RANGE RESOURCES CORP
Form 10-Q/A
May 11, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q/A
Amendment No. 1

(Mark one)

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

For the quarterly period ended March 31, 2006

or

o **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 001-12209

RANGE RESOURCES CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**34-1312571**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)
777 Main Street, Suite 800, Fort Worth, Texas	**76102**
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, Including Area Code

(817) 870-2601

Former Name, Former Address and Former Fiscal Year, if changed since last report: Not applicable

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 o

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. (Check one):

Large Accelerated Filer þ Accelerated Filer o Non-Accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No þ

131,268,033 Common Shares were outstanding on April 24, 2006.

Table of Contents

Introductory Note

This quarterly report on Form 10-Q/A constitutes Amendment No. 1 to the quarterly report on Form 10-Q originally filed by Range Resources Corporation with the Securities and Exchange Commission on April 27, 2006, for the quarterly period ended March 31, 2006. Range is filing this Amendment No. 1 on Form 10-Q/A to reflect a $279,000 increase to our net income for the three months ended March 31, 2006.

The aforementioned item is discussed in more detail in the Explanatory Note to the accompanying unaudited consolidated financial statements. The following items of the Original Filing are amended by this Amendment No. 1:

Item 1. Consolidated Financial Statements

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

RANGE RESOURCES CORPORATION
FORM 10-Q
Quarter Ended March 31, 2006

Unless the context otherwise indicates, all references in this report to Range we us or our are to Range Resources Corporation and its subsidiaries.

TABLE OF CONTENTS

Table of Contents

PART I Financial Information
ITEM 1. Financial Statements

RANGE RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

	March 31, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and equivalents	$ 1,349	$ 4,750
Accounts receivable, less allowance for doubtful accounts of $470 and $624	92,508	128,532
Unrealized derivative gain	200	425
Deferred tax asset	36,969	61,677
Inventory and other	14,255	12,593
Total current assets	145,281	207,977
Oil and gas properties, successful efforts method	2,643,636	2,548,090
Accumulated depletion and depreciation	(839,198)	(806,908)
	1,804,438	1,741,182
Transportation and field assets	68,559	65,210
Accumulated depreciation and amortization	(27,695)	(25,966)
	40,864	39,244
Other assets	44,370	30,582
Total assets	$ 2,034,953	$ 2,018,985
Liabilities		
Current liabilities		
Accounts payable	$ 97,829	$ 119,907
Asset retirement obligation	3,168	3,166
Accrued liabilities	19,294	28,372
Accrued interest	4,086	10,214
Unrealized derivative loss	84,007	160,101
Total current liabilities	208,384	321,760
Bank debt	246,100	269,200
Subordinated notes	347,025	346,948
Deferred tax, net	213,234	174,817

Unrealized derivative loss	50,927	70,948
Deferred compensation liability	88,245	73,492
Asset retirement obligations	66,558	64,897
Commitments and contingencies		
Stockholders equity		
Preferred stock, $1 par, 10,000,000 shares authorized, none issued and outstanding		
Common stock, $.01 par, 250,000,000 shares authorized, 131,206,835 issued at March 31, 2006 and 129,913,046 issued at December 31, 2005	1,312	1,299
Common stock held in treasury 5,826 at December 31, 2005		(81)
Capital in excess of par value	859,090	845,519
Retained earnings	66,852	13,800
Common stock held by employee benefit trust, 1,956,112 and 1,971,605 shares, respectively, at cost	(19,283)	(11,852)
Deferred compensation		(4,635)
Accumulated other comprehensive income (loss)	(93,491)	(147,127)
Total stockholders equity	814,480	696,923
Total liabilities and stockholders equity	$ 2,034,953	$ 2,018,985

See accompanying notes

4

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands except per share data)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005
Revenues		
Oil and gas sales	$ 176,338	$ 107,415
Transportation and gathering	142	528
Mark-to-market on oil and gas derivatives	11,281	
Other	1,432	17
Total revenue	189,193	107,960
Costs and expenses		
Direct operating	19,377	14,808
Production and ad valorem taxes	9,727	5,755
Exploration	9,518	3,271
General and administrative	9,399	6,603
Non-cash stock compensation	7,319	4,067
Interest expense	10,551	8,584
Depletion, depreciation and amortization	34,567	29,762
Total costs and expenses	100,458	72,850
Income before income taxes	88,735	35,110
Income tax		
Current	578	
Deferred	32,482	13,107
	33,060	13,107
Net income	$ 55,675	$ 22,003
Earnings per common share:		
Basic	$ 0.43	$ 0.18
Diluted	$ 0.41	$ 0.18
Dividends per common share	$ 0.02	$ 0.013

See accompanying notes.

Table of Contents

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2006	2005
Increase (decrease) in cash and equivalents		
Operating activities:		
Net income	$ 55,675	$ 22,003
Adjustments to reconcile net income to net cash provided from operating activities:		
Deferred income tax expense	32,482	13,107
Depletion, depreciation and amortization	34,567	29,762
Unrealized derivative gains	(1,252)	(308)
Mark-to-market on oil and gas derivatives	(11,281)	
Allowance for bad debts		225
Exploration dry hole costs	2,718	483
Amortization of deferred issuance costs and discount	406	437
Deferred compensation adjustments	8,056	4,469
Loss on sale of assets and other	418	8
Changes in working capital:		
Accounts receivable	34,369	17,728
Inventory and other	(1,630)	(517)
Accounts payable	(15,270)	(13,668)
Accrued liabilities and other	(13,749)	(10,208)
Net cash provided from operating activities	125,509	63,521
Investing activities:		
Additions to oil and gas properties	(94,255)	(43,275)
Additions to field service assets	(3,362)	(1,667)
Acquisitions	(9,980)	(2,611)
Proceeds from disposal of assets and other	149	574
Net cash used in investing activities	(107,448)	(46,979)
Financing activities:		
Borrowings on credit facility	87,600	86,500
Repayments on credit facility	(110,700)	(247,500)
Other debt repayments		(3)
Debt issuance costs	(450)	(3,100)
Dividends paid common stock	(2,623)	(1,630)
preferred stock		(2,213)
Issuance of subordinated notes		150,000
Issuance of common stock	4,711	2,001
Net cash used in financing activities	(21,462)	(15,945)

Net increase (decrease) in cash and equivalents	(3,401)	597
Cash and equivalents at beginning of period	4,750	18,382
Cash and equivalents at end of period	$ 1,349	$ 18,979

See accompanying notes.

6

Table of Contents

RANGE RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in thousands)

	Three Months Ended March 31,	
	2006	2005
Net income	$ 55,675	$ 22,003
Net deferred hedge gains (losses), net of tax:		
Contract settlements reclassified to income	11,281	13,190
Change in unrealized deferred hedging gains (losses)	41,234	(60,117)
Change in unrealized gains (losses) on securities held by deferred compensation plan, net of taxes	1,121	(264)
Comprehensive income (loss)	$ 109,311	$ (25,188)

See accompanying notes.

Table of Contents

Explanatory Note

This Amendment No. 1 to our Quarterly Report on Form 10-Q for the period ended March 31, 2006 includes a correction of our unaudited consolidated financial statements for the three month period ended March 31, 2006. The correction relates to our cumulative effect of changes in accounting principle upon adoption of FASB Statement No. 123(R). We incorrectly recognized an after-tax effect of $279,000 relating to our equity-settled SARs granted in the last half of 2005. The adjustment included $163,000 of deferred tax benefit. There was no effect on earnings per share due to this correction. The following is a summary of the correction.

Selected Balance Sheet Data:	March 31, 2006
Deferred income taxes:	
As previously reported	$ 213,071
Correction of cumulative effect of changes in accounting principle	163
Deferred income taxes after correction	$ 212,234
Stockholders equity:	
As previously reported	$ 814,643
Correction of cumulative effect of changes in accounting principle	(163)
Stockholders equity after correction	$ 814,480

Selected Results of Operations Data:		Three Months Ended March 31, 2006
Cumulative effect of changes in accounting principles:		
As previously reported	$	(279)
Correction of cumulative effect of changes in accounting principle		279
After correction	$	
Net income:		
As previously reported	$	55,396
Correction of cumulative effect of changes in accounting principle		279
Net income after correction	$	55,675

RANGE RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) ORGANIZATION AND NATURE OF BUSINESS

We are engaged in the exploration, development and acquisition of oil and gas properties primarily in the Southwestern, Appalachian and Gulf Coast regions of the United States. We seek to increase our reserves and production primarily through drilling and complementary acquisitions. Range is a Delaware corporation whose common stock is listed and traded on the New York Stock Exchange.

(2) BASIS OF PRESENTATION

These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Range Resources Corporation 2005 Annual Report on Form 10-K. These consolidated financial statements are unaudited but, in the opinion of management, reflect all adjustments necessary for fair presentation of the results for the periods presented. All adjustments are of a normal recurring nature unless disclosed otherwise. These consolidated financial statements, including selected notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission, or the SEC, and do not include all of the information and disclosures required by accounting principles generally accepted in the United States for complete financial statements. All common stock shares, treasury stock shares and per-share amounts have been adjusted to reflect the three-for-two stock split effected on December 2, 2005. Certain reclassifications have been made to the presentation of prior periods to conform to current year presentation.

(3) STOCK-BASED COMPENSATION

Prior to January 1, 2006, we accounted for stock options granted under our stock-based compensation plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees and related Interpretations, as permitted by FASB Statement No. 123, Accounting for Stock-Based Compensation. For our stock options, no stock-based compensation expense was recognized in our statements of operations prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Effective January 1, 2006, we adopted the fair value recognition provisions of FASB Statement No. 123(R), Share-Based Payment, using the modified prospective transition method. Under this transition method, compensation cost recognized in the first quarter of 2006 includes (a) compensation cost ($2.6 million) for all share-based payments granted prior to, but not yet vested as of December 31, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement No. 123 and (b) compensation cost ($272,000) for all share-based payments granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with Statement No. 123(R). Pursuant to Statement No. 123(R), results for prior periods have not been restated.

We also began granting stock appreciation rights, or SARs, in July 2005 as part of our stock-based compensation plans to limit the dilutive impact of our equity plans. Prior to January 1, 2006, we also accounted for these SARs grants under the recognition and measurement provisions of APB Opinion No. 25, which requires expense to be recognized equal to the amount by which the quoted market value exceeds the original grant price on a mark-to-market basis. Therefore, we recognized $5.8 million of compensation cost in the last six months of 2005 related to SARs. On January 1, 2006, as required under the provisions of Statement No. 123(R), those SARs granted prior to, but not yet vested as of December 31, 2005, were expensed based on grant date fair value estimated in accordance with the original provisions of Statement No. 123 and all SARs granted subsequent to December 31, 2005 will be expensed based on grant-date fair value estimated in accordance with Statement No. 123(R).

As a result of adopting Statement No. 123(R) on January 1, 2006, our income before income taxes and net income for the first quarter are $1.6 million and $1.3 million lower, respectively, than if we had continued to account for share-based compensation under Opinion No. 25. Basic and diluted earnings per share for the first quarter would have been $0.44 and $0.42, respectively, if we had not adopted Statement No. 123(R), compared to reported basic and diluted earnings per share of $0.43 and $0.41, respectively. Also, as a result of adopting Statement No. 123(R), our December 31, 2005 unearned deferred compensation and additional paid-in capital related to our restricted stock issuances was eliminated.

The following table illustrates the effect on net income and earnings per share if we had applied the fair value recognition provisions of Statement No. 123(R) to options and SARs granted under our stock-based compensation plans in all periods presented. For the purposes of this pro forma disclosure, the value is estimated using a Black-Scholes-Merton option-pricing formula and amortized to expense over the option s vesting periods.

9

	Three Months Ended March 31, 2005
Net income, as reported	$ 22,003
Plus: Total stock-based employee compensation cost included in net income, net of tax	2,815
Deduct: Total stock-based employee compensation, determined under fair value based method, net of tax	(4,378)
Pro forma net income	$ 20,440
Earnings per share:	
Basic-as reported	$ 0.18
Basic-pro forma	$ 0.17
Diluted-as reported	$ 0.18
Diluted-pro forma	$ 0.16

The weighted average fair value of SARs granted in the first quarter of 2006 was determined to be $8.53 based on the following assumptions: risk-free interest rate of 4.7%; dividend yield of 0.3%; expected volatility of 41%; and expected life in years of 3.55.

(4) SUSPENDED EXPLORATORY WELL COSTS

The following table reflects the changes in capitalized exploratory well costs for the three months ended March 31, 2006 and the twelve months ended December 31, 2005 (in thousands):

	March 31, 2006	December 31, 2005
Beginning balance at January 1	$ 25,340	$ 7,332
Additions to capitalized exploratory well costs pending the determination of proved reserves	5,345	26,915
Reclassifications to wells, facilities and equipment based on determination of proved reserves	(3,592)	(8,614)
Capitalized exploratory well costs charged to expense	(1,038)	(293)
Balance at end of period	26,055	25,340
Less exploratory well costs that have been capitalized for a period of one year or less	(21,970)	(21,589)
Capitalized exploratory well costs that have been capitalized for a period greater than one year	$ 4,085	$ 3,751
Number of projects that have exploratory well costs that have been capitalized for a period greater than one year	3	3

As of March 31, 2006, of the $4.1 million of capitalized exploratory well costs that have been capitalized for more than one year, each of the wells have additional exploratory wells in the same prospect area drilling or firmly planned.

The $26.1 million of capitalized exploratory well costs at March 31, 2006 was incurred in 2006 ($5.3 million), in 2005 ($18.0 million), in 2004 ($2.5 million) and in 2003 ($200,000).

(5) ASSET RETIREMENT OBLIGATIONS

A reconciliation of our liability for plugging and abandonment costs for the three months ended March 31, 2006 and 2005 is as follows (in thousands):

	Three Months Ended March 31,	
	2006	2005
Beginning of period	$ 68,063	$ 70,727
Liabilities incurred	686	569
Liabilities settled	(510)	(1,910)
Accretion expense	1,082	1,286
Change in estimate	405	(939)
End of period	$ 69,726	$ 69,733

Accretion expense is recognized as a component of depreciation, depletion and amortization.

(6) ACQUISITIONS AND DISPOSITIONS

Acquisitions are accounted for as purchases, and accordingly, the results of operations are included in our consolidated statement of operations from the date of acquisition. Purchase prices are allocated to acquired assets and assumed liabilities based on their estimated fair value at the time of the acquisition. Acquisitions have been funded with internal cash flow, bank borrowings and the issuance of debt and equity securities. We purchased various properties for $10.0 million and $2.6 million during the three months ended March 31, 2006 and 2005, respectively. The purchases included $335,000 and $370,000 for proved oil and gas reserves for the three months ended March 31, 2006 and 2005, respectively, with the remainder representing unproved acreage.

In June 2005, we purchased Permian Basin oil and gas properties for $116.4 million through the purchase of Plantation Petroleum Acquisition LLC. As a purchase price allocation, we have recorded $136.8 million to oil and gas properties, $133,000 of working capital, $20.5 million deferred tax liability and $119,000 additional asset retirement obligations. The acquisition was partially funded with the proceeds from a public offering of 6.9 million common shares ($109.4 million). No pro forma information has been provided as the acquisition was not considered significant.

(7) SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31,	
	2006	2005
	(in thousands)	
Non-cash investing and financing activities included:		
Common stock issued under benefit plans	$ 891	$ 720
Asset retirement costs capitalized	1,091	(425)
Net cash provided from operating activities included:		
Income taxes paid (refunded)	$ (1,972)	$
Interest paid	16,138	11,811

Table of Contents

(8) INDEBTEDNESS

We had the following debt outstanding as of the dates shown below (in thousands) (bank debt interest rate at March 31, 2006, excluding the impact of interest rate swaps, is shown parenthetically). No interest expense was capitalized during the three months ended March 31, 2006 and 2005, respectively.

	March 31, 2006	December 31, 2005
Bank debt (5.9%)	$ 246,100	$ 269,200
Subordinated debt:		
7-3/8% Senior Subordinated Notes due 2013, net of discount	197,025	196,948
6-3/8% Senior Subordinated Notes due 2015	150,000	150,000
Total debt	$ 593,125	$ 616,148

Bank Debt

In June 2004, we entered into an amended and restated $600.0 million revolving bank facility, which is secured by substantially all of our assets. The bank credit facility provides for a borrowing base subject to redeterminations semi-annually each April and October and pursuant to certain unscheduled redeterminations. At March 31, 2006, the borrowing base was $600.0 million. At March 31, 2006, the outstanding balance under the bank credit facility was $246.1 million and there was $353.9 million of borrowing capacity available. In April 2006, the loan maturity was extended two years to January 1, 2011 and the borrowing base was redetermined at $600.0 million. Borrowing under the bank credit facility can either be base rate loans or LIBOR loans. On all base rate loans, the rate per annum is equal to the lesser of (i) the maximum rate (the weekly ceiling as defined in Section 303 of the Texas Finance Code or other applicable laws if greater) (the Maximum Rate) or, (ii) the sum of (A) the higher of (1) the prime rate for such date, or (2) the sum of the federal funds effective rate for such data plus one-half of one percent (0.50%) per annum, plus a base rate margin of between 0.0% to 0.5% per annum depending on the total outstanding under the bank credit facility relative to the borrowing base. On all LIBOR loans, we pay a varying rate per annum equal to the lesser of (i) the Maximum Rate, or (ii) the sum of the quotient of (A) the LIBOR base rate, divided by (B) one minus the reserve requirement applicable to such interest period, plus a LIBOR margin of between 1.0% and 1.75% per annum depending on the total outstanding under the bank credit facility relative to the borrowing base. We may elect, from time-to-time, to convert all or any part of our LIBOR loans to base rate loans or to convert all or any part of the base rate loans to LIBOR loans. The weighted average interest rate on the bank credit facility was 5.6% and 4.1% for the three months ended March 31, 2006 and 2005, respectively. A commitment fee is paid on the undrawn balance based on an annual rate of between 0.25% and 0.50%. At March 31, 2006, the commitment fee was 0.25% and the interest rate margin was 1.0%. At April 24, 2006, the interest rate (including applicable margin) was 5.9%.

7-3/8% Senior Subordinated Notes due 2013

In 2003, we issued $100.0 million of 7-3/8% senior subordinated notes due 2013, or the 7-3/8% Notes. In 2004, we issued an additional $100.0 million of 7-3/8% Notes; therefore, $200.0 million of the 7-3/8% Notes are currently outstanding. We pay interest on the 7-3/8% Notes semi-annually in January and July of each year. The 7-3/8% Notes mature in 2013 and are guaranteed by certain of our subsidiaries. The 7-3/8% Notes were issued at a discount which is amortized into interest expense over the life of the 7-3/8% Notes.

We may redeem the 7-3/8% Notes, in whole or in part, at any time on or after July 15, 2008, at redemption prices from 103.7% of the principal amount as of July 15, 2008, and declining to 100.0% on July 15, 2011 and thereafter. Prior to July 15, 2006, we may redeem up to 35% of the original aggregate principal amount of the notes at a redemption price of 107.4% of the principal amount thereof plus accrued and unpaid interest, if any, with the proceeds of certain equity offerings. If we experience a change of control, there may be a requirement to repurchase all or a portion of the 7-3/8% Notes at 101% of the principal amount plus accrued and unpaid interest, if any. The 7-3/8%

Notes and the guarantees by our subsidiary guarantors are general, unsecured obligations and are subordinated to our senior debt and will be subordinated to future senior debt that Range and our subsidiary guarantors are permitted to incur under the bank credit facility and the indenture governing the 7-3/8% Notes.

6-3/8% Senior Subordinated Notes Due 2015

In 2005, we issued $150.0 million of 6-3/8% Senior Subordinated Notes due 2015, or the 6-3/8% Notes. We pay interest on the 6-3/8% Notes semi-annually in March and September of each year. The 6-3/8% Notes mature in 2015 and are guaranteed by certain of our subsidiaries.

We may redeem the 6-3/8% Notes, in whole or in part, at any time on or after March 15, 2010, at redemption prices from 103.2% of the principal amount as of March 15, 2010 and declining to 100% on March 15, 2013 and thereafter. Prior to March 15, 2008, we may redeem up to 35% of the original aggregate principal amount of the notes at a redemption price of 106.4% of the principal amount thereof plus accrued and unpaid interest, if any, with the proceeds of certain equity offerings. If we experience a change of control, there may be a requirement to repurchase all or a portion of the 6-3/8% Notes at 101% of the principal amount plus accrued and unpaid interest, if any. The 6-3/8% Notes and the guarantees by our subsidiary guarantors are general, unsecured obligations and are subordinated to our bank debt and will be subordinated to future senior debt that Range and our subsidiary guarantors are permitted to incur under the bank credit facility and the indenture governing the 6-3/8% Notes.

Subsidiary Guarantors

Range Resources Corporation is a holding company which owns no operating assets and has no significant operations independent of its subsidiaries. The guarantees of the 7-3/8% Notes and the 6-3/8% Notes are full and unconditional and joint and several; any subsidiaries other than the subsidiary guarantors are either minor subsidiaries or indirect subsidiaries, or both.

Debt Covenants

The debt agreements contain covenants relating to working capital, dividends and financial ratios. We were in compliance with all covenants at March 31, 2006. Under the bank credit facility, dividends are permitted, subject to the provisions of the restricted payment basket. The bank credit facility provides for a restricted payment basket of $20.0 million plus 50% of net income plus 66-2/3% of net cash proceeds from common stock issuances. Approximately $399.0 million was available under the bank credit facility s restricted payment basket on March 31, 2006. The terms of both the 6-3/8% Notes and the 7-3/8% Notes limit restricted payments (including dividends) to the greater of $20.0 million or a formula based on earnings and equity issuances since the original issuance of the notes. At March 31, 2006, $461.3 million was available under both the 6-3/8% Notes and the 7-3/8% Notes restricted payments basket.

(9) DERIVATIVE ACTIVITIES

At March 31, 2006, we had open swap contracts covering 5.7 Bcf of gas at prices averaging $6.57 per mcf and 0.1 million barrels of oil at prices averaging $35.00 per barrel. We also had collars covering 83.6 Bcf of gas at weighted average floor and cap prices which range from $6.92 to $9.64 per mcf and 5.3 million barrels of oil at weighted average floor and cap prices that range from $48.74 to $61.54 per barrel. Their fair value, represented by the estimated amount that would be realized upon termination, based on a comparison of the contract prices and a reference price, generally New York Mercantile Exchange, or the NYMEX, on March 31, 2006, was a net unrealized pre-tax loss of $134.9 million. The contracts expire monthly through December 2008. Transaction gains and gains on settled contracts are determined monthly and are included as increases or decreases to oil and gas revenues in the period the hedged production is sold. Oil and gas revenues were decreased by $17.9 million and $20.9 million due to realized hedging in the three months ended March 31, 2006 and 2005, respectively. Other revenues in our consolidated statement of operations include ineffective hedging gains on hedges that qualified for hedge accounting of $1.4 million and $125,000 in the three months ended March 31, 2006 and 2005, respectively. In the fourth quarter of 2005, certain of our gas hedges no longer qualified for hedge accounting and were marked-to-market in the first quarter of 2006 which resulted in a gain of $11.3 million.

The following table sets forth our derivative volumes by year as of March 31, 2006:

Period	Contract Type	Volume Hedged	Average Hedge Price