 1	Level 2	Level 3	Total Fair Value December 31, 2014
Financial Assets				
Commodity derivatives – current	$ -	$ 127,506	$ 8,071	$ 135,577
Commodity derivatives – non-current	-	-	45,459	45,459
Total financial assets	$ -	$ 127,506	$ 53,530	$ 181,036

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the tables above:

Commodity Derivatives. Commodity derivative instruments consist mainly of costless collars and swap contracts for crude oil. The Company's costless collars and swaps are valued based on an income approach. Both the option and swap models consider various assumptions, such as quoted forward prices for commodities, time value and volatility factors. These assumptions are observable in the marketplace throughout the full term of the contract, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace, and are therefore designated as Level 2 within the valuation hierarchy. The discount rates used in the fair values of these instruments include a measure of either the Company’s or the counterparty’s nonperformance risk, as appropriate. The Company utilizes its counterparties’ valuations to assess the reasonableness of its own valuations.

In addition, the Company has a long-term crude oil sales and delivery contract, whereby it has committed to deliver certain fixed volumes of crude oil through 2020. Whiting has determined that the contract did not meet the “normal purchase normal sale” exclusion, and has therefore reflected this contract at fair value in its consolidated financial statements. This commodity derivative was valued based on an income approach, which considers various assumptions, including quoted forward prices for commodities, market differentials for crude oil, U.S. Treasury rates and either the Company’s or the counterparty’s nonperformance risk, as appropriate.

The assumptions used in the valuation of the crude oil sales and delivery contract included certain market differential metrics that were unobservable during the term of the contract. Such unobservable inputs were significant to the contract valuation methodology, and the contract’s fair value was therefore designated as Level 3 within the valuation hierarchy.

Table of Contents

Embedded Commodity Derivatives. The Company had a long-term CO2 purchase contract, which had a price adjustment clause linked to changes in NYMEX crude oil prices. Whiting determined that the portion of this contract linked to NYMEX oil prices was not clearly and closely related to its corresponding host contract, and the Company therefore bifurcated this embedded pricing feature from the host contract and reflected it at fair value in its consolidated financial statements. The assumptions used in the CO2 contract valuation, which was based on the income approach, included certain oil price metrics that were unobservable during the term of the contract. Such unobservable oil price inputs were significant to the CO2 contract valuation methodology, and the contract's fair value was therefore designated as Level 3 within the valuation hierarchy. The Company terminated this CO2 purchase contract, and its embedded derivative had a fair value of zero as of December 31, 2014.

Level 3 Fair Value Measurements. A third-party valuation specialist is utilized to determine the fair value of the commodity derivative instruments designated as Level 3. The Company reviews these valuations (including the related model inputs and assumptions) and analyzes changes in fair value measurements between periods. The Company corroborates such inputs, calculations and fair value changes using various methodologies, and reviews unobservable inputs for reasonableness utilizing relevant information from other published sources.

The following table presents a reconciliation of changes in the fair value of financial assets or liabilities designated as Level 3 in the valuation hierarchy for the three and six months ended June 30, 2015 and 2014 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Fair value asset, beginning of period	$ 35,786	$ 22,068	$ 53,530	$ 36,416
Unrealized losses on commodity derivative contracts included in earnings (1)	(43,327)	(8,772)	(61,071)	(23,120)
Transfers into (out of) Level 3	-	-	-	-
Fair value asset (liability), end of period	$ (7,541)	$ 13,296	$ (7,541)	$ 13,296

(1) Included in commodity derivative loss in the consolidated statements of income.

Quantitative Information About Level 3 Fair Value Measurements. The significant unobservable inputs used in the fair value measurement of the Company's commodity derivative contract designated as Level 3 are as follows:

	Fair Value at June 30, 2015 (in thousands)	Valuation Technique	Unobservable Input	Amount (per Bbl)
Commodity derivative contract	($7,541)	Income approach	Market differential for crude oil	$5.18

Sensitivity to Changes In Significant Unobservable Inputs. As presented above, the significant unobservable inputs used in the fair value measurement of Whiting's commodity derivative contract are the market differentials for crude oil over the term of the contract. Significant increases or decreases in these unobservable inputs in isolation would result in a significantly higher or lower, respectively, fair value liability measurement.

Nonrecurring Fair Value Measurements. The Company applies the provisions of the fair value measurement standard to its nonrecurring, non-financial measurements, including proved oil and gas property impairments. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. The Company did not recognize any impairment write-downs with respect to its proved oil and gas or CO2 properties during the 2015 or 2014 reporting periods presented.

8. DEFERRED COMPENSATION

Production Participation Plan—The Company had a Production Participation Plan (the “Plan”) in which all employees participated. On June 11, 2014, the Board of Directors of the Company terminated the Plan effective December 31, 2013. Prior to Plan termination, interests in oil and gas properties acquired, developed or sold during the year were allocated to the Plan on an annual basis as determined by the Compensation Committee of the Company’s Board of Directors. Once allocated, the interests (not legally conveyed) were fixed. Interest allocations prior to 1995 consisted of 2% 3% overriding royalty interests. Interest allocations after 1995 were 1.75% 5% of oil and gas sales less lease operating expenses and production taxes.

Employees vested in the Plan ratably at 20% per year over a five-year period. However, pursuant to the terms of the Plan, upon Plan termination all employees fully vested, and the Company was required to distribute to each Plan participant an amount, based upon the valuation method set forth in the Plan, in a lump sum payment twelve months after the date of termination. This distribution included the value of proved undeveloped oil and gas properties awarded upon Plan termination and was based on forecasted commodity prices for crude oil, NGLs and natural gas as of December 31, 2013. In January 2015, a portion of the amount due to Plan participants representing a regular distribution under the Plan was paid totaling $41 million, and in June 2015, the remaining fully vested amount due to Plan participants was paid totaling $72 million.

Accrued compensation expense under the Plan for the six months ended June 30, 2014 primarily related to the change in liability for employee vestings and PUDs assigned upon Plan termination and amounted to $24 million charged to general and administrative expense and $2 million charged to exploration expense.

Prior to Plan termination, the Company recorded non-cash changes in the present value of estimated future payments under the Plan as a separate line item in the consolidated statements of income.

9. SHAREHOLDERS' EQUITY AND NONCONTROLLING INTEREST

Common Stock Offering—In March 2015, the Company completed a public offering of its common stock, selling 35,000,000 shares of common stock at a price of $30.00 per share and providing net proceeds of approximately $1.0 billion after underwriter's fees. In addition, the Company granted the underwriter a 30-day option to purchase up to an additional 5,250,000 shares of common stock. On April 1, 2015, the underwriter exercised its right to purchase an additional 2,000,000 shares of common stock, providing additional net proceeds of $61 million. The Company used the net proceeds from these offerings to repay a portion of the debt outstanding under its credit agreement, as well as for general corporate purposes.

Equity Incentive Plan—At the Company's 2013 Annual Meeting held on May 7, 2013, shareholders approved the Whiting Petroleum Corporation 2013 Equity Incentive Plan (the "2013 Equity Plan"), which replaced the Whiting Petroleum Corporation 2003 Equity Incentive Plan (the "2003 Equity Plan") and includes the authority to issue 5,300,000 shares of the Company's common stock. Upon shareholder approval of the 2013 Equity Plan, the 2003 Equity Plan was terminated. The 2003 Equity Plan continues to govern awards that were outstanding as of the date of its termination, which remain in effect pursuant to their terms. Any shares netted or forfeited after May 7, 2013 under the 2003 Equity Plan will be available for future issuance under the 2013 Equity Plan. Under the 2013 Equity Plan, no employee or officer participant may be granted options for more than 600,000 shares of common stock, stock appreciation rights relating to more than 600,000 shares of common stock, or more than 300,000 shares of restricted stock during any calendar year. On December 8, 2014, the Company increased the number of shares issuable under the 2013 Equity Plan by 978,161 shares to accommodate for the conversion of Kodiak's outstanding equity awards to Whiting equity awards upon closing of the Kodiak Acquisition. Any shares netted or forfeited under this increased availability will be cancelled and will not be available for future issuance under the 2013 Equity Plan. As of June 30, 2015, 4,079,054 shares of common stock remained available for grant under the 2013 Equity Plan.

Noncontrolling Interest—The Company's noncontrolling interest represents an unrelated third party's 25% ownership interest in Sustainable Water Resources, LLC. The table below summarizes the activity for the equity attributable to the noncontrolling interest (in thousands):

	Six Months Ended June 30,	
	2015	2014
Balance at January 1	$ 8,070	$ 8,132
Net loss	(38)	(36)
Balance at June 30	$ 8,032	$ 8,096

10. INCOME TAXES

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date income, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The provision for income taxes for the three and six months ended June 30, 2015 and 2014 differs from the amount that would be provided by applying the statutory U.S. federal income tax rate of 35% to pre-tax income primarily because of state income taxes and estimated permanent differences.

The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in various jurisdictions, permanent and temporary differences, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is obtained, additional information becomes known or as the tax environment changes.

11. EARNINGS PER SHARE

The reconciliations between basic and diluted earnings or loss per share are as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic Earnings (Loss) Per Share				
Numerator:				
Net income (loss) available to common shareholders, basic	$ (149,274)	$ 151,444	$ (255,385)	$ 260,513
Denominator:				
Weighted average shares outstanding, basic	204,130	118,968	186,657	118,946
Diluted Earnings (Loss) Per Share				
Numerator:				
Net income (loss) available to common shareholders, diluted	$ (149,274)	$ 151,444	$ (255,385)	$ 260,513
Denominator:				
Weighted average shares outstanding, basic	204,130	118,968	186,657	118,946
Restricted stock and stock options	-	1,059	-	1,099
Weighted average shares outstanding, diluted	204,130	120,027	186,657	120,045
Earnings (loss) per common share, basic	$ (0.73)	$ 1.27	$ (1.37)	$ 2.19
Earnings (loss) per common share, diluted	$ (0.73)	$ 1.26	$ (1.37)	$ 2.17

During the three months ended June 30, 2015, the Company had a net loss and therefore the diluted earnings per share calculation for that period excludes the anti-dilutive effect of 406,986 shares of restricted stock and 96,767 stock options. In addition, the diluted earnings per share calculation for the three months ended June 30, 2015 excludes (i) the dilutive effect of 764,827 incremental shares of restricted stock that did not meet its market-based vesting criteria as of June 30, 2015 and (ii) the anti-dilutive effect of 251,040 common shares for stock options that were out-of-the-money.

During the six months ended June 30, 2015, the Company had a net loss and therefore the diluted earnings per share calculation for that period excludes the anti-dilutive effect of 479,975 shares of restricted stock and 107,286 stock options. In addition, the diluted earnings per share calculation for the six months ended June 30, 2015 excludes (i) the dilutive effect of 756,376 incremental shares of restricted stock that did not meet its market-based vesting criteria as of June 30, 2015 and (ii) the anti-dilutive effect of 287,382 common shares for stock options that were out-of-the-money.

As discussed in the Long-Term Debt footnote, the Company has Convertible Senior Notes whereby it has the option to settle the conversion of such notes with cash, shares of common stock or any combination thereof. The Company's intent is to settle the principal amount of the Convertible Senior Notes in cash upon conversion. As a result, only the amount by which the conversion value exceeds the aggregate principal amount of the notes (the "conversion spread") is considered in the diluted earnings per share computation under the treasury stock method. As of June 30, 2015, the conversion value did not exceed the principal amount of the notes, and accordingly, there was no impact to diluted earnings per share for that period