WHITING PETROLEUM CORP
Form 424B3
June 09, 2004
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Registration No. 333-115957

PROSPECTUS

Whiting Petroleum Corporation

Offer to Exchange

All Outstanding

7 1/4% Senior Subordinated Notes due 2012

$150,000,000 Aggregate Principal Amount

for

New 7 1/4% Senior Subordinated Notes due 2012

$150,000,000 Aggregate Principal Amount

We are offering to exchange new registered 7 1/4% senior subordinated notes due 2012 for all of our outstanding unregistered 7 1/4% senior subordinated notes due 2012.

The exchange offer expires at 5:00 p.m., New York City time, on July 9, 2004, unless we extend it.

The terms of the new notes are substantially identical to those of the old notes, except that the new notes will not have securities law transfer restrictions and registration rights relating to the old notes and the new notes will not provide for the payment of additional interest under circumstances relating to the timing of the exchange offer.

The new notes will be unconditionally guaranteed, jointly and severally, by certain of our subsidiaries on a senior subordinated basis.

All outstanding old notes that are validly tendered and not validly withdrawn will be exchanged.

You may withdraw your tender of old notes any time before the exchange offer expires.

We will not receive any proceeds from the exchange offer.

No established trading market for the new notes currently exists. The new notes will not be listed on any securities exchange or included in any automated quotation system.

The exchange of notes will not be a taxable event for U.S. federal income tax purposes.

See Risk Factors beginning on page 11 for a discussion of risk factors that you should consider before deciding to exchange your old notes for new notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is June 9, 2004.

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Unless the context otherwise requires, references in this prospectus to Whiting, we, us, our or ours refer to Whiting Petroleum Corporation, together with its only operating subsidiary, Whiting Oil and Gas Corporation. When the context requires, we refer to these entities separately.

This prospectus incorporates important business and financial information about us that is not included in or delivered with this prospectus. We will provide you without charge upon your request, a copy of any documents that we incorporate by reference, other than exhibits to those documents that are not specifically incorporated by reference into those documents. You may request a copy of a document by writing to Patricia J. Miller, Vice President Human Resources and Corporate Secretary, Whiting Petroleum Corporation, 1700 Broadway, Suite 2300, Denver, Colorado 80290-2300, or by calling Ms. Miller at (303) 837-1661. To ensure timely delivery, you must request the information no later than five business days before the completion of the exchange offer. Therefore, you must make any request on or before July 1, 2004.

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including Risk Factors and our financial statements and the notes to those financial statements included elsewhere in this prospectus. We have provided definitions for the oil and natural gas terms used in this prospectus in the Glossary of Oil and Natural Gas Terms included in this prospectus. The reserve information and other related operating statistics contained in this prospectus are as of January 1, 2004 unless otherwise indicated.

About Our Company

We are engaged in oil and natural gas exploitation, acquisition, exploration and production activities primarily in the Gulf Coast/Permian Basin, Rocky Mountains, Michigan and Mid-Continent regions of the United States. Our focus is on pursuing growth projects that we believe will generate attractive rates of return and maintaining a balanced portfolio of lower risk, long-lived oil and natural gas properties that provide stable cash flows.

Since our inception in 1980, we have built a strong asset base and achieved steady growth through both property acquisitions and exploitation activities. As of January 1, 2004, our estimated proved reserves had a pre-tax PV10% value of approximately $784.6 million, approximately 85% of which came from properties located in three states: Texas, North Dakota and Michigan. We spent approximately $52.0 million on capital projects during 2003, including $38.8 million for the drilling of 72 gross (24.8 net) wells (64 successful completions and eight uneconomic wells). We have budgeted approximately $68.0 million for capital expenditures in 2004, including $33.0 million for the development of proved reserves and $35.0 million for the development of currently unproved reserves. Although we have no specific budget for acquisitions, we will also continue to seek property acquisition opportunities that complement our existing core properties. We believe that our exploitation and acquisition expertise and our exploration inventory, together with our operating experience and efficient cost structure, provide us with the potential to continue our growth.

We have a balanced portfolio of oil and natural gas reserves, with approximately 53% of our proved reserves consisting of natural gas and approximately 47% consisting of oil. Our properties generally have long reserve lives and reasonably stable and predictable well production characteristics with a ratio of proved reserves to trailing 12 month production ending December 31, 2003 of approximately 11.8 years. Approximately 75% of our proved reserves are classified as proved developed and approximately 25% are classified as proved undeveloped.

The following table summarizes our total net proved reserves and pre-tax PV10% value within our four core areas as of January 1, 2004, as well as our December 2003 average daily production.

	Proved Reserves				December 2003 Average Daily Production	
Core Area	Oil (MMbbl)	Natural Gas (Bcf)	Total (Bcfe)	Pre-Tax PV 10% Value (In thousands)	MMcfe	% Natural Gas
Gulf Coast/Permian Basin	5.5	89.4	122.5	$ 266,745	40.0	76%

Rocky Mountains	26.5	17.6	176.5	261,071	32.3	11%
Michigan	1.1	107.2	114.1	214,407	21.3	92%
Mid-Continent	1.5	16.8	25.7	42,400	8.2	73%
Total	34.6	231.0	438.8	$ 784,623	101.8	59%

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Business Strategy

Our goal is to increase stockholder value by investing in oil and gas projects with attractive rates of return on capital employed. We plan to achieve this goal by exploiting and developing our existing oil and natural gas properties and pursuing acquisitions of additional properties. Specifically, we have focused, and plan to continue to focus, on the following:

Developing and Exploiting Existing Properties. We believe that there is significant value to be created by drilling the numerous identified undeveloped opportunities on our properties. We own interests in a total of 517,000 gross (206,000 net) developed acres. In addition, as of December 31, 2003, we owned interests in approximately 386,000 gross (188,000 net) undeveloped acres that contain many exploitation opportunities. During the three years ended December 31, 2003, we invested $94 million to participate in the drilling of 169 gross (60.6 net) wells. The majority of these wells were developmental wells, and 85.2% were successful completions. As of January 1, 2004, we had identified a total of 171 proved undeveloped drilling locations on our properties. We drilled or participated in the drilling of 72 gross (24.8 net) wells during the year ended December 31, 2003. We plan to invest $68 million on the further development of our properties in 2004.

Pursuing Profitable Acquisitions. We have pursued and intend to continue to pursue acquisitions of properties that we believe to have exploitation and development potential comparable to our existing inventory of drilling locations. We have developed and refined an acquisition program designed to increase reserves and complement our existing core properties. We have an experienced team of management and engineering and geoscience professionals who identify and evaluate acquisition opportunities, negotiate and close purchases and manage acquired properties.

Focusing on High Return Operated and Non-Operated Properties. We have historically acquired operated as well as non-operated properties that meet or exceed our rate of return criteria. For acquisitions of properties with additional development, exploitation and exploration potential, our focus has been on acquiring operated properties so that we can better control the timing and implementation of capital spending. In some instances, we have been able to acquire non-operated property interests at attractive rates of return that provided a foothold in a new area of interest or complemented our existing operations. We intend to continue to acquire both operated and non-operated interests to the extent they meet our return criteria and further our growth strategy.

Controlling Costs through Efficient Operation of Existing Properties. We operate approximately 60% of the pre-tax PV10% value of our total proved reserves and approximately 82% of the pre-tax PV10% value of our proved undeveloped reserves, which we believe enables us to better manage expenses, capital allocation and the decision-making processes related to our exploitation and exploration activities. For the year ended December 31, 2003, our lease operating expense per Mcfe averaged $1.16 and general and administrative costs averaged $0.34 per Mcfe produced, net of reimbursements.

Competitive Strengths

We believe that our key competitive strengths lie in our diversified asset base, our experienced management team and our commitment to efficient utilization of new technologies.

Diversified Asset Base. We have interests in 5,006 wells in 16 states across our four core geographical areas of the United States. This property base, as well as our continuing business strategy of acquiring and developing properties in our core operating areas, presents us with a large number of opportunities for successful development and exploitation and additional acquisitions.

Experienced Management Team. Our management team averages 26 years of experience in the oil and natural gas industry. Our personnel have extensive experience in each of our core geographical areas and in all of our operational disciplines. In addition, each of our acquisition professionals has at least 20 years of experience in the evaluation, acquisition and operational assimilation of oil and natural gas properties.

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Commitment to Technology. In each of our core operating areas, we have accumulated detailed geologic and geophysical knowledge and have developed significant technical and operational expertise. In recent years, we have developed considerable expertise in conventional and 3-D seismic imaging and interpretation. Our technical team has access to approximately 575 square miles of 3-D seismic data, which we have assembled primarily over the past five years. A team with access to state-of-the-art geophysical/geological computer applications and hardware analyzes this information. Computer applications, such as the WellView® software system, enable us to quickly generate reports and schematics on our wells. In addition, our information systems enable us to update our production databases through daily uploads from hand-held computers in the field. This technology and expertise has greatly aided our pursuit of attractive development projects.

Acquisition of Equity Oil Company

On February 2, 2004, we announced that we had entered into a definitive merger agreement to acquire Equity Oil Company in a transaction valued at approximately $76.2 million based on the closing sale price of our common stock on the New York Stock Exchange on January 30, 2004, the last trading day immediately prior to the public announcement of the transaction, including the assumption of debt outstanding under Equity s credit facility, which was approximately $29.0 million of as of March 31, 2004. Due to the fixed exchange ratio discussed below and the increase in the closing price per share of our common stock on the New York Stock Exchange from $19.24 on January 30, 2004 to $24.12 on June 7, 2004, the transaction would be valued at $90.2 million as of June 7, 2004, including the assumption of debt.

Equity Oil Company is an independent energy company that explores for, exploits and produces oil and natural gas with operations focused primarily in California, Colorado, North Dakota and Wyoming. For the year ended December 31, 2003, Equity reported income from continuing operations of $2.4 million, net cash provided by operating activities of $11.5 million and production of 6.6 Bcfe (45% natural gas). For the three months ended March 31, 2004, Equity reported income from continuing operations of $0.4 million, net cash provided by operating activities of $1.9 million and production of 140,000 barrels of oil and 605 MMcf of natural gas. As of December 31, 2003, based on the reserve report prepared by Ryder Scott Company, L.P., independent petroleum engineers, Equity had 87.7 Bcfe of proved oil and natural gas reserves and a net present value of proved oil and natural gas reserves (using year-end prices and costs held constant and discounted at 10%) of $94.0 million.

The merger agreement provides for a stock-for-stock merger pursuant to which Equity shareholders will receive a fixed exchange ratio of 0.185 shares of our common stock for each share of Equity common stock that they own. The merger is subject to the approval of shareholders owning two-thirds of the outstanding Equity shares and other customary closing conditions. Two directors of Equity, including Equity s President and Chief Executive Officer, have agreed with us to vote all of their Equity shares in favor of the merger and have given us an option to acquire their shares under certain circumstances. Together, these directors own approximately 16.6% of the outstanding Equity common stock. Equity intends to call a special meeting of its shareholders during the second quarter of 2004 to consider and vote on the merger. We expect to complete the merger as soon as practicable following approval by Equity s shareholders.

Corporate Information

Whiting Petroleum Corporation was incorporated in Delaware on July 18, 2003 for the sole purpose of becoming a holding company of Whiting Oil and Gas Corporation in connection with our initial public offering. Whiting Oil and Gas Corporation was incorporated in Delaware in 1983. Prior to our initial public offering in November 2003, we were a wholly-owned subsidiary of Alliant Energy Corporation, an energy services provider engaged primarily in regulated utility operations in the Midwest, with other non-regulated domestic and international operations.

Our principal executive offices are located at 1700 Broadway, Suite 2300, Denver, Colorado, 80290-2300, and our telephone number is (303) 837-1661.

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The Exchange Offer

Old Notes	We sold $150,000,000 aggregate principal amount of our 7¼% Senior Subordinated Notes due 2012, which are unconditionally guaranteed, jointly and severally, by some of our subsidiaries on a senior subordinated basis, to the initial purchasers on May 11, 2004. In this prospectus, we refer to those notes as the old notes. The initial purchasers resold the old notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 and to non-U.S. persons in transactions outside the United States pursuant to Regulation S under the Securities Act of 1933.
Registration Rights Agreement	When we sold the old notes, we entered into a registration rights agreement with the initial purchasers in which we agreed, among other things, to provide you and all other holders of the old notes the opportunity to exchange your unregistered old notes for a new series of substantially identical notes that we have registered under the Securities Act. The exchange offer is being made for that purpose.
New Notes	We are offering to exchange the old notes for 7¼% Senior Subordinated Notes due 2012 that we have registered under the Securities Act, which are unconditionally guaranteed, jointly and severally, by some of our subsidiaries on a senior subordinated basis. In this prospectus, we refer to those registered notes as the new notes. The terms of the new notes and the old notes are substantially identical except: the new notes will be issued in a transaction that will have been registered under the Securities Act; the new notes will not contain securities law restrictions on transfer; and the new notes will not provide for the payment of additional interest under circumstances relating to the timing of the exchange offer.
The Exchange Offer	We are offering to exchange $1,000 principal amount of the new notes for each $1,000 principal amount of your old notes. As of the date of this prospectus, $150,000,000 aggregate principal amount of the old notes are outstanding. For procedures for tendering, see The Exchange Offer Procedures for Tendering Old Notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on July 9, 2004, unless we extend it.
Resales of New Notes	We believe that the new notes issued pursuant to the exchange offer in exchange for old notes may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act if: you are not our affiliate within the meaning of Rule 405 under the Securities Act; you are acquiring the new notes in the ordinary course of your business; and you have not engaged in, do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of the new notes.

	If you are an affiliate of ours, or are engaging in or intend to engage in, or have any arrangement or understanding with any person to participate in, a distribution of the new notes, then: you may not rely on the applicable interpretations of the staff of the SEC; you will not be permitted to tender old notes in the exchange offer; and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale of the old notes. Each participating broker-dealer that receives new notes for its own account under the exchange offer in exchange for old notes that were acquired by the broker-dealer as a result of market-making or other trading activity must acknowledge that it will deliver a prospectus in connection with any resale of the new notes. See Plan of Distribution. Any broker-dealer that acquired old notes from us may not rely on the applicable interpretations of the staff of the SEC and must comply with registration and prospectus delivery requirements of the Securities Act (including being named as a selling securityholder) in connection with any resales of the old notes or the new notes.
Acceptance of Old Notes and Delivery of New Notes	We will accept for exchange any and all old notes that are validly tendered in the exchange offer and not withdrawn before the offer expires. The new notes will be delivered promptly following the exchange offer.
Withdrawal Rights	You may withdraw your tender of old notes at any time before the exchange offer expires.
Conditions of the Exchange Offer	The exchange offer is subject to the following conditions, which we may waive: the exchange offer, or the making of any exchange by a holder of old notes, will not violate any applicable law or interpretation by the staff of the SEC; and no action may be pending or threatened in any court or before any governmental agency with respect to the exchange offer that may impair our ability to proceed with the exchange offer.
Consequences of Failure to Exchange	If you are eligible to participate in the exchange offer and you do not tender your old notes, then you will not have further exchange or registration rights and you will continue to hold old notes subject to restrictions on transfer.
Federal Income Tax Consequences	The exchange of old notes for new notes will not be taxable to a United States holder for federal income tax purposes. Consequently, you will not recognize any gain or loss upon receipt of the new notes. See United States Federal Income Tax Considerations.
Use of Proceeds	We will not receive any proceeds from the exchange offer.

Accounting Treatment	We will not recognize any gain or loss on the exchange of notes. See The Exchange Offer Accounting Treatment.
Exchange Agent	J.P. Morgan Trust Company, National Association, is the exchange agent. See The Exchange Offer Exchange Agent.

The New Notes

The following is a brief summary of some of the terms of the new notes. For a more complete description of the terms of the new notes, see Description of the New Notes in this prospectus.

Issuer	Whiting Petroleum Corporation
Notes offered	$150,000,000 aggregate principal amount of 7 1/4% senior subordinated notes due 2012.
Maturity date	May 1, 2012.
Interest payment dates	May 1 and November 1, beginning November 1, 2004.
Ranking	The new notes will be unsecured senior subordinated obligations and will be subordinated to all of our senior debt. The new notes will rank equally with any senior subordinated debt we may incur in the future and will rank senior to any subordinated debt we may incur in the future. See Description of Other Indebtedness for a description of our indebtedness.
	As of March 31, 2004, after giving effect to the issuance of the old notes and the application of the net proceeds therefrom, we would have had total senior debt of approximately $3.1 million (excluding our guarantee of Whiting Oil and Gas Corporation s credit agreement), no senior subordinated debt other than the notes and no debt subordinated to the notes, and our operating subsidiary, Whiting Oil and Gas Corporation, would have had senior debt of approximately $1.1 million consisting of borrowings under its credit agreement and no other debt. If our pending acquisition of Equity Oil Company is completed, Whiting Oil and Gas Corporation expects to incorporate into its credit agreement the senior debt outstanding under Equity s credit facility, which was approximately $29.0 million as of March 31, 2004.
Optional redemption	We will have the option to redeem the new notes, in whole or in part, at any time on or after May 1, 2008, at the redemption prices described in this prospectus under the heading Description of the New Notes Optional Redemption, together with any accrued and unpaid interest to the date of redemption.
Equity offering optional redemption	Before May 1, 2007, we may, at any time or from time to time, redeem up to 35% of the aggregate principal amount of the new notes with the net proceeds of a public or private equity offering at 107.25% of the principal amount of the new notes, plus any accrued and unpaid interest, if at least 65% of the aggregate principal amount of the new notes issued under the indenture remains outstanding after such redemption and

	the redemption occurs within 120 days of the date of the closing of such equity offering.
Change of control	When a change of control event occurs, each holder of new notes may require us to repurchase all or a portion of its new notes at a price equal to 101% of the principal amount of such new notes, plus any accrued and unpaid interest.
Guarantees	The new notes will be unconditionally guaranteed, jointly and severally, by certain of our subsidiaries on a senior subordinated basis. All of our existing subsidiaries are restricted subsidiaries.
Certain Covenants	The indenture governing the new notes contains covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: pay dividends on, redeem or repurchase our capital stock or redeem or repurchase our subordinated debt, make investments, incur additional indebtedness or issue preferred stock, create certain liens, sell assets, enter into agreements that restrict dividends or other payments from our restricted subsidiaries to us, consolidate, merge or transfer all or substantially all of the assets of us and our restricted subsidiaries taken as a whole, engage in transactions with affiliates, create unrestricted subsidiaries, and enter into sale and leaseback transactions. These covenants are subject to important exceptions and qualifications that are described under the heading Description of the New Notes in this prospectus.
Absence of a public market for the notes	The new notes are new securities and there is currently no established market for the new notes. We do not intend to apply for a listing of the new notes on any securities exchange or for the inclusion of the new notes on any automated dealer quotation system. Accordingly, we cannot assure you as to the development or liquidity of any market for the new notes.
Risk factors	See Risk Factors and the other information in this prospectus for a discussion of factors you should carefully consider before deciding to exchange your old notes for new notes.

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Summary Historical Financial Information

The following summary historical financial information for each of the years ended December 31, 2003, 2002 and 2001 has been derived from our audited consolidated financial statements and related notes. The summary historical financial information for the three months ended March 31, 2004 and 2003 has been derived from our unaudited consolidated financial statements and related notes. This information is only a summary and you should read it in conjunction with material contained in Management s Discussion and Analysis of Financial Condition and Results of Operations, which includes a discussion of factors materially affecting the comparability of the information presented, and in conjunction with our financial statements included elsewhere in this prospectus.

	Three Months Ended March 31,		Year Ended December 31,		
	2004	2003	2003	2002	2001
	(dollars in millions)				
Consolidated Income Statement Information:					
Revenues:					
Oil and gas sales	$ 47.6	$ 49.5	$ 175.7	$ 122.7	$ 125.2
Gain (loss) on oil and gas hedging activities	(1.0)	(6.7)	(8.7)	(3.2)	2.3
Gain on sale of oil and gas properties				1.0	11.7
Interest income and other	0.1		0.3		0.2
Total revenues	$ 46.7	$ 42.8	$ 167.3	$ 120.5	$ 139.4
Costs and expenses:					
Lease operating	$ 10.5	$ 10.7	$ 43.2	$ 32.9	$ 29.8
Production taxes	3.0	3.0	10.7	7.4	6.5
Depreciation, depletion and amortization (1)	10.7	10.6	41.2	43.6	26.9
Exploration	0.4	0.2	3.2	1.8	0.8
Phantom equity plan (2)			10.9		
General and administrative	4.0	3.2	12.8	12.0	10.9
Interest expense	2.3	3.2	9.2	10.9	10.2
Total costs and expenses	$ 31.0	$ 30.9	$ 131.2	$ 108.6	$ 85.1
Income before income taxes and cumulative change	$ 15.7	$ 11.9	$ 36.1	$ 11.9	$ 54.3
Income tax expense (3)	6.1	4.5	13.9	4.2	13.1
Income from continuing operations	9.6	7.5	22.2	7.7	41.2
Cumulative change in accounting principle (4)		(3.9)	(3.9)		
Net income	$ 9.6	$ 3.6	$ 18.3	$ 7.7	$ 41.2
Other Financial Information:					
Net cash provided by operating activities	$ 14.3	$ 15.6	$ 96.4	$ 62.6	$ 62.3
Capital expenditures (5)	$ 11.5	$ 5.2	$ 52.0	$ 165.4	$ 99.6
Ratio of earnings to fixed charges (6)	7.62x	4.65x	4.85x	2.08x	6.10x

	As of March 31,	As of December 31,

	2004	2003	2003