

W&T OFFSHORE INC
Form 10-Q
August 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2013

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 1-32414

W&T OFFSHORE, INC.

(Exact name of registrant as specified in its charter)

Texas

72-1121985

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(State of incorporation)

(IRS Employer

Identification Number)

Nine Greenway Plaza, Suite 300

Houston, Texas

77046-0908

(Address of principal executive offices)

(Zip Code)

(713) 626-8525

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company. Yes No

As of August 6, 2013, there were 75,277,080 shares outstanding of the registrant's common stock, par value \$0.00001.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

| | June 30, 2013 (In thousands, except share data) (Unaudited) | December 31, 2012 (In thousands, except share data) (Unaudited) |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,276 | \$ 12,245 |
| Receivables: | | |
| Oil and natural gas sales | 80,670 | 97,733 |
| Joint interest and other | 22,921 | 56,439 |
| Income taxes | 39,556 | 47,884 |
| Total receivables | 143,147 | 202,056 |
| Deferred income taxes - current | | 267 |
| Prepaid expenses and other assets | 37,214 | 25,555 |
| Total current assets | 189,637 | 240,123 |
| Property and equipment - at cost: | | |
| Oil and natural gas properties and equipment (full cost method, of which \$127,918 at June 30, 2013 and \$123,503 at December 31, 2012 were excluded from amortization) | 7,009,835 | 6,694,510 |
| Furniture, fixtures and other | 20,848 | 21,786 |
| Total property and equipment | 7,030,683 | 6,716,296 |
| Less accumulated depreciation, depletion and amortization | 4,851,973 | 4,655,841 |
| Net property and equipment | 2,178,710 | 2,060,455 |
| Restricted deposits for asset retirement obligations | 33,469 | 28,466 |
| Other assets | 18,198 | 19,943 |
| Total assets | \$ 2,420,014 | \$ 2,348,987 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 123,070 | \$ 123,885 |
| Undistributed oil and natural gas proceeds | 42,068 | 37,073 |
| Asset retirement obligations | 74,687 | 92,630 |
| Accrued liabilities | 13,984 | 21,021 |
| Deferred income tax - current | 5,760 | |
| Total current liabilities | 259,569 | 274,609 |
| Long-term debt | 1,099,537 | 1,087,611 |
| Asset retirement obligations, less current portion | 309,918 | 291,423 |
| Deferred income taxes | 162,948 | 145,249 |

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| | | |
|--|--------------|--------------|
| Other liabilities | 5,864 | 8,908 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$0.00001 par value; 20,000,000 shares authorized; 0 issued at June 30, 2013 and December 31, 2012 | | |
| Common stock, \$0.00001 par value; 118,330,000 shares authorized; 78,146,253 issued and 75,277,080 outstanding at June 30, 2013, and 78,118,803 issued and 75,249,630 outstanding at December 31, 2012 | 1 | 1 |
| Additional paid-in capital | 401,097 | 396,186 |
| Retained earnings | 205,247 | 169,167 |
| Treasury stock, at cost | (24,167) | (24,167) |
| Total shareholders' equity | 582,178 | 541,187 |
| Total liabilities and shareholders' equity | \$ 2,420,014 | \$ 2,348,987 |

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | Six Months Ended | |
|---|--|------------------|------------------|------------------|
| | June 30, 2013 | June 30, 2012 | June 30, 2013 | June 30, 2012 |
| | (In thousands, except per share data) (Unaudited) | | | |
| Revenues | \$ 235,383 | \$ 215,513 | \$ 494,605 | \$ 451,399 |
| Operating costs and expenses: | | | | |
| Lease operating expenses | 68,248 | 60,276 | 127,590 | 116,938 |
| Production taxes | 1,780 | 1,335 | 3,569 | 2,821 |
| Gathering and transportation | 4,608 | 4,110 | 9,052 | 8,330 |
| Depreciation, depletion, amortization and accretion | 99,896 | 85,941 | 208,767 | 174,432 |
| General and administrative expenses | 19,868 | 14,623 | 40,955 | 44,102 |
| Derivative gain | (12,840) | (49,872) | (9,473) | (10,238) |
| Total costs and expenses | 181,560 | 116,413 | 380,460 | 336,385 |
| Operating income | 53,823 | 99,100 | 114,145 | 115,014 |
| Interest expense: | | | | |
| Incurred | 21,536 | 14,706 | 42,770 | 28,612 |
| Capitalized | (2,532) | (3,326) | (4,964) | (6,517) |
| Income before income tax expense | 34,819 | 87,720 | 76,339 | 92,919 |
| Income tax expense | 12,423 | 34,153 | 27,325 | 36,134 |
| Net income | \$ 22,396 | \$ 53,567 | \$ 49,014 | \$ 56,785 |
| Basic and diluted earnings per common share | \$ 0.29 | \$ 0.70 | \$ 0.64 | \$ 0.75 |
| Dividends declared per common share | \$ 0.09 | \$ 0.08 | \$ 0.17 | \$ 0.16 |

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

| | Common Stock | | Additional | | Treasury Stock | | Total Shareholders Equity |
|----------------------------------|-----------------------|-------|--------------------|---|----------------|-------------|---------------------------------|
| | Outstanding Shares | Value | Paid-In Capital | Retained Earnings (In thousands) (Unaudited) | Shares | Value | |
| Balances at December 31, 2012 | 75,250 | \$ 1 | \$ 396,186 | \$ 169,167 | 2,869 | \$ (24,167) | \$ 541,187 |
| Cash dividends | | | | (12,795) | | | (12,795) |
| Share-based compensation | | | 4,950 | | | | 4,950 |
| Other | 27 | | (39) | (139) | | | (178) |
| Net income | | | | 49,014 | | | 49,014 |
| Balances at June 30, 2013 | 75,277 | \$ 1 | \$ 401,097 | \$ 205,247 | 2,869 | \$ (24,167) | \$ 582,178 |

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Six Months Ended June 30, | |
|---|-------------------------------|-----------|
| | 2013 | 2012 |
| | (In thousands) (Unaudited) | |
| Operating activities: | | |
| Net income | \$ 49,014 | \$ 56,785 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion, amortization and accretion | 208,767 | 174,432 |
| Amortization of debt issuance costs and premium | 910 | 1,287 |
| Share-based compensation | 4,950 | 5,818 |
| Derivative gain | (9,473) | (10,238) |
| Cash payments on derivative settlements | (2,310) | (6,084) |
| Deferred income taxes | 23,726 | 48,120 |
| Changes in operating assets and liabilities: | | |
| Oil and natural gas receivables | 17,063 | 26,121 |
| Joint interest and other receivables | 33,620 | 3,630 |
| Insurance receivables | 5,015 | 500 |