W&T OFFSHORE INC
Form 10-Q/A
November 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q/A

Amendment No. 1

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015

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)	72-1121985 (IRS Employer Identification Number)
Nine Greenway Plaza, Suite 300	
Houston, Texas (Address of principal executive offices)	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 þ   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 þ   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	þ
Non-accelerated filer	¨	Smaller reporting company	¨

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

As of May 4, 2015, there were 75,936,731 shares outstanding of the registrant's common stock, par value $0.00001.

W&T OFFSHORE, INC. AND SUBSIDIARIES

EXPLANATORY NOTE FOR FORM 10Q/A

This Form 10-Q/A (Amendment No. 1) amends our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 as filed with the Securities and Exchange Commission (the "SEC") on May 7, 2015 and is being filed to amend and restate our Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and to amend related disclosures.

In connection with the preparation of our Quarterly Report on Form 10-Q for the period ended September 30, 2015, we determined that we had been incorrectly presenting Net cash provided by operating activities and Net cash used in investing activities on the Condensed Consolidated Statements of Cash Flows by not properly adjusting amounts for non-cash activities related to investing activities. This resulted in Net cash provided by operating activities being understated and Net cash used in investing activities being understated for the three month period ended March 31, 2015. On November 4, 2015, the Audit Committee of our Board of Directors and management determined the incorrect presentation was material and, as a result, are filing this Form 10-Q/A. We determined that the impact of the incorrect presentation was not material to periods prior to 2015.

Our Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 has been restated, resulting in an increase of approximately $52.2 million in Net cash provided by operating activities and a corresponding increase in Net cash used in investing activities. In addition, adjustments were made to corresponding line items totaling $52.2 million for the entities presented in the Condensed Consolidating Statements of Cash Flows contained within the Supplemental Guarantor Information included in the notes to our condensed consolidated financial statements. These adjustments did not have any effect on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit), Condensed Consolidating Balance Sheets or the Condensed Consolidating Statements of Operations, as of and for the three months ended March 31, 2015. The adjustments had no effect on our cash balances or liquidity.

Corresponding amounts derived from the restated Condensed Consolidating Statements of Cash Flows included within Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations have been revised to the restated amounts where applicable. Part I, Item 4, Controls and Procedures, has been modified as a result of the restatements and related material weakness in internal controls over financial controls described therein. New certifications of our principal executive office and principal financial officer are also filed as exhibits to this Form 10-Q/A.

In summary, this Form 10-Q/A contains modified or updated disclosures from the original Form 10-Q related only to (i) our Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2015 and the Condensed Consolidating Statements of Cash Flows for such period included in the notes to our condensed consolidated financial statements, (ii) corresponding changes to items derived from such statements in Part I, Item 2, Management's Discussions and Analysis of Financial Condition and Results of Operations and (ii) revised disclosures contained in Part 1, Item 4, Controls and Procedures. Information relating to events occurring after May 7, 2015 is not contained in this report and this information is included in our subsequent filings, including our Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Facts, events and forward looking statements have not been revised from the disclosures in the originally filed Form 10-Q, except as discussed above and presented in Part I, Item 1, Financial Statements – Note 1 – Basis of Presentation – Restatement of Previously Filed Interim Financial Statements .

W&T OFFSHORE, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	March 31, 2015 (Unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$8,367	$23,666
Receivables:		
Oil and natural gas sales	46,121	67,242
Joint interest and other	29,300	43,645
Total receivables	75,421	110,887
Deferred income taxes	3,196	11,662
Prepaid expenses and other assets	18,842	36,347
Total current assets	105,826	182,562
Property and equipment - at cost:		
Oil and natural gas properties and equipment (full cost method, of which $110,704 at March 31, 2015 and $109,824 at December 31, 2014 were excluded from amortization)	8,133,244	8,045,666
Furniture, fixtures and other	23,495	23,269
Total property and equipment	8,156,739	8,068,935
Less accumulated depreciation, depletion and amortization	5,955,539	5,575,078
Net property and equipment	2,201,200	2,493,857
Restricted deposits for asset retirement obligations	15,501	15,444
Other assets	16,534	17,244
Total assets	$2,339,061	$2,709,107
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$128,277	$194,109
Undistributed oil and natural gas proceeds	29,171	37,009
Asset retirement obligations	16,500	36,003
Accrued liabilities	28,220	17,377
Total current liabilities	202,168	284,498
Long-term debt, less current maturities	1,426,437	1,360,057
Asset retirement obligations, less current portion	364,723	354,565
Deferred income taxes	74,875	186,988
Other liabilities	13,900	13,691
Commitments and contingencies	—	—

Shareholders' equity:		
Preferred stock, $0.00001 par value; 20,000,000 shares authorized; 0 issued at March 31, 2015 and December 31, 2014	—	—
Common stock, $0.00001 par value; 118,330,000 shares authorized; 78,805,904 issued and 75,936,731 outstanding at March 31, 2015; 78,768,588 issued and 75,899,415 outstanding at December 31, 2014	1	1
Additional paid-in capital	417,325	414,580
Retained earnings (accumulated deficit)	(136,201)	118,894
Treasury stock, at cost	(24,167)	(24,167)
Total shareholders' equity	256,958	509,308
Total liabilities and shareholders' equity	$2,339,061	$2,709,107

See Notes to Condensed Consolidated Financial Statements.

1

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31,	
	2015	2014
	(In thousands except per share data) (Unaudited)	
Revenues	$127,907	$254,516
Operating costs and expenses:		
Lease operating expenses	53,331	55,617
Production taxes	637	1,992
Gathering and transportation	4,824	5,296
Depreciation, depletion, amortization and accretion	125,467	123,306
Ceiling test write-down of oil and natural gas properties	260,390	—
General and administrative expenses	20,766	23,588
Derivative loss	—	7,492
Total costs and expenses	465,415	217,291
Operating income (loss)	(337,508)	37,225
Interest expense:		
Incurred	22,944	21,460
Capitalized	(1,783)	(2,072)
Income (loss) before income tax expense (benefit)	(358,669)	17,837
Income tax expense (benefit)	(103,574)	6,648
Net income (loss)	$(255,095)	$11,189
Basic and diluted earnings (loss) per common share	$(3.36)	$0.15
Dividends declared per common share	$—	$0.10

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock Outstanding		Additional Paid-In Capital	Retained Earnings (Deficit)	Treasury Stock		Total Shareholders' Equity
	Shares	Value			Shares	Value	
	(In thousands)			(Unaudited)			
Balances at December 31, 2014	75,899	$ 1	$ 414,580	$ 118,894	2,869	$ (24,167)	$ 509,308
Share-based compensation	—	—	2,816	—	—	—	2,816
Other	38	—	(71)	—	—	—	(71)
Net loss	—	—	—	(255,095)	—	—	(255,095)
Balances at March 31, 2015	75,937	$ 1	$ 417,325	$ (136,201)	2,869	$ (24,167)	$ 256,958

See Notes to Condensed Consolidated Financial Statements.

W&T OFFSHORE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2015 Restated	2014
	(In thousands) (Unaudited)	
Operating activities:		
Net income (loss)	$(255,095)	$11,189
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	125,467	123,306
Ceiling test write-down of oil and gas properties	260,390	—
Amortization of debt issuance costs and premium	156	187
Share-based compensation	2,816	3,758
Derivative loss	—	7,492
Cash payments on derivative settlements	—	(4,670)
Deferred income taxes	(103,574)	6,645
Changes in operating assets and liabilities:		
Oil and natural gas receivables	21,121	2,815
Joint interest and other receivables	14,533	2,286
Income taxes	(325)	(35)
Prepaid expenses and other assets	17,246	2,709
Asset retirement obligation settlements	(19,554)	(16,342)
Accounts payable, accrued liabilities and other	(10,263)	(3,285)
Net cash provided by operating activities	52,918	136,055
Investing activities:		
Investment in oil and natural gas properties and equipment	(82,765)	(95,067)
Changes in operating assets and liabilities associated with investing activities	(52,176)	(17,565)
Purchases of furniture, fixtures and other	(226)	(260)
Net cash used in investing activities	(135,167)	(112,892)
Financing activities:		
Borrowings of long-term debt - revolving bank credit facility	82,000	92,000
Repayments of long-term debt - revolving bank credit facility	(15,000)	(103,000)
Dividends to shareholders	—	(7,563)
Other	(50)	(65)
Net cash provided by (used in) financing activities	66,950	(18,628)
Increase (decrease) in cash and cash equivalents	(15,299)	4,535
Cash and cash equivalents, beginning of period	23,666	15,800
Cash and cash equivalents, end of period	$8,367	$20,335

See Notes to Condensed Consolidated Financial Statements.

4

W&T OFFSHORE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Operations. W&T Offshore, Inc. and subsidiaries, referred to herein as “W&T,” “we,” “us,” “our,” or the “Company,” is an independent oil and natural gas producer focused primarily in the Gulf of Mexico and onshore Texas. The Company is active in the exploration, development and acquisition of oil and natural gas properties. Our interest in fields, leases, structures and equipment are primarily owned by W&T Offshore, Inc. (on a stand-alone basis, the “Parent Company”) and our 100%-owned subsidiary, W & T Energy VI, LLC (“Energy VI”).

Interim Financial Statements. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim periods and the appropriate rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, the condensed consolidated financial statements do not include all of the information and footnote disclosures required by GAAP for complete financial statements for annual periods. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

Restatement of Previously Filed Interim Financial Statements. The Condensed Consolidated Statements of Cash Flows in the accompanying unaudited condensed consolidated financial statements and the Condensed Consolidating Statements of Cash Flows contained within Note 13 – Supplement Guarantor Information have been restated. In connection with the preparation of the financial statements for our Quarterly Report on Form 10-Q for the period ended September 30, 2015, we determined that we incorrectly presented Net cash provided by operating activities and Net cash used in investing activities on the Condensed Consolidated Statements of Cash Flows by not properly adjusting amounts for non-cash activities related to investing activities. This resulted in Net cash provided by operating activities being understated and Net cash used in investing activities being understated for the three month period ended March 31, 2015 and the six month period ended June 30, 2015. In addition, the Condensed Consolidating Statements of Cash Flows contained within Note 13 – Supplement Guarantor Information had the same items understated for the same periods. As a result, we are also filing contemporaneously a Form 10-Q/A amending our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2015.

The restatements did not have any effect on our Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Changes in Shareholders’ Equity (Deficit), or the Condensed Consolidating Balance Sheets and Condensed Consolidating Statements of Operations contained within the Supplemental Guarantor Information included herein. The adjustments had no effect on our cash balances or liquidity.

The following table reflects the affected line items of the Condensed Consolidated Statements of Cash Flows and the adjustments to restated amounts. Net cash provided by financing activities; decrease in cash and cash equivalents; and cash and cash equivalents are also included to clarify that no restatement adjustments were made to those line items. The adjustments are as follows (in thousands):

	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Condensed Consolidated Cash Flows (W&T including subsidiaries)			
Accounts payable, accrued liabilities and other	(62,439)	52,176	(10,263)
Net cash provided by operating activities	742	52,176	52,918
Changes in operating assets and liabilities associated with investing activities	—	(52,176)	(52,176)
Net cash used in investing activities	(82,991)	(52,176)	(135,167)
Net cash provided by financing activities	66,950	—	66,950
Decrease in cash and cash equivalents	(15,299)	—	(15,299)
Cash and cash equivalents, end of period	8,367	—	8,367

5

W&T OFFSHORE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(Unaudited)

The following tables reflect the affected line items of the Condensed Consolidating Statements of Cash Flows contained within Note 13 – Supplemental Guarantor Information, and the adjustments to restated amounts. Net cash provided by financing activities, decrease in cash and cash equivalents, and cash and cash equivalents are also included to clarify that no restatement adjustments were made to those line items. The adjustments are as follows (in thousands):

	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Condensed Consolidating Cash Flows (Parent Company)			
Prepaid expenses and other assets	7,924	(29,614)	(21,690)
Accounts payable, accrued liabilities and other	(92,436)	52,176	(40,260)
Net cash used in operating activities	(63,476)	22,562	(40,914)
Changes in operating assets and liabilities associated with investing activities	-	(22,562)	(22,562)
Net cash used in investing activities	(18,773)	(22,562)	(41,335)
Net cash provided by financing activities	66,950	—	66,950
Decrease in cash and cash equivalents	(15,299)	—	(15,299)
Cash and cash equivalents, end of period	8,367	-	8,367

	Three Months Ended March 31, 2015		
	As Previously Reported	Adjustment	As Restated
Condensed Consolidating Cash Flows (Energy VI)			
Prepaid expenses and other assets	38,985	29,614	68,599
Net cash used in operating activities	64,218	29,614	93,832
Changes in operating assets and liabilities associated with investing activities	—	(29,614)	(29,614)
Net cash used in investing activities	(64,015)	(29,614)	(93,629)
Net cash provided by financing activities	(203)	—	(203)
Decrease in cash and cash equivalents	-	—	-
Cash and cash equivalents, end of period	-	—	-

Immaterial Error Corrections. We made adjustments to the prior period's financial statements to correct immaterial errors in the Condensed Consolidated Statements of Cash Flows. In the Condensed Consolidated Statements of Cash Flows, Net cash provided by operating activities was increased by $17.6 million and Net cash used in investing activities was increased by $17.6 million to account for the non-cash activities related to investing activities.

Transactions between Entities under Common Control. The prior period financial information for the three months ended March 31, 2014 presented in Note 13, Supplemental Guarantor Information, has been retrospectively adjusted due to transactions between entities under common control, as required under authoritative guidance.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Ceiling Test Write-Down. Under the full cost method of accounting, we are required to periodically perform a “ceiling test,” which determines a limit on the book value of our oil and natural gas properties. If the net capitalized cost of oil and natural gas properties (including capitalized ARO) net of related deferred income taxes, exceeds the ceiling test limit, the excess is charged to expense on a pre-tax basis and separately disclosed. Any such write downs are not recoverable or reversible in future periods. The ceiling test limit is calculated as: (i) the present value of estimated future net revenues from proved reserves, less estimated future development costs, discounted at 10%; (ii) plus the cost of unproved oil and natural gas properties not being amortized; (iii) plus the lower of cost or estimated fair value of unproved oil and natural gas properties included in the amortization base; and (iv) less related income tax effects. Estimated future net revenues used in the ceiling test for each period are based on current prices, defined by the SEC as the unweighted average of first-day-of-the-month commodity prices over the prior twelve months for that period. All prices are adjusted by field for quality, transportation fees, energy content and regional price differentials.

Due to declines in the unweighted rolling average of first-day-of-the-month commodity prices in oil and natural gas prices, for the three months ended March 31, 2015, we recorded a ceiling test write-down which is reported as a separate line in the Condensed Consolidated Statements of Operations. We did not have a ceiling test write-down for the three months ended March 31, 2014. Assuming oil and natural gas prices that we realized during the three months ended March 31, 2015 continue, we will likely have additional ceiling test write-downs during 2015. The magnitude of these write-downs cannot be estimated at this time.

Recent Events. The price we receive for our oil, natural gas liquids (“NGLs”) and natural gas production directly affects our revenues, profitability, cash flows, liquidity, access to capital and future rate of growth. The prices of these commodities began falling beginning in the second half of 2014 and were significantly lower in the three months ended March 31, 2015 compared to the last few years.

We have taken several steps to mitigate the effects of these lower prices including: (i) significantly reducing the 2015 capital budget from the previous year; (ii) suspending our drilling and completion activities at several locations; (iii) suspending the regular quarterly common stock dividend and (iv) implementing numerous cost reduction projects to reduce our operating costs.

In April 2015, we entered into the First Amendment to the Fifth Amended and Restated Credit Agreement (the “Amendment”), which (i) set the borrowing base under our revolving credit facility at $600.0 million, (ii) provided that the borrowing base be reduced by $0.33 for every $1.00 of unsecured indebtedness, or debt which is subordinate in security compared to the lien securing borrowings under our revolving credit facility, in excess of the $900.0 million aggregate principal amount of existing notes, until such time as the borrowing base has been redetermined by the lenders, and (iii) amended certain existing covenants. See Note 12 for additional information regarding the Amendment.

In May 2015, we announced the pricing and marketing of a $300.0 million five-year second-lien term loan. The transaction did not close prior to the filing of this Form 10-Q and there is no assurance the term loan will be finalized and made. See Note 12 for additional information.

We have assessed our financial condition, the current capital markets and options given different scenarios of commodity prices and believe we will have adequate liquidity to fund our operations through March 31, 2016; however, we cannot predict how an extended period of low commodity prices will affect our operations and liquidity levels.

Recent Accounting Developments. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-03 ("ASU 2015-03"), Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs. The guidance seeks to simplify the presentation of debt issuance costs. The amendment would require debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by the amendment. ASU 2015-03 is effective in 2016 and should be applied on a retrospective basis. Early adoption is permitted. We do not expect the revised guidance to materially affect our balance sheet as amounts will be reclassified from long-term assets to partial offsets to long-term debt. The revised guidance will not affect the statements of operations or the statements of cash flows.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15 ("ASU 2014-15"), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (Subtopic 205-40). The guidance addresses management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. We do not expect the revised guidance to materially affect our evaluation as to being a going concern, or have an effect on our financial statements or related disclosures.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 ("ASU 2014-09"), Summary and Amendments that Create Revenue from Contracts and Customers (Topic 606). ASU 2014-09 amends and replaces current revenue recognition requirements, including most industry-specific guidance. The revised guidance establishes a five step approach to be utilized in determining when, and if, revenue should be recognized. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017. Upon application, an entity may elect one of two methods, either restatement of prior periods presented or recording a cumulative adjustment in the initial period of application. We have not determined the effect ASU 2014-09 will have on the recognition of our revenue, if any, nor have we determined the method we will utilize upon adoption, which would be in the first quarter of 2018.

2. Acquisitions and Divestitures

2014 Acquisitions

Fairway

On September 15, 2014, the Parent Company entered into an asset purchase agreement with a third party to increase its ownership interest from 64.3% to 100% in the Mobile Bay blocks 113 and 132 (the "Fairway Field") and the associated Yellowhammer gas processing plant (collectively, "Fairway"). The Fairway Field is located in the state waters of Alabama and the Yellowhammer gas processing plant is located in the state of Alabama. The effective date of the transaction was July 1, 2014. The transaction included customary adjustments for the effective date, certain closing adjustments and our assumption of the related asset retirement obligations ("ARO"). A net purchase price increase of $1.3 million for customary final closing adjustments was recorded in 2015. The acquisition was funded from borrowings under our revolving bank credit facility and cash on hand.

The following table presents the purchase price allocation, including adjustments, for the increased ownership interest in Fairway (in thousands):

Cash consideration:	
Evaluated properties including equipment	$18,693
Non-cash consideration:	
Asset retirement obligations - non-current	6,124
Total consideration	$24,817

The acquisition was recorded at fair value, which was determined by applying the market and income approaches using Level 3 inputs. The Level 3 inputs were: (i) analysis of comparable transactions obtained from various third-parties, (ii) estimates of ultimate recoveries of reserves and (iii) estimates of discounted cash flows based on estimated reserve quantities, reserve categories, timing of production, costs to produce and develop reserves, future prices, ARO and discount rates. The estimates and assumptions were determined by management and third-parties. The fair value is based on subjective estimates and assumptions, which are inherently imprecise, and the actual realized values could vary significantly from these estimates. No goodwill was recorded in connection with this acquisition of an additional working interest in Fairway.

Woodside Properties

On May 20, 2014, Energy VI entered into a purchase and sale agreement to acquire certain oil and natural gas property interests from Woodside Energy (USA) Inc. ("Woodside"). The properties acquired from Woodside (the "Woodside Properties") consisted of a 20% non-operated working interest in the producing Neptune field (deepwater Atwater Valley blocks 574, 575 and 618), along with an interest in the Neptune tension-leg platform, associated production facilities and various interests in 24 other deepwater lease blocks. All of the Woodside Properties are located in the Gulf of Mexico. The effective date of the transaction was November 1, 2013. The transaction included customary adjustments for the effective date, certain closing adjustments and our assumption of the related ARO. The acquisition was funded from borrowings under our revolving bank credit facility and cash on hand.

The following table presents the purchase price allocation, including adjustments, for the acquisition of the Woodside Properties (in thousands):

Cash consideration:	
Evaluated properties including equipment	$52,102
Unevaluated properties	2,660
Sub-total cash consideration	54,762
Non-cash consideration:	
Asset retirement obligations - current	782
Asset retirement obligations - non-current	10,543
Sub-total non-cash consideration	11,325
Total consideration	$66,087

The acquisition was recorded at fair value, which was determined by applying the market and income approaches using Level 3 inputs. The Level 3 inputs were: (i) analysis of comparable transactions obtained from various third-parties, (ii) estimates of ultimate recoveries of reserves and (iii) estimates of discounted cash flows based on estimated reserve quantities, reserve categories, timing of production, costs to produce and develop reserves, future prices, ARO and discount rates. The estimates and assumptions were determined by management and third-parties. The fair value is based on subjective estimates and assumptions, which are inherently imprecise, and the actual realized values could vary significantly from these estimates. No goodwill was recorded in connection with the Woodside Properties acquisition.

2014 Acquisitions — Revenues, Net Income and Pro Forma Financial Information

The increase in working interest ownership for Fairway was not included in our consolidated results until the property transfer date, which occurred in September 2014 and the incremental revenue and operating expenses were immaterial for the three month period ended March 31, 2015. Unaudited pro forma information is not presented as the pro