

WHITING PETROLEUM CORP
Form DEFA14A
July 14, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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Whiting Petroleum Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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On July 14, 2014, Whiting Petroleum Corporation made the following presentation available on its website.

This Highly Strategic Combination

Creates Largest Bakken / Three Forks Producer

Drives Higher Growth

Drives Better Metrics

July 2014

ENERGY + TECHNOLOGY = GROWTH

2

Forward-Looking Statements

This communication contains statements that Whiting Petroleum Corporation (Whiting) and Kodiak Oil & Gas Corp. (Kodiak) believe to be forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements other than historical facts, including statements regarding the expected benefits of the proposed transaction to Whiting and Kodiak and their shareholders, the anticipated completion of the proposed transaction or the timing thereof, the expected future reserves,

production, financial position, business strategy, revenues, earnings, costs, capital expenditures and debt levels of the combined company, and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements. These risks and uncertainties include, but are not limited to: the ability to obtain shareholder, court and regulatory approvals of the proposed transaction; the ability to complete the proposed transaction on anticipated terms and timetable; Whiting's and Kodiak's ability to integrate successfully after the transaction and achieve anticipated benefits from the proposed transaction; the possibility that various closing conditions for the transaction may not be satisfied or waived; risks relating to any unforeseen liabilities of Whiting or Kodiak; oil and natural gas prices; level of success in exploration, development and production activities; the impacts of federal and state laws; the impacts of hedging on results of operations; uncertainty regarding future operating results and plans, objectives and expectations; and other risks described under the caption "Risk Factors" in Whiting's and Kodiak's Annual Reports on Form 10-K for the period ended December 31, 2013. Whiting and Kodiak assume no obligation, and disclaim any duty, to update the forward-looking statements in this communication.

Energy + Technology =
Growth

Transaction overview

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Consideration

Whiting Petroleum Corporation (Whiting) to acquire Kodiak Oil & Gas Corp.
(Kodiak) for 0.177x
shares of Whiting per Kodiak share, implying \$13.90 per

Kodiak share based on Whiting's closing price as of July 11, 2014

Transaction value,
enterprise value
& key metrics

Transaction equity value of \$3.8bn, implying Equity Value / 2014E Cash Flow
multiple of 4.8x

Transaction enterprise value of \$6.0bn, implying Enterprise Value / 2014E

EBITDAX

multiple

of

6.9x

and

Enterprise

Value

/

2014E

Production

multiple

of

~\$149,000

/

Boepd

1

Pro forma ownership

& corporate

governance

Whiting shareholders will own ~71% and Kodiak shareholders will own ~29% of
the combined company

Whiting will add 2 Kodiak directors to its Board

Combined company will be led by current Whiting senior management team

Key conditions

& timing

Whiting shareholder approval and Kodiak securityholder approval

Customary regulatory approvals

Closing expected in Q4 2014

1

Based on mid-point of Kodiak public guidance

Energy + Technology =

Growth

Strategic rationale

4

Creates leading Williston
Basin operator

Combined
company

will
become
the
#1
Bakken/Three
Forks
producer:
over
107,000
Boepd
in
Q1 14

Combined
855k
net
acres,
inventory
of
~3,460
net
future
drilling
locations,
and
370
Mmboe
of
proved
reserves in the Williston Basin
Materially enhanced scale
to support growth

Combined
company
expected
to
have
an
initial
enterprise
value
of
approximately
\$17.8bn¹
and
LQA
EBITDAX of \$2.8bn

Combined proved reserves of 606 Mmboe, 3P reserves of 1,220 Mmboe as of 12/31/13 and Q1 14

production of 134 Mboepd (80% in Bakken/Three Forks)
Stronger credit profile &
financial flexibility

All-stock transaction structure is credit enhancing

Strong
balance
sheet,
with
combined
company
at
1.6x
debt
/
2014E
EBITDAX

Combined company has a borrowing base of \$4.5bn with \$3.5bn of commitments
Significant financial
benefits to shareholders

All-stock transaction structure allows both Whiting and Kodiak shareholders to participate in
substantial combined company upside

Transaction
is
expected
to
be
accretive
to
Whiting
discretionary
cash
flow
per
share,
earnings
per
share and production per share
Opportunity for
meaningful production &
operational synergies

Complementary acreage positions allows for more efficient operations

Application of Whiting technological expertise to Kodiak asset base expected to enhance recoveries
and reduce costs

Maintains leading oil-weighted platform

Combined company will offer leading oil-driven growth profile (88% liquids/84% oil, 2014E production)

Continue to expect consistently strong EBITDAX margins from oil focus

1
Combined Whiting & Kodiak enterprise values based on transaction value as of July 11, 2014
Drives higher growth

Accelerated development of Kodiak resource base to drive production and cash flow growth

Expect to increase Kodiak's rig fleet from 7 to 12 operated rigs by Q4 '15
Energy + Technology =
Growth

Expected benefits to Whiting

Increases weighting of production from Bakken/TFS

80% of pro forma Q1 2014 production from Bakken/TFS

855,000 combined net acres, with an inventory of 3,460 net Williston Basin drilling locations

Addition
of
complementary
acreage
position
in
area
Whiting
knows
very
well

Significantly enhanced growth potential from accelerated development of Kodiak resource base

Expect to increase Kodiak's rig fleet from 7 to 12 operated rigs by Q4 '15

Substantial present value benefit from acceleration

Materially increased scale enhances relative positioning of company vs. peers and strengthens
Whiting's credit profile and financial flexibility

All-stock transaction structure is credit enhancing

Expected to be accretive in 2015 and increasingly accretive thereafter across all metrics

Discretionary cash flow per share

Earnings per share

Production per share

5

Energy + Technology =

Growth

Expected benefits to Kodiak

Kodiak shareholders will retain upside to Bakken/TFS development through ~29% ownership of the combined company

Kodiak shareholders will own shares in a significantly larger company with a more

diverse set of reserves and production, with complementary assets

Exposure to leading positions in two of the fastest-growing oil-rich plays in the US:
the Bakken and the Niobrara

Significantly increases size and scale with greater access to capital for accelerated
development

Kodiak shareholders will participate in the benefit of operational and cost
improvements provided by the combined asset base and operations

Transaction expected to be tax-free to Kodiak's US shareholders

6

Energy + Technology =
Growth

Leading Williston Basin operator

7

Source: Company presentations, filings and press releases

1

As of December 31, 2013

2

Rigs currently drilling on July 13, 2014 per NDIC

3

As of July 13, 2014, Whiting had two additional rigs moving and Kodiak had one additional rig moving, for a combined operated 21 rigs in the Williston Basin

Acreage Overview (855,000 net acres)

Rigs drilling in the Williston Basin

(as of 7/13/14)

2,3

Q1'14 Bakken / Three Forks Net Production

(Mboepd)

Energy + Technology =

Growth

Larger location inventory with significant opportunity
to accelerate Williston Basin drilling program

8

Pro Forma Williston Basin Drilling Locations (Net)

3,460

Potential Williston Basin

net drilling locations

increase by 158%

1,339

1

Includes 2,639 Whiting and Kodiak locations at 12/31/2013, plus an additional 821 combined Whiting and Kodiak identified locations

Energy + Technology =

Growth

Continued production and reserve growth with oil-driven focus and strong margins

9

Reserves (Mmboe)

Production (Mboepd)

YE 2013

88% liquids / 80% oil

64

88

119

152

2014E

88% liquids / 84% oil

385

474

606

Energy + Technology =

Growth

Driving value from complementary acreage positions
Central and Eastern Williston Basin
10

Combined 855,000 net
acres in the core of
Williston Basin

Footprint in the sweet-spot
of the Central and Eastern
Williston Basin is
strategically positioned to
accelerate development of
the combined acreage
position

Ability to drive production,
reserve growth and
operational efficiency
across the position
Energy + Technology =
Growth

Value creation via application of Whiting expertise
and financial strength

11

Reduction in Kodiak's completed well costs

~ \$700,000 per well

Present value acceleration

Expect to increase Kodiak's rig fleet from 7 to 12 operated rigs by Q4 '15

By Q4 '15, combined 26 operated rigs, largest fleet in the Basin

Completion efficiency

New technologies and improved techniques

Operational efficiency

Economies of scale to drive reduced LOE

Infrastructure

Marketing scale

Midstream expertise

Energy + Technology =

Growth

Accelerated development plan to drive net asset
value accretion

12

Kodiak Standalone

Kodiak Pro Forma

Expect to increase Kodiak operated rig fleet from 7 to 12 rigs by Q4 15 driving
substantial present value benefit

Energy + Technology =
Growth

Enhances size and scale relative to oil-weighted peers

13

Enterprise

Value

(\$bn)

LQA

EBITDAX

(\$bn)

Reserves

(Mmboe)

Source: Company filings, equity research, Bloomberg, FactSet as of July 11, 2014

1

Combined Whiting & Kodiak enterprise values based on transaction value as of July 11, 2014

2

Please see appendix for reconciliation of non-GAAP financial measures

3

Based on mid-point of Whiting and Kodiak public guidance, and Bloomberg Consensus estimates for peers 2014E

Production

(Mboepd)

Energy + Technology =

Growth

% liquids

% liquids

3

2

Substantial production and reserves, with
increased Bakken/TFS weighting

14

Production (as of 3/31/14)

439 Mmboe

89% liquids

606 Mmboe

88% liquids

Whiting

Pro forma

167 Mmboe

83% liquids

Kodiak

Proved Reserves (as of 12/31/13)

1

Northern Rockies production for Whiting includes 2.4 Mboepd of production outside of the Bakken/Three Forks

1

100 Mboepd

88% liquids

134 Mboepd

88% liquids

34 Mboepd

87% liquids

Energy + Technology =

Growth

Northern Rockies

Central Rockies

North Ward Estes

Permian

Mid-Con / Gulf Coast

Northern Rockies

Central Rockies

North Ward Estes

Permian

Mid-Con / Gulf Coast

Strong combined balance sheet

15

Pro Forma Capitalization at 3/31/14 (\$mm)

1

Assumes cash on balance sheet as of 3/31/2014

2

Reflects \$700mm of revolver drawings at Kodiak as of 3/31/2014 and \$58mm of anticipated transaction expenses

3

As of 3/31/2014

4

As of 12/31/2013

5

Based on transaction value as of July 11,2014

6

Please see appendix for reconciliation of non-GAAP financial measures

7

2014E EBITDAX based on Wall Street consensus estimates

Energy + Technology =

Growth

Cash¹

\$422

RC Borrowings²

\$758

Whiting notes

6.500% sr nts due 2018

350

5.000% sr nts due 2019

1,100

5.750% sr nts due 2021

1,200

Unamortized premium on Whiting's 2021 notes

4

Kodiak notes

8.125% sr nts due 2019

800

Unamortized premium on Kodiak's 2019 notes

5

5.500% sr nts due 2021

350

5.500% sr nts due 2022

400

Total debt

\$4,966

Market

capitalization

5

\$13,262

Total capitalization

\$18,228

Net capitalization (excludes cash)

\$17,806

Q1 14

annualized

EBITDAX

3,6

\$2,802

Proved

reserves

(Mmboe)

4

606

Proved developed reserves (Mmboe)

4

330

Debt

/

Q1 14

annualized

EBITDAX

6

1.8x

Debt

/

2014E

EBITDAX

7

1.6x

Debt / Total capitalization

27%

Debt / Proved reserves (Mmboe)²

\$8.20

Debt / Proved developed reserves (Mmboe)²

\$15.07

Significant pro forma liquidity

16

Total Liquidity (\$mm)

\$3,164

\$1,606

1

Reflects \$3,500mm of commitments minus \$700mm of revolver drawings at Kodiak as of 3/31/2014 and \$58mm of anticipated

1

Energy + Technology =

Growth

\$406

\$422

\$1,200

\$2,742

\$0

\$500

\$1,000

\$1,500

\$2,000

\$2,500

\$3,000

\$3,500

Whiting at 3/31/14

Pro forma

Revolver availability

Cash

Strategic rationale
17
Creates leading Williston