

W&T OFFSHORE INC

Form 10-Q

November 08, 2007

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

FORM 10-Q

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2007

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
(State of incorporation)

Nine Greenway Plaza, Suite 300
Houston, Texas
(Address of principal executive offices)

72-1121985
(IRS Employer Identification Number)

77046-0908
(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 ☐

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

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

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

As of November 8, 2007, there were 76,227,604 shares outstanding of the registrant's common stock, par value \$0.00001.

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W&T OFFSHORE, INC. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****W&T OFFSHORE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

| | September 30, 2007 | December 31, 2006 |
|--|-----------------------|----------------------|
| | (In thousands, | |
| | except share data) | |
| | (Unaudited) | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 187,807 | \$ 39,235 |
| Receivables: | | |
| Oil and gas sales | 77,933 | 98,362 |
| Joint interest and other | 57,560 | 50,681 |
| Insurance | | 75,151 |
| Income taxes | | 15,705 |
| Total receivables | 135,493 | 239,899 |
| Prepaid expenses and other assets | 42,594 | 49,559 |
| Total current assets | 365,894 | 328,693 |
| Property and equipment at cost: | | |
| Oil and gas property and equipment (full cost method, of which \$286,535 at September 30, 2007 and \$308,231 at December 31, 2006 were excluded from amortization) | 3,575,536 | 3,297,153 |
| Furniture, fixtures and other | 10,711 | 10,948 |
| Total property and equipment | 3,586,247 | 3,308,101 |
| Less accumulated depreciation, depletion and amortization | 1,399,196 | 1,042,315 |
| Net property and equipment | 2,187,051 | 2,265,786 |
| Restricted deposits for asset retirement obligations | 10,463 | 10,680 |
| Other assets | 6,290 | 4,526 |
| Total assets | \$ 2,569,698 | \$ 2,609,685 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 3,000 | \$ 271,380 |
| Accounts payable | 123,566 | 247,324 |
| Undistributed oil and gas proceeds | 51,829 | 46,933 |
| Asset retirement obligations - current portion | 24,762 | 41,718 |
| Accrued liabilities | 27,364 | 28,825 |
| Income taxes | 22,164 | |
| Deferred income taxes - current portion | | 7,896 |
| Total current liabilities | 252,685 | 644,076 |
| Long-term debt, less current maturities - net of discount | 652,160 | 413,617 |
| Asset retirement obligations, less current portion | 281,632 | 272,350 |

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| | | |
|---|--------------|--------------|
| Deferred income taxes, less current portion | 242,579 | 232,835 |
| Other liabilities | 5,553 | 3,890 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Common stock, \$0.00001 par value; 118,330,000 shares authorized; issued and outstanding 76,227,713 and 75,900,082 shares at September 30, 2007 and December 31, 2006, respectively | 1 | 1 |
| Additional paid-in capital | 366,219 | 361,855 |
| Retained earnings | 769,670 | 681,634 |
| Accumulated other comprehensive loss | (801) | (573) |
| Total shareholders' equity | 1,135,089 | 1,042,917 |
| Total liabilities and shareholders' equity | \$ 2,569,698 | \$ 2,609,685 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**W&T OFFSHORE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

| | Three Months Ended | | Nine Months Ended | |
|--|--|-------------|--------------------------|-------------|
| | September 30, | | September 30, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (In thousands, except per share data) | | | |
| | (Unaudited) | | | |
| Revenues | \$ 255,191 | \$ 213,431 | \$ 774,293 | \$ 536,082 |
| Operating costs and expenses: | | | | |
| Lease operating expenses | 51,627 | 35,227 | 169,154 | 68,704 |
| Production taxes | 1,263 | 369 | 3,857 | 546 |
| Gathering and transportation | 4,520 | 4,817 | 10,769 | 11,148 |
| Depreciation, depletion and amortization | 117,539 | 82,142 | 356,881 | 194,052 |
| Asset retirement obligation accretion | 5,574 | 3,324 | 16,477 | 7,840 |
| General and administrative expenses | 9,952 | 8,845 | 29,240 | 28,164 |
| Derivative loss (gain) | 2,809 | (27,065) | 15,082 | (21,793) |
| Total costs and expenses | 193,284 | 107,659 | 601,460 | 288,661 |
| Operating income | 61,907 | 105,772 | 172,833 | 247,421 |
| Interest expense: | | | | |
| Incurred | 14,332 | 9,876 | 47,774 | 10,514 |
| Capitalized | (6,024) | (4,138) | (19,117) | (4,138) |
| Loss on extinguishment of debt | | | 2,806 | |
| Other income | 1,567 | 2,111 | 2,508 | 5,505 |
| Income before income taxes | 55,166 | 102,145 | 143,878 | 246,550 |
| Income taxes | 18,826 | 35,444 | 48,988 | 85,553 |
| Net income | \$ 36,340 | \$ 66,701 | \$ 94,890 | \$ 160,997 |
| Earnings per common share: | | | | |
| Basic | \$ 0.48 | \$ 0.92 | \$ 1.25 | \$ 2.36 |
| Diluted | 0.48 | 0.91 | 1.25 | 2.35 |
| Dividends declared per common share | 0.03 | | 0.09 | 0.06 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**W&T OFFSHORE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

| | Common Shares | Value | Additional Paid-In Capital | Retained Earnings (In thousands) (Unaudited) | Accumulated Other Comprehensive Loss | Total Shareholders Equity |
|---|------------------|-------|----------------------------------|---|---|---------------------------------|
| Balances at December 31, 2006 | 75,900 | \$ 1 | \$ 361,855 | \$ 681,634 | \$ (573) | \$ 1,042,917 |
| Cash dividends | | | | (6,854) | | (6,854) |
| Share-based compensation | | | 2,491 | | | 2,491 |
| Restricted stock issued, net of forfeitures | 339 | | 2,229 | | | 2,229 |
| Shares surrendered for payroll taxes | (11) | | (356) | | | (356) |
| Net income | | | | 94,890 | | 94,890 |
| Other comprehensive income, net of tax | | | | | (228) | (228) |
| Balances at September 30, 2007 | 76,228 | \$ 1 | \$ 366,219 | \$ 769,670 | \$ (801) | \$ 1,135,089 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**W&T OFFSHORE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

| | Nine Months Ended September 30, 2007 2006 (In thousands) (Unaudited) | |
|---|--|------------|
| Operating activities: | | |
| Net income | \$ 94,890 | \$ 160,997 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation, depletion, amortization and accretion | 373,358 | 201,892 |
| Amortization of debt issuance costs and discount on indebtedness | 5,840 | 3,238 |
| Loss on extinguishment of debt | 2,806 | |
| Share-based compensation related to restricted stock issuances | 2,491 | 2,177 |
| Unrealized derivative loss (gain) | 21,360 | (15,224) |
| Deferred income taxes | 92 | 65,977 |
| Other | 746 | |
| Changes in operating assets and liabilities: | | |
| Oil and gas receivables | 20,429 | (34,599) |
| Joint interest and other receivables | (7,240) | 3,617 |
| Insurance receivables | 75,151 | (36,449) |
| Income taxes | 37,869 | 19,575 |
| Prepaid expenses and other assets | (1,199) | (39,306) |
| Asset retirement obligations | (28,890) | |