WHITING PETROLEUM CORP
Form 10-Q
May 02, 2019
Table of Contents

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, 2019

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, every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b 2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, $0.001 par value	WLL	New York Stock Exchange
(Title of each class)	(Trading symbol)	(Name of each exchange on which registered)

Number of shares of the registrant's common stock outstanding at April 24, 2019: 91,279,578 shares.

TABLE OF CONTENTS

Glossary of Certain Definitions		1
PART I – FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	4
	Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018	4
	Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2019 and 2018	5
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018	6
	Condensed Consolidated Statements of Equity for the Three Months Ended March 31, 2019 and 2018	8
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	35
Item 4.	Controls and Procedures	36
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	37
Item 1A.	Risk Factors	37
Item 6.	Exhibits	37

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:

“ASC” Accounting Standards Codification.

“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.

“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.

“Btu” or “British thermal unit” The quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit.

“completion” The process of preparing an oil and gas wellbore for production through the installation of permanent production equipment, as well as perforation and fracture stimulation to optimize production.

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

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

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

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

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

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

“FASB” Financial Accounting Standards Board.

“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.

Table of Contents

"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.

"MMBbl" One million barrels of oil, NGLs, or other liquid hydrocarbons.

"MMBOE" One million BOE.

"MMBtu" One million British Thermal Units, used in reference to natural gas.

"MMcf" One million cubic feet, used in reference to natural gas.

"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.

"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 legally require plugging of abandoned wells.

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

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

"proved reserves" Those reserves which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs and under existing economic conditions, operating methods and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced, or the operator must be reasonably certain that it will commence the project, within a reasonable time.

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

a. The area identified by drilling and limited by fluid contacts, if any, and

2

Table of Contents

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.

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

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

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

"SEC" The United States Securities and Exchange Commission.

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

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

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

WHITING PETROLEUM CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(in thousands, except share and per share data)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,692	$ 13,607
Accounts receivable trade, net	278,242	294,468
Derivative assets	5,279	68,342
Prepaid expenses and other	19,823	22,009
Total current assets	305,036	398,426
Property and equipment:		
Oil and gas properties, successful efforts method	12,395,177	12,195,659
Other property and equipment	169,834	134,212
Total property and equipment	12,565,011	12,329,871
Less accumulated depreciation, depletion and amortization	(5,190,472)	(5,003,509)
Total property and equipment, net	7,374,539	7,326,362
Deferred income taxes	23,482	-
Other long-term assets	48,738	34,785
TOTAL ASSETS	$ 7,751,795	$ 7,759,573
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable trade	$ 66,575	$ 42,520
Revenues and royalties payable	195,294	228,284
Accrued capital expenditures	96,615	73,178
Accrued liabilities and other	60,380	69,013
Accrued interest	35,573	55,080
Accrued lease operating expenses	45,025	37,499
Taxes payable	28,335	31,357
Total current liabilities	527,797	536,931
Long-term debt	2,839,402	2,792,321
Asset retirement obligations	136,023	131,544
Operating lease obligations	13,898	-
Deferred income taxes	-	1,373
Other long-term liabilities	32,326	27,088
Total liabilities	3,549,446	3,489,257
Commitments and contingencies		
Equity:		
Common stock, $0.001 par value, 225,000,000 shares authorized; 91,831,385 issued and 91,279,578 outstanding as of March 31, 2019 and 92,067,216 issued and	92	92

91,018,692 outstanding as of December 31, 2018		
Additional paid-in capital	6,415,128	6,414,170
Accumulated deficit	(2,212,871)	(2,143,946)
Total equity	4,202,349	4,270,316
TOTAL LIABILITIES AND EQUITY	$ 7,751,795	$ 7,759,573

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

WHITING PETROLEUM CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

(in thousands, except per share data)

	Three Months Ended March 31, 2019	2018
OPERATING REVENUES		
Oil, NGL and natural gas sales	$ 389,489	$ 515,083
OPERATING EXPENSES		
Lease operating expenses	84,077	80,421
Transportation, gathering, compression and other	9,841	11,471
Production and ad valorem taxes	28,156	37,979
Depreciation, depletion and amortization	198,132	187,919
Exploration and impairment	19,749	15,286
General and administrative	34,974	31,480
Derivative loss, net	62,905	52,664
Loss on sale of properties	23	2,576
Amortization of deferred gain on sale	(2,371)	(2,904)
Total operating expenses	435,486	416,892
INCOME (LOSS) FROM OPERATIONS	(45,997)	98,191
OTHER INCOME (EXPENSE)		
Interest expense	(48,099)	(52,899)
Loss on extinguishment of debt	-	(31,160)
Interest income and other	316	880
Total other expense	(47,783)	(83,179)
INCOME (LOSS) BEFORE INCOME TAXES	(93,780)	15,012
INCOME TAX BENEFIT		
Deferred	(24,855)	-
Total income tax benefit	(24,855)	-
NET INCOME (LOSS)	$ (68,925)	$ 15,012
INCOME (LOSS) PER COMMON SHARE		
Basic	$ (0.76)	$ 0.17
Diluted	$ (0.76)	$ 0.16
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic	91,235	90,892
Diluted	91,235	91,310

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

WHITING PETROLEUM CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Three Months Ended March 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (68,925)	$ 15,012
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	198,132	187,919
Deferred income tax benefit	(24,855)	-
Amortization of debt issuance costs, debt discount and debt premium	7,818	7,805
Stock-based compensation	4,651	4,563
Amortization of deferred gain on sale	(2,371)	(2,904)
Loss on sale of properties	23	2,576
Oil and gas property impairments	9,843	10,050
Loss on extinguishment of debt	-	31,160
Non-cash derivative loss	64,435	27,827
Payment for settlement of commodity derivative contract	-	(61,036)
Other, net	828	1,764
Changes in current assets and liabilities:		
Accounts receivable trade, net	11,775	13,405
Prepaid expenses and other	2,178	(1,675)
Accounts payable trade and accrued liabilities	(19,011)	4,542
Revenues and royalties payable	(32,990)	(9,324)
Taxes payable	(3,022)	1,183
Net cash provided by operating activities	148,509	232,867
CASH FLOWS FROM INVESTING ACTIVITIES		
Drilling and development capital expenditures	(188,848)	(172,845)
Acquisition of oil and gas properties	(823)	(3,105)
Other property and equipment	(6,095)	(2,370)
Proceeds from sale of oil and gas properties	299	873
Net cash used in investing activities	(195,467)	(177,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under credit agreement	570,000	450,000
Repayments of borrowings under credit agreement	(530,000)	(360,000)
Redemption of 5.0% Senior Notes due 2019	-	(990,023)
Debt issuance costs	-	(1,157)
Restricted stock used for tax withholdings	(3,693)	(3,104)
Principal payments on finance lease obligations	(1,264)	-
Net cash provided by (used in) financing activities	$ 35,043	$ (904,284)

(Continued)

Table of Contents

WHITING PETROLEUM CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Three Months Ended March 31,	
	2019	2018
NET CHANGE IN CASH AND CASH EQUIVALENTS	$ (11,915)	$ (848,864)
CASH AND CASH EQUIVALENTS		
Beginning of period	13,607	879,379
End of period	$ 1,692	$ 30,515
NONCASH INVESTING ACTIVITIES		
Accrued capital expenditures and accounts payable related to property additions	$ 123,827	$ 92,969

The accompanying notes are an integral part of these condensed consolidated financial statements. (Concluded)

Table of Contents

WHITING PETROLEUM CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY (unaudited)

(in thousands)

	Common Stock		Additional Paid-in	Accumulated	Total
	Shares	Amount	Capital	Deficit	Equity
BALANCES - January 1, 2018	92,095	$ 92	$ 6,405,490	$ (2,486,440)	$ 3,919,142
Net income	-	-	-	15,012	15,012
Restricted stock issued	432	-	-	-	-
Restricted stock forfeited	(96)	-	-	-	-
Restricted stock used for tax withholdings	(105)	-	(3,104)	-	(3,104)
Stock-based compensation	-	-	4,563	-	4,563
BALANCES - March 31, 2018	92,326	$ 92	$ 6,406,949	$ (2,471,428)	$ 3,935,613
BALANCES - January 1, 2019	92,067	$ 92	$ 6,414,170	$ (2,143,946)	$ 4,270,316
Net loss	-	-	-	(68,925)	(68,925)
Restricted stock forfeited	(106)	-	-	-	-
Restricted stock used for tax withholdings	(130)	-	(3,693)	-	(3,693)
Stock-based compensation	-	-	4,651	-	4,651
BALANCES - March 31, 2019	91,831	$ 92	$ 6,415,128	$ (2,212,871)	$ 4,202,349

The accompanying notes are an integral part of these condensed consolidated financial statements.

WHITING PETROLEUM CORPORATION

NOTES TO CONDENSED 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 development, production, acquisition and exploration of crude oil, NGLs and natural gas primarily in the Rocky Mountains region 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, Whiting Resources Corporation and Whiting Programs, Inc.

Condensed Consolidated Financial Statements—The unaudited condensed consolidated financial statements include the accounts of Whiting Petroleum Corporation and its consolidated subsidiaries. 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 and the SEC rules and regulations 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 condensed 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 Annual Report on Form 10 K for the period ended December 31, 2018. Except as disclosed herein, there have been no material changes to the information disclosed in the notes to consolidated financial statements included in the Company's 2018 Annual Report on Form 10 K.

Reclassifications—Certain prior period balances in the condensed consolidated balance sheets have been combined pursuant to Rule 10 01(a)(2) of Regulation S X of the SEC. Additionally, certain prior period balances in the condensed consolidated statements of operations have been reclassified to conform to the current year presentation. These include the reclassification of transportation, gathering, compression and other expenses and ad valorem taxes from previously reported lease operating expenses in the condensed consolidated statements of operations. For all periods presented, transportation, gathering, compression and other expenses are presented as a separate caption and ad valorem taxes are combined with production taxes. Such reclassifications had no impact on net income, cash flows or shareholders' equity previously reported.

Adopted and Recently Issued Accounting Pronouncements—In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases ("ASU 2016-02"). The objective of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The FASB subsequently issued various ASUs which provided additional implementation guidance, and these ASUs collectively make up FASB ASC Topic 842 – Leases ("ASC 842"). ASC 842 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The standard permits retrospective application through recognition of a cumulative-effect adjustment at the beginning of either the earliest reporting period presented or the period of adoption. The Company adopted ASC 842 effective January 1, 2019 using the modified retrospective method as of the adoption date. Whiting has completed the assessment of its existing accounting policies and documentation, implementation of lease accounting software and enhancement of its internal controls. Adoption of the standard resulted in the recognition of additional lease assets and liabilities on Whiting's consolidated balance sheet as well as additional disclosures. The adoption did not have a material impact to the Company's consolidated statement of operations. Refer to the "Leases" footnote for further information on the Company's implementation of this standard.

Table of Contents

2. OIL AND GAS PROPERTIES

Net capitalized costs related to the Company's oil and gas producing activities at March 31, 2019 and December 31, 2018 are as follows (in thousands):

	March 31, 2019	December 31, 2018
Proved leasehold costs	$ 2,728,643	$ 2,729,593
Unproved leasehold costs	120,714	122,687
Costs of completed wells and facilities	9,323,871	9,182,384
Wells and facilities in progress	221,949	160,995
Total oil and gas properties, successful efforts method	12,395,177	12,195,659
Accumulated depletion	(5,115,151)	(4,937,579)
Oil and gas properties, net	$ 7,280,026	$ 7,258,080

3. ACQUISITIONS AND DIVESTITURES

2019 Acquisitions and Divestitures

There were no significant acquisitions or divestitures during the three months ended March 31, 2019.

2018 Acquisitions and Divestitures

On July 31, 2018, the Company completed the acquisition of certain oil and gas properties located in Richland County, Montana and McKenzie County, North Dakota for an aggregate purchase price of $130 million (before closing adjustments). The properties consist of approximately 54,800 net acres in the Williston Basin, including interests in 117 producing oil and gas wells and undeveloped acreage. The revenue and earnings from these properties since the acquisition date are included in the Company's consolidated financial statements and are not material for the year ended December 31, 2018. Pro forma revenue and earnings for the acquired properties are not material to the Company's condensed consolidated financial statements and have not been presented accordingly.

The acquisition was recorded using the acquisition method of accounting. The following table summarizes the allocation of the $123 million adjusted purchase price to the tangible assets acquired and liabilities assumed in this acquisition based on their relative fair values at the acquisition date, which did not result in the recognition of goodwill or a bargain purchase gain (in thousands):

Cash consideration	$ 122,861
Fair value of assets acquired:	
Accounts receivable trade, net	$ 30
Prepaid expenses and other	43
Oil and gas properties, successful efforts method:	
Proved oil and gas properties	106,860

Unproved oil and gas properties	21,769
Total fair value of assets acquired	128,702
Fair value of liabilities assumed:	
Revenue and royalties payable	3,309
Asset retirement obligations	2,532
Total fair value of liabilities assumed	5,841
Total fair value of assets and liabilities acquired	$ 122,861

There were no significant divestitures during the three months ended March 31, 2018.

Table of Contents

4. LEASES

The Company adopted ASC 842 effective January 1, 2019, which replaces previous lease accounting requirements under FASB ASC Topic 840 – Leases ("ASC 840"). The standard was adopted using the modified retrospective approach which resulted in the recognition of approximately $30 million and $36 million of additional lease assets and liabilities, respectively, on the consolidated balance sheet upon adoption. The Company has elected certain practical expedients available under ASC 842 including those that permit the Company to not (i) reassess prior conclusions reached under ASC 840 for lease identification, lease classification and initial direct costs, (ii) evaluate existing or expired land easements under the new standard and (iii) separate lease and non-lease components contained within a single agreement for all classes of underlying assets. Accordingly, the adoption of the standard did not result in the Company recognizing a cumulative-effect adjustment to retained earnings. Additionally, the Company has elected the short-term lease recognition exemption for all classes of underlying assets, and therefore, leases with a term of one year or less will not be recognized on the consolidated balance sheets.

The Company has operating and finance leases for corporate and field offices, pipeline and midstream facilities, field and office equipment and automobiles. Right-of-use ("ROU") assets and liabilities associated with these leases are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments.

Supplemental balance sheet information for the Company's leases as of March 31, 2019 consisted of the following (in thousands):

Leases	Balance Sheet Classification	March 31, 2019
Operating Leases		
Operating lease ROU assets	Other long-term assets	$ 18,690
Accumulated depreciation	Other long-term assets	(2,807)
Operating lease ROU assets, net		$ 15,883
Short-term operating lease obligations	Accrued liabilities and other	$ 7,815
Long-term operating lease obligations	Operating lease obligations	13,898
Total operating lease obligations		$ 21,713
Finance Leases		
Finance lease ROU assets	Other property and equipment	$ 34,016
Accumulated depreciation	Accumulated depreciation, depletion and amortization	(13,340)
Finance lease ROU assets, net		$ 20,676
Short-term finance lease obligations	Accrued liabilities and other	$ 4,927
Long-term finance lease obligations	Other long-term liabilities	17,993
Total finance lease obligations		$ 22,920

The Company's leases have terms of less than one year to 11 years. Most of the Company's leases do not state or imply a discount rate. Accordingly, the Company uses its incremental borrowing rate based on information available at lease commencement to determine the present value of the lease payments. Information regarding the Company's lease terms and discount rates as of March 31, 2019 is as follows:

Weighted Average Remaining Lease Term	
Operating leases	6 years
Finance leases	5 years
Weighted Average Discount Rate	
Operating leases	5.0%
Finance leases	9.0%

Table of Contents

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized based on the effective interest method for the lease liability and straight-line amortization of the ROU asset, resulting in more cost being recognized in earlier lease periods. All payments for short-term leases, including leases with a term of one month or less, are recognized in income or capitalized to the cost of oil and gas properties on a straight-line basis over the lease term. Additionally, any variable payments, which are generally related to the corresponding utilization of the asset, are recognized in the period in which the obligation was incurred. Lease cost for the three months ended March 31, 2019 consisted of the following (in thousands):

	Three Months Ended March 31, 2019
Operating lease cost	$ 2,870
Finance lease cost:	
Amortization of ROU assets	$ 1,397
Interest on lease liabilities	520
Total finance lease cost	$ 1,917
Short-term lease payments	$ 124,322
Variable lease payments	$ 4,935

Total lease cost represents the total financial obligations of the Company, a portion of which has been or will be reimbursed by the Company’s working interest partners. Lease cost is included in various line items on the consolidated statements of operations or capitalized to oil and gas properties and is recorded at the Company’s net working interest.

Supplemental cash flow information related to leases for the three months ended March 31, 2019 consisted of the following (in thousands):

	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 2,778
Operating cash flows from finance leases	$ 518
Financing cash flows from finance leases	$ 1,264
ROU assets obtained in exchange for new operating lease obligations	$ 9
ROU assets obtained in exchange for new finance lease obligations	$ 737

The Company’s lease obligations as of March 31, 2019 will mature as follows (in thousands):

Year ending December 31,

	Operating Leases	Finance Leases
2019	$ 7,148	$ 5,154
2020	4,011	6,264
2021	1,896	4,946
2022	1,857	3,888
2023	1,608	3,306
Remaining	9,232	5,765
Total lease payments	$ 25,752	$ 29,323
Less imputed interest	(4,039)	(6,403)
Total discounted lease payments	$ 21,713	$ 22,920

As of March 31, 2019, the Company had a contract for an additional corporate office that consists of approximately $25 million of undiscounted minimum lease payments. The operating lease is expected to commence in July 2019 and has a ten-year lease term.

Table of Contents

As of December 31, 2018, minimum future contractual payments for long-term leases under the scope of ASC 840 are as follows (in thousands):

Year ending December 31,	Real Estate Leases	Pipeline Transportation Agreement	Automobile and Equipment Leases
2019	$ 7,407	$ 3,180	$ 4,216
2020	4,770	3,180	3,422
2021	4,066	3,180	1,678
2022	4,188	3,180	488
2023	4,017	3,180	35
Remaining	25,140	5,565	-
Total lease payments	$ 49,588	$ 21,465	$ 9,839

5. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Credit agreement	$ 40,000	$ -
1.25% Convertible Senior Notes due 2020	562,075	562,075
5.75% Senior Notes due 2021	873,609	873,609
6.25% Senior Notes due 2023	408,296	408,296
6.625% Senior Notes due 2026	1,000,000	1,000,000
Total principal	2,883,980	2,843,980
Unamortized debt discounts and premiums	(23,312)	(28,994)
Unamortized debt issuance costs on notes	(21,266)	(22,665)
Total long-term debt	$ 2,839,402	$ 2,792,321

Credit Agreement

Whiting Oil and Gas, the Company's wholly owned subsidiary, has a credit agreement with a syndicate of banks that as of March 31, 2019 had a borrowing base of $2.4 billion and aggregate commitments of $1.75 billion. As of March 31, 2019, the Company had $1.7 billion of available borrowing capacity under the credit agreement, which was net of $40 million of borrowings outstanding and $2 million in letters of credit 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. In April 2019, the borrowing base under the facility was reduced to $2.25 billion in connection with the semi-annual regular borrowing base redetermination, with no change to the aggregate commitments of $1.75 billion.

A portion of the revolving credit facility in an aggregate amount not to exceed $50 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 March 31, 2019, $48 million was available for additional letters of credit under the agreement.

The credit agreement provides for interest only payments until maturity, when the credit agreement expires and all outstanding borrowings are due. The credit agreement matures on April 12, 2023, provided that if at any time and for so long as any senior notes (other than the 2020 Convertible Senior Notes) have a maturity date prior to 91 days after April 12, 2023, the maturity date shall be the date that is 91 days prior to the maturity of such senior notes. Interest under the credit agreement accrues at the Company's option at

Table of Contents

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 incurs commitment fees as set forth in the table below on the unused portion of the aggregate commitments of the lenders under the credit agreement, which are included as a component of interest expense. At March 31, 2019, the weighted average interest rate on the outstanding principal balance under the credit agreement was 6.0%.

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 Company's restricted subsidiaries (as defined in the credit agreement). As of March 31, 2019, there were no retained earnings free from restrictions. The credit agreement requires the Company, as of the last day of any quarter, to maintain the following ratios (as defined in the credit agreement): (i) a consolidated current assets to consolidated current liabilities ratio (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) a total debt to last four quarters' EBITDAX ratio of not greater than 4.0 to 1.0. The Company was in compliance with its covenants under the credit agreement as of March 31, 2019.

The obligations of Whiting Oil and Gas under the credit agreement are collateralized by a first lien on substantially all of Whiting Oil and Gas' and Whiting Resource Corporation's properties. 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 Convertible Senior Notes

The following table summarizes the material terms of the Company's senior notes and convertible senior notes outstanding at March 31, 2019:

	2020 Convertible Senior Notes	2021 Senior Notes	2023 Senior Notes	2026 Senior Notes
Outstanding principal (in thousands)	$ 562,075	$ 873,609	$ 408,296	$ 1,000,000

Interest rate	1.25%	5.75%	6.25%	6.625%
Maturity date	Apr 1, 2020	Mar 15, 2021	Apr 1, 2023	Jan 15, 2026
Interest payment dates	Apr 1, Oct 1	Mar 15, Sep 15	Apr 1, Oct 1	Jan 15, Jul 15
Make-whole redemption date (1)	N/A (2)	Dec 15, 2020	Jan 1, 2023	Oct 15, 2025

(1) On or after these dates, the Company may redeem the applicable series of notes, in whole or in part, at a redemption price equal to 100% of the principal amount redeemed, together with accrued and unpaid interest up to the redemption date. At any time prior to these dates, the Company may redeem the notes at a redemption price that includes an applicable premium as defined in the indentures to such notes.

(2) The indenture governing the 1.25% Convertible Senior Notes due 2020 does not allow for optional redemption by the Company prior to the maturity date.

Table of Contents

Senior Notes—In September 2013, the Company issued at par $1.1 billion of 5.0% 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 debt premium recorded in connection with the issuance of the 2021 Senior Notes is being amortized to interest expense over the term of the notes using the effective interest method, with an effective interest rate of 5.5% per annum.

In March 2015, the Company issued at par $750 million of 6.25% Senior Notes due April 2023 (the "2023 Senior Notes").

In December 2017, the Company issued at par $1.0 billion of 6.625% Senior Notes due January 2026 (the "2026 Senior Notes" and together with the 2021 Senior Notes and the 2023 Senior Notes, the "Senior Notes"). The Company used the net proceeds from this offering to redeem in January 2018 all of the then outstanding 2019 Senior Notes. Refer to "Redemption of 2019 Senior Notes" below for more information on the redemption of the 2019 Senior Notes.

Exchange of Senior Notes for Convertible Notes. During 2016, the Company exchanged (i) $139 million aggregate principal amount of its 2019 Senior Notes, (ii) $326 million aggregate principal amount of its 2021 Senior Notes, and (iii) $342 million aggregate principal amount of its 2023 Senior Notes, for the same aggregate principal amount of convertible notes. Subsequently during 2016, all $807 million aggregate principal amount of these convertible notes was converted into approximately 19.8 million shares of the Company's common stock pursuant to the terms of the notes.

Redemption of 2019 Senior Notes. In January 2018, the Company paid $1.0 billion to redeem all of the remaining $961 million aggregate principal amount of the 2019 Senior Notes, which payment consisted of the 102.976% redemption price plus all accrued and unpaid interest on the notes. The Company financed the redemption with proceeds from the issuance of the 2026 Senior Notes and borrowings under its credit agreement. As a result of the redemption, the Company recognized a $31 million loss on extinguishment of debt, which included the redemption premium and a non-cash charge for the acceleration of unamortized debt issuance costs on the notes. As of March 31, 2018, no 2019 Senior Notes remained outstanding.

2020 Convertible Senior Notes—In March 2015, the Company issued at par $1,250 million of 1.25% Convertible Senior Notes due April 2020 (the "2020 Convertible Senior Notes") for net proceeds of $1.2 billion, net of initial purchasers' fees of $25 million. During 2016, the Company exchanged $688 million aggregate principal amount of its 2020 Convertible Senior Notes for the same aggregate principal amount of new mandatory convertible senior notes. Subsequently during 2016, all $688 million aggregate principal amount of these mandatory convertible notes was converted into approximately 17.8 million shares of the Company's common stock pursuant to the terms of the notes.

For the remaining $562 million aggregate principal amount of 2020 Convertible Senior Notes outstanding as of March 31, 2019, 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 2020 Convertible Senior Notes in cash upon conversion. Prior to January 1, 2020, the 2020 Convertible Senior Notes will be convertible at the holder's option 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 2020 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 2020

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 a current conversion rate of 6.4102 shares of Whiting's common stock per $1,000 principal amount of the notes, which is equivalent to a current conversion price of approximately $156.00. 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 2020 Convertible Senior Notes in connection with such corporate event. As of March 31, 2019, none of the contingent conditions allowing holders of the 2020 Convertible Senior Notes to convert these notes had been met.

Upon issuance, the Company separately accounted for the liability and equity components of the 2020 Convertible Senior Notes. The liability component was recorded at the estimated fair value of a similar debt instrument without the conversion feature. The difference

Table of Contents

between the principal amount of the 2020 Convertible Senior Notes and the estimated fair value of the liability component was recorded as a debt discount and is being amortized to interest expense over the term of the notes using the effective interest method, with an effective interest rate of 5.6% per annum. The fair value of the liability component of the 2020 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 2020 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 2020 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 as a reduction to the carrying value of long-term debt on the consolidated balance sheet and are being amortized to interest 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 2020 Convertible Senior Notes consisted of the following at March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019	December 31, 2018
Liability component		
Principal	$ 562,075	$ 562,075
Less: unamortized note discount	(23,767)	(29,504)
Less: unamortized debt issuance costs	(1,875)	(2,340)
Net carrying value	$ 536,433	$ 530,231
Equity component (1)	$ 136,522	$ 136,522

(1) Recorded in additional paid-in capital, net of $5 million of issuance costs and $50 million of deferred taxes.
Interest expense recognized on the 2020 Convertible Senior Notes related to the stated interest rate and amortization of the debt discount totaled $7 million for each of the three months ended March 31, 2019 and 2018.

Security and Guarantees

The Senior Notes and the 2020 Convertible Senior Notes are unsecured obligations of Whiting Petroleum Corporation and these unsecured obligations are subordinated to all of the Company's secured indebtedness, which consists of Whiting Oil and Gas' credit agreement.

The Company's obligations under the Senior Notes and the 2020 Convertible Senior Notes are guaranteed by the Company's 100% owned subsidiaries, Whiting Oil and Gas, Whiting US Holding Company, Whiting Canadian Holding Company ULC and Whiting Resources Corporation (the "Guarantors"). These guarantees are full and unconditional and joint and several among 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.

6. 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 current portions at March 31, 2019 and December 31, 2018 were $4 million, and have been included in accrued liabilities and other in the consolidated balance sheets. The following table provides a reconciliation of the Company's asset retirement obligations for the three months ended March 31, 2019 (in thousands):

Table of Contents

Asset retirement obligation at January 1, 2019	$ 135,834
Additional liability incurred	651
Accretion expense	2,882
Obligations on sold properties	(307)
Liabilities settled	521
Asset retirement obligation at March 31, 2019	$ 139,581

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Company is exposed to certain risks relating to its ongoing business operations, and it uses derivative instruments to manage its commodity price risk. In addition, the Company periodically enters into contracts that contain embedded features which are required to be bifurcated and accounted for separately as derivatives.

Commodity Derivative Contracts—Historically, prices received for crude oil and natural gas production have been volatile because of supply and demand factors, worldwide political factors, general economic conditions and seasonal weather patterns. Whiting primarily enters into derivative contracts such as crude oil costless collars and swaps, as well as sales and delivery contracts, to achieve a more predictable cash flow by reducing its exposure to commodity price volatility, thereby ensuring adequate funding for the Company's capital programs and facilitating the management of returns on drilling programs and acquisitions. 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 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 March 31, 2019.

Derivative Instrument	Period	Contracted Crude Oil Volumes (Bbl)	Weighted Average NYMEX Price for Crude Oil (per Bbl)
Collars (1)	Apr - Dec 2019	7,950,000	$51.36 - $75.94
Swaps (1)	Apr - Dec 2019	2,250,000	$59.44
	Total	10,200,000	

(1) Subsequent to March 31, 2019, the Company entered into additional costless collars for 1,000,000 Bbl of crude oil volumes and additional swap contracts for 1,800,000 Bbl of crude oil volumes for the remainder of 2019, as well as costless collars for 728,000 Bbl of crude oil volumes and swap contracts for 728,000 Bbl of crude oil volumes for the first half of 2020.

Crude Oil Sales and Delivery Contract. The Company had a long-term crude oil sales and delivery contract for oil volumes produced from its Redtail field in Colorado. Whiting determined that this contract would not qualify for the "normal purchase normal sale" exclusion and therefore reflected the contract at fair value in the consolidated financial statements prior to settlement. On February 1, 2018, Whiting paid $61 million to the counterparty to settle all future minimum volume commitments under this agreement. Accordingly, this crude oil sales and delivery contract was fully terminated, and the fair value of the corresponding derivative was therefore zero as of that date.

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 or other derivative scope exceptions. The following table summarizes the effects of derivative instruments on the consolidated statements of operations for the three months ended March 31, 2019 and 2018 (in thousands):

Table of Contents

Not Designated as ASC 815 Hedges	Statement of Operations Classification	Loss Recognized in Income Three Months Ended March 31, 2019	2018
Commodity contracts	Derivative loss, net	$ 62,905	$ 52,664
Total		$ 62,905	$ 52,664

Offsetting of Derivative Assets and Liabilities. 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 the Company's 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):

		March 31, 2019 (1)		
Not Designated as ASC 815 Hedges	Balance Sheet Classification	Gross Recognized Assets/ Liabilities	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
Derivative assets				
Commodity contracts - current	Derivative assets	$ 9,135	$ (3,856)	$ 5,279
Total derivative assets		$ 9,135	$ (3,856)	$ 5,279
Derivative liabilities				
Commodity contracts - current	Accrued liabilities and other	$ 5,228	$ (3,856)	$ 1,372
Total derivative liabilities		$ 5,228	$ (3,856)	$ 1,372

		December 31, 2018 (1)		
Not Designated as ASC 815 Hedges	Balance Sheet Classification	Gross Recognized Assets/ Liabilities	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
Derivative assets				
Commodity contracts - current	Derivative assets	$ 69,735	$ (1,393)	$ 68,342
Total derivative assets		$ 69,735	$ (1,393)	$ 68,342
Derivative liabilities				
Commodity contracts - current	Accrued liabilities and other	$ 1,393	$ (1,393)	$ -
Total derivative liabilities		$ 1,393	$ (1,393)	$ -

(1) Because counterparties to the Company's financial derivative contracts subject to master netting arrangements 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

these tables.

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.

8. FAIR VALUE MEASUREMENTS

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

Table of Contents

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.
· 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.

Cash, 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 and the applicable margins represent market rates.

The Company's senior notes are recorded at cost and the convertible senior notes are recorded at fair value at the date of issuance. The following table summarizes the fair values and carrying values of these instruments as of March 31, 2019 and December 31, 2018 (in thousands):

	March 31, 2019		December 31, 2018	
	Fair Value (1)	Carrying Value (2)	Fair Value (1)	Carrying Value (2)
1.25% Convertible Senior Notes due 2020	$ 543,397	$ 536,433	$ 531,161	$ 530,231
5.75% Senior Notes due 2021	885,621	870,871	829,929	870,545
6.25% Senior Notes due 2023	410,337	404,847	375,632	404,659
6.625% Senior Notes due 2026	985,000	987,251	865,000	986,886
Total	$ 2,824,355	$ 2,799,402	$ 2,601,722	$ 2,792,321

(1) 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.
(2) Carrying values are presented net of unamortized debt issuance costs and debt discounts or premiums.

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 counterparty, as appropriate. The following tables present information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, 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 March 31, 2019
Financial Assets				
Commodity derivatives – current	$ -	$ 5,279	$ -	$ 5,279
Total financial assets	$ -	$ 5,279	$ -	$ 5,279
Financial Liabilities				

Commodity derivatives – current	$ -	$ 1,372	$ -	$ 1,372
Total financial liabilities	$ -	$ 1,372	$ -	$ 1,372

Table of Contents

	Level 1	Level 2	Level 3	Total Fair Value December 31, 2018
Financial Assets				
Commodity derivatives – current	$ -	$ 68,342	$ -	$ 68,342
Total financial assets	$ -	$ 68,342	$ -	$ 68,342

The following methods and assumptions were used to estimate the fair values of the Company's financial assets and liabilities that are measured on a recurring basis:

Commodity Derivatives. Commodity derivative instruments consist mainly of costless collars and swaps 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 had a long-term crude oil sales and delivery contract, whereby it had committed to deliver certain fixed volumes of crude oil produced from its Redtail field in Colorado. Whiting determined that the contract did not meet the "normal purchase normal sale" exclusion, and therefore reflected this contract at fair value in its consolidated financial statements prior to settlement. This commodity derivative was valued based on a probability-weighted income approach which considered various assumptions, including quoted spot 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. On February 1, 2018, Whiting paid $61 million to the counterparty to settle all future minimum volume commitments under this agreement. Accordingly, this derivative was settled in its entirety as of that date.

Level 3 Fair Value Measurements—The following table presents a reconciliation of changes in the fair value of financial liabilities designated as Level 3 in the valuation hierarchy for the three months ended March 31, 2018 (in thousands):

	Three Months Ended March 31, 2018
Fair value liability, beginning of period	$ (63,278)
Unrealized gains on commodity derivative contracts included in earnings (1)	2,242
Settlement of commodity derivative contracts	61,036
Transfers into (out of) Level 3	-
Fair value liability, end of period	$ -

(1) Included in derivative loss, net in the consolidated statements of operations.

Non-recurring Fair Value Measurements—The Company applies the provisions of the fair value measurement standard on a non-recurring basis to its non-financial assets and liabilities, including proved property. 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 property during the reporting periods presented.

9. REVENUE RECOGNITION

The Company recognizes revenue in accordance with FASB ASC Topic 606 – Revenue Recognition ("ASC 606"). Revenue is recognized at the point in time at which the Company's performance obligations under its commodity sales contracts are satisfied and control of the commodity is transferred to the customer. The Company has determined that its contracts for the sale of crude oil, unprocessed natural gas, residue gas and NGLs contain monthly performance obligations to deliver product at locations specified in the contract. Control is transferred at the delivery location, at which point the performance obligation has been satisfied and revenue is

Table of Contents

recognized. Fees included in the contract that are incurred prior to control transfer are classified as transportation, gathering, compression and other and fees incurred after control transfers are included as a reduction to the transaction price. The transaction price at which revenue is recognized consists entirely of variable consideration based on quoted market prices less various fees and the quantity of volumes delivered. The table below presents the disaggregation of revenue by product type for the three months ended March 31, 2019 and 2018 (in thousands):

	Three Months Ended March 31,	
	2019	2018
OPERATING REVENUES		
Oil sales	$ 359,454	$ 453,650
NGL and natural gas sales	30,035	61,433
Oil, NGL and natural gas sales	$ 389,489	$ 515,083

Whiting receives payment for product sales from one to three months after delivery. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from customers are accrued in accounts receivable trade, net in the consolidated balance sheets. As of March 31, 2019 and December 31, 2018, such receivable balances were $178 million and $165 million, respectively. Variances between the Company's estimated revenue and actual payments are recorded in the month the payment is received, however, differences have been and are insignificant. Accordingly, the variable consideration is not constrained.

The Company has elected to utilize the practical expedient in ASC 606 that states the Company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under the Company's contracts, each monthly delivery of product represents a separate performance obligation, therefore, future volumes are wholly unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required.

10. STOCK-BASED COMPENSATION

Equity Incentive Plan—The Company maintains the Whiting Petroleum Corporation 2013 Equity Incentive Plan, as amended and restated (the "2013 Equity Plan"), which replaced the Whiting Petroleum Corporation 2003 Equity Incentive Plan (the "2003 Equity Plan") and granted the authority to issue 1,325,000 shares of the Company's common stock. During 2016, the 2013 Equity Plan was amended to include the authority to issue an additional 1,375,000 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 under the 2003 Equity Plan and any shares forfeited under the 2013 Equity Plan will be available for future issuance under the 2013 Equity Plan. However, shares netted for tax withholding under the 2013 Equity Plan will be cancelled and will not be available for future issuance. Under the 2013 Equity Plan, no employee or officer participant may be granted options for more than 225,000 shares of common stock, stock appreciation rights relating to more than 225,000 shares of common stock, more than 150,000 shares of restricted stock ("RSAs"), more than 150,000 restricted stock units ("RSUs"), more than 150,000 performance shares ("PSAs"), or more than 150,000 performance share units ("PSUs") during any calendar year. In addition, no non-employee director participant may be granted options for more than 25,000 shares of common stock, stock appreciation rights relating to more than 25,000 shares of common stock, more than 25,000 RSAs, or more than 25,000 RSUs during any calendar year. As of March 31, 2019, 505,495 shares of common stock remained available for grant under the 2013 Equity Plan.

At the Company's 2019 annual meeting held on May 1, 2019, shareholders approved an amendment to the 2013 Equity Plan which increased the total number of shares issuable under the plan by 3,000,000.

The Company grants service-based RSAs and RSUs to executive officers and employees, which generally vest ratably over a three-year service period. The Company also grants service-based RSAs to directors, which generally vest over a one-year service period. In addition, the Company grants PSAs and PSUs to executive officers that are subject to market-based vesting criteria, which generally vest over a three-year service period. The Company accounts for forfeitures of awards granted under these plans as they occur in determining compensation expense. The Company recognizes compensation expense for all awards subject to market-based vesting conditions regardless of whether it becomes probable that these conditions will be achieved or not, and compensation expense for share-settled awards is not reversed if vesting does not actually occur.

Table of Contents

During the three months ended March 31, 2019 and 2018, 326,737 and 215,898 shares, respectively, of service-based RSAs and RSUs were granted to executive officers under the 2013 Equity Plan. The Company determines compensation expense for these share-settled awards using their fair value at the grant date, which is based on the closing bid price of the Company's common stock on such date. The weighted average grant date fair value of service-based RSAs and RSUs was $29.80 per share and $30.03 per share for the three months ended March 31, 2019 and 2018, respectively.

During the three months ended March 31, 2018, 308,432 shares of service-based RSUs were granted to employees under the 2013 Equity Plan. These awards will be settled in cash and are recorded as a liability in the consolidated balance sheets. The Company determines compensation expense for cash-settled RSUs using the fair value at the end of each reporting period, which is based on the closing bid price of the Company's common stock on such date.

During the three months ended March 31, 2019 and 2018, 317,512 and 215,898, respectively, of PSAs and PSUs subject to certain market-based vesting criteria were granted to executive officers under the 2013 Equity Plan. These market-based awards cliff vest on the third anniversary of the grant date, and the number of shares that will vest at the end of that three-year performance period is determined based on the rank of Whiting's cumulative stockholder return compared to the stockholder return of a peer group of companies on each anniversary of the grant date over the three-year performance period. The number of awards earned could range from zero up to two times the number of shares initially granted. However, awards earned up to the target shares granted (or 100%) will be settled in shares, while awards earned in excess of the target shares granted will be settled in cash. The cash-settled component of such awards is recorded as a liability in the consolidated balance sheets and will be remeasured at fair value using a Monte Carlo valuation model at the end of each reporting period.

For awards subject to market conditions, the grant date fair value is estimated using a Monte Carlo valuation model. The Monte Carlo model is based on random projections of stock price paths and must be repeated numerous times to achieve a probabilistic assessment. Expected volatility is calculated based on the historical volatility and implied volatility of Whiting's common stock, and the risk-free interest rate is based on U.S. Treasury yield curve rates with maturities consistent with the three-year vesting period. The key assumptions used in valuing these market-based awards were as follows:

	2019	2018
Number of simulations	2,500,000	2,500,000
Expected volatility	72.95%	72.80%
Risk-free interest rate	2.60%	2.12%
Dividend yield	—	—

The weighted average grant date fair value of the market-based awards that will be settled in shares, as determined by the Monte Carlo valuation model, was $25.97 per share and $27.28 per share in 2019 and 2018, respectively.

The following table shows a summary of the Company's service-based and market-based awards activity for the three months ended March 31, 2019:

	Number of Awards		Weighted Average
	Service Based RSAs & RSUs	Market-Based PSAs & PSUs	Grant Date Fair Value
Nonvested awards, January 1	554,527	503,696	$ 34.94

Granted	326,737	317,512		27.91
Vested	(316,860)	(98,581)		31.82
Forfeited	(3,069)	(111,199)		27.89
Nonvested awards, March 31	561,335	611,428	$	32.87

There was no significant stock option activity during the three months ended March 31, 2019 and 2018.

For the three months ended March 31, 2019 and 2018, the Company recognized total stock-based compensation expense of $6 million and $7 million, respectively.

Table of Contents

11. 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 months ended March 31, 2019 and 2018 differs from the amount that would be provided by applying the statutory U.S. federal income tax rate of 21% to pre-tax income primarily due to (i) the effects of state taxes and permanent taxable differences for the three months ended March 31, 2019 and (ii) for the three months ended March 31, 2018, a full valuation allowance was in effect, which reduced the Company’s net tax expense to zero.

In assessing the realizability of deferred tax assets (“DTAs”), management considers whether it is more likely than not that some portion, or all, of the Company’s DTAs will not be realized. In making such determination, the Company considers all available positive and negative evidence, including future reversals of temporary differences, tax-planning strategies and projected future taxable income and results of operations. If the Company concludes that it is more likely than not that some portion, or all, of its DTAs will not be realized, the tax asset is reduced by a valuation allowance. At December 31, 2018, the Company had a valuation allowance totaling $152 million on a portion of its net DTAs. The Company assesses the appropriateness of its valuation allowance on a quarterly basis. As of March 31, 2019, there was no change in the Company’s assessment of the realizability of its DTAs.

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.

12. EARNINGS PER SHARE

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

	Three Months Ended March 31,	
	2019	2018
Basic Earnings (Loss) Per Share		
Net income (loss)	$ (68,925)	$ 15,012
Weighted average shares outstanding, basic	91,235	90,892
Earnings (loss) per common share, basic	$ (0.76)	$ 0.17
Diluted Earnings (Loss) Per Share		
Net income (loss)	$ (68,925)	$ 15,012
Weighted average shares outstanding, basic	91,235	90,892
Service-based awards, market-based awards and stock options	-	418
Weighted average shares outstanding, diluted	91,235	91,310
Earnings (loss) per common share, diluted	$ (0.76)	$ 0.16

During the three months ended March 31, 2019, the Company had a net loss and therefore the diluted earnings per share calculation for that period excludes the anti-dilutive effect of 254,985 shares of service-based awards and 235,174 shares of market-based awards. In addition, the diluted earnings per share calculation for the three months ended March 31, 2019 excludes the effect of 49,125 common shares for stock options that were out-of-the money as of March 31, 2019.

During the three months ended March 31, 2018, the diluted earnings per share calculation excludes the effect of 116,552 common shares for stock options that were out-of-the-money and 246,613 shares of market-based awards that did not meet the market-based vesting criteria as of March 31, 2018.

Table of Contents

Refer to the "Stock-Based Compensation" footnote for further information on the Company's service-based awards, market-based awards and stock options.

As discussed in the "Long-Term Debt" footnote, the Company has the option to settle conversions of the 2020 Convertible Senior Notes with cash, shares of common stock or any combination thereof. Based on the current conversion price, the entire outstanding principal amount of the 2020 Convertible Senior Notes as of March 31, 2019 would be convertible into approximately 3.6 million shares of the Company's common stock. However, the Company's intent is to settle the principal amount of the 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 March 31, 2019 and 2018, the conversion value did not exceed the principal amount of the notes. Accordingly, there was no impact to diluted earnings per share or the related disclosures for those periods.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, the terms "Whiting", "we", "us", "our" or "ours" when used in this Item refer to Whiting Petroleum Corporation, together with its consolidated subsidiaries, Whiting Oil and Gas Corporation ("Whiting Oil and Gas"), Whiting US Holding Company, Whiting Canadian Holding Company ULC, Whiting Resources Corporation and Whiting Programs, Inc. When the context requires, we refer to these entities separately. This document contains forward-looking statements, which give our current expectations or forecasts of future events. Please refer to "Forward-Looking Statements" at the end of this Item for an explanation of these types of statements.

Overview

We are an independent oil and gas company engaged in development, production, acquisition and exploration activities primarily in the Rocky Mountains region of the United States. Our current operations and capital programs are focused on organic drilling opportunities and on the development of previously acquired properties, specifically on projects that we believe provide the greatest potential for repeatable success and production growth, while selectively pursuing acquisitions that complement our existing core properties, such as the acquisition discussed in the "Acquisition and Divestitures" footnote in the notes to condensed consolidated financial statements, and exploring other basins where we can apply our existing knowledge and expertise to build production and add proved reserves. During 2018, we focused on high-return projects in our asset portfolio that added production and reserves while generating free cash flows from operations. In 2019, we expect to continue to closely align our capital spending with cash flows generated from operations while focusing our development activities at our large resource play in the Williston Basin of North Dakota and Montana. We continually evaluate our property portfolio and sell properties when we believe that the sales price realized will provide an above average rate of return for the property or when the property no longer matches the profile of properties we desire to own.

Our revenue, profitability and future growth rate depend on many factors which are beyond our control, such as oil and gas prices, economic, political and regulatory developments, competition from other sources of energy, and the other items discussed under the caption "Risk Factors" in Item 1A of our Annual Report on Form 10 K for the period ended December 31, 2018. Oil and gas prices historically have been volatile and may fluctuate widely in the future. The following table highlights the quarterly average NYMEX price trends for crude oil and natural gas prices since the first quarter of 2017:

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Crude oil	$ 51.86	$ 48.29	$ 48.19	$ 55.39	$ 62.89	$ 67.90	$ 69.50	$ 58.83	$ 54.90
Natural gas	$ 3.07	$ 3.09	$ 2.89	$ 2.87	$ 3.13	$ 2.77	$ 2.88	$ 3.62	$ 3.00

Lower oil, NGL and natural gas prices may not only decrease our revenues on a per unit basis, but may also reduce the amount of oil and natural gas that we can produce economically and therefore potentially lower our oil and gas reserve quantities. Substantial and extended declines in oil, NGL and natural gas prices have resulted, and may result, in impairments of our proved oil and gas properties or undeveloped acreage and may materially and adversely affect our future business, financial condition, cash flows, results of operations, liquidity or ability to finance planned capital expenditures. In addition, lower commodity prices may reduce the amount of our borrowing base under our credit agreement, which is determined at the discretion of our lenders and is based on the collateral value of our proved reserves that have been mortgaged to the lenders, as occurred with our semi-annual redetermination where the borrowing base was lowered from $2.4 billion to $2.25 billion. Upon a redetermination, if borrowings in excess of the revised borrowing capacity were outstanding, we could be forced to immediately repay a portion of the debt outstanding under our credit agreement. Alternatively, higher oil prices may result in significant mark-to-market losses being incurred on our commodity-based derivatives.

2019 Highlights and Future Considerations

Operational Highlights

Northern Rocky Mountains – Williston Basin

Our properties in the Williston Basin of North Dakota and Montana target the Bakken and Three Forks formations. Net production from the Williston Basin averaged 113.2 MBOE/d for the first quarter of 2019, representing a 2% increase from 111.5 MBOE/d in the fourth quarter of 2018. Across our acreage in the Williston Basin, we have implemented customized, right-sized completion designs

Table of Contents

which utilize the optimum volume of proppant, fluids, and frac stages to increase well performance while reducing cost. We plan to continue to use right-sized completion design on wells we drill in 2019, while also utilizing state-of-the-art drilling rigs, high-torque mud motors and 3-D bit cutter technology to reduce time-on-location and total well cost. As of March 31, 2019, we had five rigs active in the Williston Basin. We drilled 34 wells and put 11 operated wells on production in this area during the first quarter of 2019.

Central Rocky Mountains – Denver-Julesburg Basin

Our Redtail field in the Denver-Julesburg Basin (“DJ Basin”) in Weld County, Colorado targets the Niobrara and Codell/Fort Hays formations. Net production from the Redtail field averaged 14.9 MBOE/d in the first quarter of 2019, representing a 16% decrease from 17.8 MBOE/d in the fourth quarter of 2018. The decrease in production during the first quarter of 2019 was primarily driven by normal field production decline as well as the impact of severe winter weather experienced at our Redtail field. We have established production in the Niobrara “A”, “B” and “C” zones and the Codell/Fort Hays formations. In late 2017, based on the comparative well performance results of the DJ Basin to the Williston Basin, our management decided to concentrate future development activities in the Williston Basin. We completed 22 of our drilled uncompleted wells in our Redtail field during the first half of 2018 and have since ceased additional development activity in this area.

Our Redtail gas plant processes the associated gas produced from our wells in this area, and has a current inlet capacity of 50 MMcf/d. As of March 31, 2019, the plant was processing 27 MMcf/d.

Table of Contents

Results of Operations

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

	Three Months Ended March 31,	
	2019	2018
Net production		
Oil (MMBbl)	7.5	7.7
NGLs (MMBbl)	1.9	1.8
Natural gas (Bcf)	12.6	11.3
Total production (MMBOE)	11.6	11.4
Net sales (in millions)		
Oil (1)	$ 359.5	$ 453.7
NGLs	12.9	42.8
Natural gas	17.1	18.6
Total oil, NGL and natural gas sales	$ 389.5	$ 515.1
Average sales prices		
Oil (per Bbl) (1)	$ 47.71	$ 58.61
Effect of oil hedges on average price (per Bbl)	0.21	(3.21)
Oil after the effect of hedging (per Bbl)	$ 47.92	$ 55.40
Weighted average NYMEX price (per Bbl) (2)	$ 54.83	$ 62.92
NGLs (per Bbl)	$ 6.62	$ 23.57
Natural gas (per Mcf)	$ 1.36	$ 1.65
Weighted average NYMEX price (per MMBtu) (2)	$ 3.00	$ 3.13
Costs and expenses (per BOE)		
Lease operating expenses	$ 7.26	$ 7.04
Transportation, gathering, compression and other	$ 0.85	$ 1.00
Production and ad valorem taxes	$ 2.43	$ 3.32
Depreciation, depletion and amortization	$ 17.11	$ 16.43
General and administrative	$ 3.02	$ 2.75

(1) Before consideration of hedging transactions.
(2) Average NYMEX pricing weighted for monthly production volumes.

Oil, NGL and Natural Gas Sales. Our oil, NGL and natural gas sales revenue decreased $126 million to $389 million when comparing the first quarter of 2019 to the same period in 2018. Sales revenue is a function of oil, NGL and gas volumes sold and average commodity prices realized. Our oil volumes decreased 3% and our NGL and natural gas sales volumes increased 7% and 12%, respectively, between periods. The oil volume decrease between periods was primarily attributable to normal field production decline primarily in the DJ Basin, where we have ceased additional development activity, as well as the impact of severe winter weather experienced in the DJ Basin. This decrease was partially offset by new wells drilled and completed over the last twelve months in the Williston Basin and DJ Basin which added 2,850 MBbl and 210 MBbl, respectively, of oil production during the first quarter of 2019 as compared to the first quarter of 2018. The NGL volume increase between periods generally relates to new wells drilled and completed in the Williston Basin and DJ Basin over the last twelve months, as well as additional volumes processed as more wells were connected to gas processing plants in the Williston Basin in an effort to increase our overall gas capture rate in this area and reduce flared volumes. Many of the new Williston Basin wells are in areas with higher gas-to-oil production ratios than previously drilled areas. These NGL volume increases were partially offset by normal field production decline across several of our areas. The gas volume increase between periods was primarily due to new wells drilled and completed at our Williston Basin and DJ Basin properties over the last twelve months which

27

Table of Contents

resulted in 3,680 MMcf and 330 MMcf, respectively, of additional gas volumes during the first quarter of 2019 as compared to the first quarter of 2018. These increases were partially offset by normal field production decline across several of our areas.

In addition to the above production-related decreases in net revenue, there were also decreases in the average sales price realized for oil, NGLs and natural gas in the first quarter of 2019 compared to 2018. Our average price for oil (before the effects of hedging), NGLs and natural gas decreased 19%, 72% and 18%, respectively. Our average sales price realized for oil is impacted by deficiency payments we were making under two physical delivery contracts at our Redtail field due to our inability to meet the minimum volume commitments under these contracts. During the three months ended March 31, 2019 and 2018, our total average sales price realized for oil was $1.71 per Bbl lower and $1.09 per Bbl lower, respectively, as a result of these deficiency payments. On February 1, 2018, we paid $61 million to the counterparty to one of these Redtail delivery contracts to settle all future minimum volume commitments under the agreement. The remaining agreement will continue to negatively impact the price we receive for oil from our Redtail field through April 2020, when the contract terminates.

Lease Operating Expenses. Our lease operating expenses ("LOE") during the first quarter of 2019 were $84 million, a $4 million increase over the same period in 2018. This increase was primarily due to new wells put on production in the Williston Basin and the DJ Basin during the past twelve months.

Our lease operating expenses on a BOE basis also increased when comparing the first quarter of 2019 to the same 2018 period. LOE per BOE amounted to $7.26 during the first quarter of 2019, which represents an increase of $0.22 per BOE (or 3%) from the first quarter of 2018. This increase was mainly due to the overall increase in LOE expense discussed above, partially offset by higher overall production volumes between periods.

Transportation, Gathering, Compression and Other. Our transportation, gathering, compression and other expenses ("TGC") during the first quarter of 2019 were $10 million, a $2 million decrease over the same period in 2018. This decrease was primarily due to lower realized NGL prices during the first quarter of 2019, which led to lower gas processing fees under our percentage-of-proceeds contracts as compared to the first quarter of 2018.

TGC per BOE also decreased when comparing the first quarter of 2019 to the same 2018 period. TGC per BOE amounted to $0.85 per BOE during the first quarter of 2019, which represents a decrease of $0.15 per BOE (or 15%) from the first quarter of 2018. This decrease was mainly due to the overall decrease in TGC expense discussed above.

Production and Ad Valorem Taxes. Our production and ad valorem taxes during the first quarter of 2019 were $28 million, a $10 million decrease over the same period in 2018, which was primarily due to lower sales revenue between periods. Our production taxes, however, are generally calculated as a percentage of net sales revenue before the effects of hedging, and this percentage on a company-wide basis was 7.5% and 7.3% for the first quarter of 2019 and 2018, respectively. Our production tax rate for 2019 was higher than the rate for 2018 due to our concentration of development in the Williston Basin states of North Dakota and Montana, which have a higher tax rate than Colorado where our DJ Basin assets are located.

Depreciation, Depletion and Amortization. Our depreciation, depletion and amortization ("DD&A") expense increased $10 million in 2019 as compared to the first quarter of 2018. The components of our DD&A expense were as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018

Depletion	$ 193,870	$ 183,645
Accretion of asset retirement obligations	2,882	2,708
Depreciation	1,380	1,566
Total	$ 198,132	$ 187,919

DD&A increased between periods primarily due to $10 million in higher depletion expense, consisting of a $8 million increase related to a higher depletion rate between periods, as well as a $2 million increase due to higher overall production volumes during the first quarter of 2019. On a BOE basis, our overall DD&A rate of $17.11 for the first quarter of 2019 was 4% higher than the rate of $16.43 for the same period in 2018. The primary factors contributing to this higher DD&A rate were downward revisions to proved reserves over the last twelve months.

Table of Contents

Exploration and Impairment Costs. Our exploration and impairment costs increased $4 million for the first quarter of 2019 as compared to the same period in 2018. The components of our exploration and impairment expense were as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Impairment	$ 9,843	$ 10,050
Exploration	9,906	5,236
Total	$ 19,749	$ 15,286

Exploration costs increased $5 million during the first quarter of 2019 as compared to the same period in 2018 primarily due to increased deficiency fees paid under our produced water disposal agreement driven by reduced drilling and completion activity at our Redtail field.

General and Administrative Expenses. We report general and administrative ("G&A") expenses net of third-party reimbursements and internal allocations. The components of our G&A expenses were as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
General and administrative expenses	$ 59,484	$ 56,470
Reimbursements and allocations	(24,510)	(24,990)
General and administrative expenses, net	$ 34,974	$ 31,480

G&A expense per BOE amounted to $3.02 during the first quarter of 2019, which represents an increase of $0.27 per BOE (or 10%) from the first quarter of 2018. This increase was mainly due to higher employee compensation costs between periods.

Derivative Loss, Net. Our commodity derivative contracts are marked to market each quarter with fair value gains and losses recognized immediately in earnings as derivative (gain) loss, net. Cash flow, however, is only impacted to the extent that settlements under these contracts result in making or receiving a payment to or from the counterparty. Derivative loss, net of $63 million for the three months ended March 31, 2019 related to our costless collar and swap commodity derivative contracts resulting from the significant upward shift in the futures curve of forecasted commodity prices ("forward price curve") for crude oil from January 1, 2019 (or the 2019 date on which new contracts were entered into) to March 31, 2019. Derivative loss, net amounted to a loss of $53 million for the three months ended March 31, 2018, which consisted of a $55 million loss on our costless collar and swap commodity derivative contracts resulting from the less significant upward shift in the same forward price curve from January 1, 2018 (or the 2018 date on which prior year contracts were entered into) to March 31, 2018, partially offset by a $2 million fair value gain on our long-term crude oil sales and delivery contract.

Refer to Item 3, "Quantitative and Qualitative Disclosures about Market Risk", for a list of our outstanding commodity derivative contracts as of April 23, 2019.

Interest Expense. The components of our interest expense were as follows (in thousands):

	Three Months Ended March 31,	
	2019	2018
Notes	$ 37,256	$ 40,595
Amortization of debt issue costs, discounts and premiums	7,818	7,805
Credit agreement	2,986	4,089
Other	39	410
Total	$ 48,099	$ 52,899

The decrease in interest expense of $5 million between periods was mainly attributable to lower interest costs incurred on our notes during the first quarter of 2019 as compared to the first quarter of 2018. The $3 million decrease in note interest primarily resulted from the redemption of the 2019 Notes in January 2018. Refer to the “Long-Term Debt” footnote in the notes to condensed consolidated financial statements for more information on this debt transaction.

Table of Contents

Our weighted average debt outstanding during the first quarter of 2019 was $2.9 billion versus $3.2 billion for the first quarter of 2018. Our weighted average effective cash interest rate was 5.5% during both the first quarter of 2019 and the first quarter of 2018.

Loss on Extinguishment of Debt. During the first quarter of 2018, we redeemed all of the remaining $961 million aggregate principal amount of 2019 Senior Notes and recognized a $31 million loss on extinguishment of debt. Refer to the “Long-Term Debt” footnote in the notes to condensed consolidated financial statements for more information on this debt transaction.

Income Tax Benefit. Income tax benefit for the first quarter of 2019 totaled $25 million. As of December 31, 2017, we recorded a full valuation allowance on our deferred tax assets. Accordingly, we did not recognize any income tax expense or benefit during the first quarter of 2018. As a result of positive pre-tax income during 2018, we transitioned from a net deferred tax asset position to a net deferred liability position as of December 31, 2018, and we released the valuation allowance related to our general net deferred tax assets that was established in 2017.

Our overall effective tax rate of 26.5% for the first quarter of 2019 was higher than the U.S. statutory income tax rate primarily due to state income taxes and the effects of permanent taxable differences.

Liquidity and Capital Resources

Overview. At March 31, 2019, we had $2 million of cash on hand and $4.2 billion of equity, while at December 31, 2018, we had $14 million of cash on hand and $4.3 billion of equity.

One of the primary sources of variability in our cash flows from operating activities is commodity price volatility, which we partially mitigate through the use of commodity hedge contracts. Oil accounted for 65% and 68% of our total production in the first quarter of 2019 and 2018, respectively. As a result, our operating cash flows are more sensitive to fluctuations in oil prices than they are to fluctuations in NGL or natural gas prices. As of April 23, 2019, we had derivative contracts covering the sale of approximately 56% of our forecasted oil production volumes for the remainder of 2019. For a list of all of our outstanding derivatives as of April 23, 2019, refer to Item 3, “Quantitative and Qualitative Disclosures about Market Risk”.

During the first quarter of 2019, we generated $149 million of cash provided by operating activities, a decrease of $84 million from the same period in 2018. Cash provided by operating activities decreased primarily due to lower realized sales prices for oil, NGLs and natural gas and lower crude oil production volumes, as well as higher cash general and administrative expenses, exploration costs and lease operating expenses. These negative factors were partially offset by higher NGL and natural gas production volumes, a decrease in cash settlements paid on our derivative contracts, lower production and ad valorem taxes, TGC and cash interest expense during the first quarter of 2019 as compared to the same period in 2018. Refer to “Results of Operations” for more information on the impact of volumes and prices on revenues and for more information on increases and decreases in certain expenses between periods.

During the first quarter of 2019, cash flows from operating activities, cash on hand and $40 million of net borrowings under our credit agreement were used to finance $189 million of drilling and development expenditures.

Exploration and Development Expenditures. The following table details our exploration and development (“E&D”) expenditures incurred by core area (in thousands):

	Three Months Ended March 31,

	2019	2018
Northern Rocky Mountains	$ 215,415	$ 136,871
Central Rocky Mountains	121	46,181
Other (1)	3,631	4,092
Total incurred	$ 219,167	$ 187,144

(1) Other primarily includes non-core oil and gas properties located in Colorado, Mississippi, New Mexico, North Dakota, Texas and Wyoming.

Table of Contents

We continually evaluate our capital needs and compare them to our capital resources. Our 2019 E&D budget is a range of $800 million to $840 million, which we expect to fund substantially with net cash provided by operating activities and cash on hand. The forecasted midpoint of our 2019 E&D budget of $820 million represents a slight decrease from the $832 million incurred on E&D expenditures during 2018. We believe that should additional attractive acquisition opportunities arise or E&D expenditures exceed $820 million, we will be able to finance additional capital expenditures through agreements with industry partners, divestitures of certain oil and gas property interests, borrowings under our credit agreement or by accessing the capital markets. Our level of E&D expenditures is largely discretionary, and the amount of funds we devote to any particular activity may increase or decrease significantly depending on commodity prices, cash flows, available opportunities and development results, among other factors. We believe that we have sufficient liquidity and capital resources to execute our business plan over the next 12 months and for the foreseeable future. With our expected cash flow streams, commodity price hedging strategies, current liquidity levels (including availability under our credit agreement), access to debt and equity markets and flexibility to modify future capital expenditure programs, we expect to be able to fund all planned capital programs and debt repayments, comply with our debt covenants, and meet other obligations that may arise from our oil and gas operations.

Credit Agreement. Whiting Oil and Gas, our wholly owned subsidiary, has a credit agreement with a syndicate of banks that as of March 31, 2019 had a borrowing base and aggregate commitments of $2.4 billion and $1.75 billion, respectively. As of March 31, 2019, we had $1.7 billion of available borrowing capacity under the credit agreement, which was net of $40 million of borrowings outstanding and $2 million in letters of credit outstanding.

The borrowing base under the credit agreement is determined at the discretion of our lenders, based on the collateral value of our 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 our borrowing base, either on a periodic or special redetermination date, if borrowings in excess of the revised borrowing capacity were outstanding, we could be forced to immediately repay a portion of our debt outstanding under the credit agreement. In April 2019, the borrowing base under the facility was reduced to $2.25 billion in connection with the semi-annual regular borrowing base redetermination, with no change to the aggregate commitments of $1.75 billion.

A portion of the revolving credit facility in an aggregate amount not to exceed $50 million may be used to issue letters of credit, for the account of Whiting Oil and Gas or other designated subsidiaries of ours. As of March 31, 2019, $48 million was available for additional letters of credit under the agreement.

The credit agreement provides for interest only payments until maturity, when the credit agreement expires and all outstanding borrowings are due. The credit agreement matures on April 12, 2023, provided that if at any time and for so long as any senior notes (other than the 2020 Convertible Senior Notes) have a maturity date prior to 91 days after April 12, 2023, the maturity date shall be the date that is 91 days prior to the maturity of such senior notes. Interest under the credit agreement accrues at our 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, we also incur commitment fees as set forth in the table below on the unused portion of the aggregate commitments of the lenders under the credit agreement.

	Applicable	Applicable

Ratio of Outstanding Borrowings to Borrowing Base	Margin for Base Rate Loans	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%		