

ANTERO RESOURCES Corp
Form 10-Q
August 06, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

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: 001-36120

ANTERO RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

80-0162034

(IRS Employer Identification No.)

1615 Wynkoop Street

Denver, Colorado

(Address of principal executive offices)

80202

(Zip Code)

(303) 357-7310

(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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The registrant had 262,049,659 shares of common stock outstanding as of August 5, 2014.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information in this report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q (this 10-Q), regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used, the words could, believe, anticipate, intend, estimate, expect, project and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading Item 1A. Risk Factors in this Form 10-Q. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements may include statements about our:

- business strategy, including the proposed initial public offering of our midstream business;
- reserves;
- financial strategy, liquidity and capital required for our development program;
- realized natural gas, natural gas liquids (NGLs) and oil prices;
- timing and amount of future production of natural gas, NGLs and oil;
- hedging strategy and results;
- future drilling plans;
- competition and government regulations;

- pending legal or environmental matters;
- marketing of natural gas, NGLs and oil;
- leasehold or business acquisitions;
- costs of developing our properties and conducting our midstream operations;
- general economic conditions;
- credit markets;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the exploration for and development, production, gathering and sale of natural gas, NGLs, and oil. These risks include, but are not limited to, commodity price volatility, inflation, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, marketing and transportation risks, regulatory changes, the uncertainty inherent in estimating natural gas, NGLs, and oil reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures, and the other risks described under the heading **Item 1A. Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2013 (the **2013 Form 10-K**) on file with the Securities and Exchange Commission (the **SEC**) and in **Item 1A. Risk Factors** of this Form 10-Q.

Reserve engineering is a process of estimating underground accumulations of natural gas, NGLs, and oil that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reservoir engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas, NGLs, and oil that are ultimately recovered.

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Should one or more of the risks or uncertainties described in this report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Form 10-Q.

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Condensed Consolidated Balance Sheets

December 31, 2013 and June 30, 2014

(Unaudited)

(In thousands, except share amounts)

	2013	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,487	19,273
Accounts receivable - trade, net of allowance for doubtful accounts of \$1,251 in 2013 and 2014	30,610	46,532
Notes receivable - short-term portion	2,667	889
Accrued revenue	96,825	139,553
Derivative instruments	183,000	175,286
Other	2,975	5,695
Total current assets	333,564	387,228
Property and equipment:		
Natural gas properties, at cost (successful efforts method):		
Unproved properties	1,513,136	1,677,642
Proved properties	3,621,672	4,881,002
Fresh water distribution systems	231,684	346,851
Gathering systems and facilities	584,626	873,308
Other property and equipment	15,757	34,019
	5,966,875	7,812,822
Less accumulated depletion, depreciation, and amortization	(407,219)	(601,029)
Property and equipment, net	5,559,656	7,211,793
Derivative instruments	677,780	354,254
Other assets, net	42,581	91,933
Total assets	\$ 6,613,581	8,045,208

See accompanying notes to consolidated financial statements.

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Condensed Consolidated Balance Sheets

December 31, 2013 and June 30, 2014

(Unaudited)

(In thousands, except share amounts)

	2013	2014
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 370,640	500,774
Accrued liabilities	77,126	116,037
Revenue distributions payable	96,589	154,092
Deferred income tax liability	69,191	71,104
Derivative instruments	646	11,907
Other	8,037	6,800
Total current liabilities	622,229	860,714
Long-term liabilities:		
Long-term debt	2,078,999	3,370,636
Deferred income tax liability	278,580	218,905
Derivative instruments		30,076
Other long-term liabilities	35,113	41,650
Total liabilities	3,014,921	4,521,981
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; authorized - 1,000,000,000 shares; issued and outstanding - 262,049,659 shares	2,620	2,620
Preferred stock, \$0.01 par value; authorized - 50,000,000 shares; none issued		
Additional paid-in capital	3,402,180	3,463,791
Accumulated earnings	193,860	56,816
Total stockholders' equity	3,598,660	3,523,227
Total liabilities and stockholders' equity	\$ 6,613,581	8,045,208

See accompanying notes to consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

Three Months Ended June 30, 2013 and 2014

(Unaudited)

(In thousands, except per share amounts)

	2013	2014
Revenue:		
Natural gas sales	\$ 172,332	314,151
Natural gas liquids sales	17,244	79,768
Oil sales	2,085	35,633