ADAMS RESOURCES & ENERGY, INC.
Form 10-Q
August 11, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549
FORM 10-Q

(Mark One)

x Quarterly report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2006

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 1-7908

ADAMS RESOURCES & ENERGY, INC.
(Exact name of Registrant as specified in its charter)

Delaware	74-1753147
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 Post Oak Pkwy Ste 2700 , Houston, Texas 77027
(Address of principal executive office & Zip Code)

Registrant's telephone number, including area code (713) 881-3600

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 x 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 126-2 of the Exchange Act. (Check one)

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO x

A total of 4,217,596 shares of Common Stock were outstanding at August 1, 2006.

PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
REVENUES:				
Marketing	$ 1,042,085	$ 1,036,190	$ 573,597	$ 524,035
Transportation	32,097	27,898	17,156	14,849
Oil and gas	8,846	5,750	4,247	3,311
	1,083,028	1,069,838	595,000	542,195
COSTS AND EXPENSES:				
Marketing	1,034,082	1,029,445	569,552	521,554
Transportation	26,719	23,587	14,073	12,292
Oil and gas	2,358	1,610	1,161	1,170
General and administrative	4,120	4,535	2,004	2,383
Depreciation, depletion and amortization	4,436	3,389	2,394	1,996
	1,071,715	1,062,566	589,184	539,395
Operating earnings	11,313	7,272	5,816	2,800
Other income (expense):				
Interest income	249	59	164	38
Interest expense	(72)	(52)	(44)	(32)
Earnings from continuing operations before income taxes	11,490	7,279	5,936	2,806
Income tax provision	3,808	2,520	1,898	957
Earnings from continuing operations	7,682	4,759	4,038	1,849
Income (loss) from discontinued operations, net of tax				
Expense (benefit) of zero, ($12), zero and $18	-	(22)	-	37
Net earnings	$ 7,682	$ 4,737	$ 4,038	$ 1,886
EARNINGS (LOSS) PER SHARE:				
From continuing operations	$ 1.82	$ 1.13	$ .96	$ .43
From discontinued operation	-	(.01)	-	.01
Basic and diluted net earnings per common share	$ 1.82	$ 1.12	$ .96	$ .44
DIVIDENDS PER COMMON SHARE	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of these financial statements.

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

		June 30, 2006		December 31, 2005
ASSETS				
Current assets:				
Cash and cash equivalents	$	21,886	$	18,817
Accounts receivable, net of allowance for doubtful accounts of $556 and $608, respectively		214,339		217,727
Inventories		11,228		11,692
Risk management receivables		6,042		13,324
Income tax receivables		2,031		1,304
Prepayments		4,692		7,586
Total current assets		260,218		270,450
Property and equipment		106,039		98,861
Less - accumulated depreciation, depletion and amortization		(63,179)		(58,965)
		42,860		39,896
Other assets:				
Risk management assets		72		47
Other assets		2,837		2,269
	$	305,987	$	312,662
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	$	207,576	$	213,668
Risk management payables		4,862		11,542
Accrued and other liabilities		3,974		4,790
Current deferred income taxes		1,185		1,129
Total current liabilities		217,597		231,129
Long-term debt		9,500		11,475
Other liabilities:				
Asset retirement obligations		1,118		1,058
Deferred income taxes and other		4,362		3,296
Risk management liabilities		72		48
		232,649		247,006
Commitments and contingencies (Note 6)				
Shareholders' equity:				
Preferred stock - $1.00 par value, 960,000 shares authorized, none outstanding		-		-
Common stock - $.10 par value, 7,500,000 shares				

authorized, 4,217,596 shares outstanding		422		422
Contributed capital		11,693		11,693
Retained earnings		61,223		53,541
Total shareholders' equity		73,338		65,656
	$	305,987	$	312,662

The accompanying notes are an integral part of these financial statements.

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
CASH PROVIDED BY OPERATIONS:		
Earnings from continuing operations	$ 7,682	$ 4,759
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities -		
Depreciation, depletion and amortization	4,436	3,389
Gains on property sales	(32)	(640)
Impairment on non-producing oil and gas properties	389	202
Other, net	(66)	(65)
Decrease (increase) in accounts receivable	3,388	(3,913)
Decrease (increase) in inventories	464	(3,374)
Risk management activities	601	150
Decrease (increase) in tax receivable	(727)	(327)
Decrease (increase) in prepayments	2,894	4,643
Increase (decrease) in accounts payable	(5,866)	2,668
Increase (decrease) in accrued liabilities	(816)	(1,698)
Deferred income taxes	1,130	366
Net cash provided by continuing operations	13,477	6,160
Net cash provided by discontinued operations	-	117
Net cash provided by operating activities	13,477	6,277
INVESTING ACTIVITIES:		
Property and equipment additions	(7,935)	(6,163)
Insurance deposits	(530)	(817)
Proceeds from property sales	32	787
Net cash (used in) investing activities	(8,433)	(6,193)
FINANCING ACTIVITIES:		
Net repayments under credit agreements	(1,975)	-
Net cash used in financing activities	(1,975)	-
Increase in cash and cash equivalents	3,069	84
Cash at beginning of period	18,817	19,942
Cash at end of period	$ 21,886	$ 20,026
Supplemental disclosure of cash flow information:		
Interest paid during the period	$ 74	$ 52

Income taxes paid during the period	$	3,232	$	2,167

The accompanying notes are an integral part of these financial statements.

ADAMS RESOURCES & ENERGY, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited but, in the opinion of the Company's management, include all adjustments (consisting of normal recurring accruals) necessary for the fair presentation of its financial position at June 30, 2006 and December 31, 2005, its results of operations and its cash flows for the six months ended June 30, 2006 and 2005. Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to Securities and Exchange Commission rules and regulations. Although the Company believes the disclosures made are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements, and the notes thereto, included in the Company's latest annual report on Form 10-K for the year ended December 31, 2005. The interim statement of operations is not necessarily indicative of results to be expected for a full year.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Adams Resources & Energy, Inc., a Delaware corporation, and its wholly owned subsidiaries (the "Company") after elimination of all significant intercompany accounts and transactions. Certain reclassifications have been made to prior year amounts in order to conform to current year presentation related to discontinued operations.

Nature of Operations

The Company is engaged in the business of crude oil, natural gas and petroleum products marketing, as well as tank truck transportation of liquid chemicals and oil and gas exploration and production. Its primary area of operation is within a 1,000-mile radius of Houston, Texas.

Cash and Cash Equivalents

Cash and cash equivalents include any treasury bill, commercial paper, money market fund or federal funds with maturity of 30 days or less. Included in the cash balance at June 30, 2006 and December 31, 2005 is a deposit of $2 million to collateralize the Company’s month-to-month crude oil letter of credit facility.

Inventories

Crude oil and petroleum product inventories are carried at the lower of cost or market. Petroleum products inventory includes gasoline, lubricating oils and other petroleum products purchased for resale and valued at cost determined on the first-in, first-out basis, while crude oil inventory is valued at average cost. Components of inventory are as follows (**in thousands**):

	June 30, 2006	December 31, 2005
Crude oil	$ 9,093	$ 9,924
Petroleum products	2,135	1,768
	$ 11,228	$ 11,692

Property and Equipment

Expenditures for major renewals and betterments are capitalized, and expenditures for maintenance and repairs are expensed as incurred. Interest costs incurred in connection with major capital expenditures are capitalized and amortized over the lives of the related assets. When properties are retired or sold, the related cost and accumulated depreciation, depletion and amortization ("DD&A") is removed from the accounts and any gain or loss is reflected in earnings.

Oil and gas exploration and development expenditures are accounted for in accordance with the successful efforts method of accounting. Direct costs of acquiring developed or undeveloped leasehold acreage, including lease bonus, brokerage and other fees, are capitalized. Exploratory drilling costs are initially capitalized until the properties are evaluated and determined to be either productive or nonproductive. Such evaluations are made on a quarterly basis. If an exploratory well is determined to be nonproductive, the capitalized costs of drilling the well are charged to expense. Costs incurred to drill and complete development wells, including dry holes, are capitalized. As of June 30, 2006, the Company had no unevaluated or suspended exploratory drilling costs.

Producing oil and gas leases, equipment and intangible drilling costs are depleted or amortized over the estimated recoverable reserves using the units-of-production method. Other property and equipment is depreciated using the straight-line method over the estimated average useful lives of three to twenty years for marketing, three to fifteen years for transportation and ten to twenty years for all others.

The Company is required to periodically review long-lived assets for impairment whenever there is evidence that the carrying value of such assets may not be recoverable. This consists of comparing the carrying value of the asset with the asset’s expected future undiscounted cash flows without interest costs. Estimates of expected future cash flows represent management’s best estimate based on reasonable and supportable assumptions. Proved oil and gas properties are reviewed for impairment on a field-by-field basis. Any impairment recognized is permanent and may not be restored. In addition, management evaluates the carrying value of non-producing properties and may deem them impaired for lack of drilling activity. Such evaluations are made on a quarterly basis. Accordingly, a $389,000 and a $202,000 impairment provision on non-producing properties was recorded in the six-month period ended June 30, 2006 and 2005, respectively. In addition, during the second quarter of 2006, a $188,000 impairment provision on producing oil and gas properties was recorded and included in DD&A as a result of relatively high costs incurred on certain properties relative to their oil and gas reserve additions.

Other Assets

Other assets primarily consist of cash deposits associated with the Company’s business activities. The Company has established certain deposits to support its participation in its liability insurance program and such deposits totaled $1,347,000 as of June 30, 2006. In addition, the Company maintains certain deposits to support the collection and remittance of state crude oil severance taxes. Such deposits totaled $995,000 as of June 30, 2006.

6

Revenue Recognition

Commodity purchases and sales associated with the Company's natural gas marketing activities qualify as derivative instruments under Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). Therefore, natural gas purchases and sales are recorded on a net revenue basis in the accompanying financial statements in accordance with Emerging Issues Task Force ("EITF") 02-13 "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities". In contrast, a significant portion of crude oil purchases and sales qualify, and have been designated as, normal purchases and sales. Therefore, crude oil purchases and sales are primarily recorded on a gross revenue basis in the accompanying condensed consolidated financial statements. Those purchases and sales of crude oil that do not qualify as "normal purchases and sales" are recorded on a net revenue basis in the accompanying condensed consolidated financial statements. For "normal purchase and sale" activities, the Company's customers are invoiced monthly based on contractually agreed upon terms and revenue is recognized in the month in which the physical product is delivered to the customer. Where required, the Company recognizes fair value or mark-to-market gains and losses related to its natural gas and crude oil trading activities. A detailed discussion of the Company's risk management activities is included later in this footnote.

Substantially all of the Company's petroleum products marketing activity qualify as a "normal purchase and sale" and revenue is recognized in the period when the customer physically takes possession and title to the product upon delivery at their facility. The Company recognizes fair value or mark to market gains and losses on refined product marketing activities that do not qualify as "normal purchases and sales".

Transportation customers are invoiced, and the related revenue is recognized as the service is provided. Oil and gas revenue from the Company's interests in producing wells is recognized as title and physical possession of the oil and gas passes to the purchaser.

Included in marketing segment revenues and costs is the gross proceeds and costs associated with certain crude oil buy/sell arrangements. Crude oil buy/sell arrangements result from a single contract or concurrent contracts with a single counterparty to provide for similar quantities of crude oil to be bought and sold at two different locations. Such contracts may be entered into for a variety of reasons, including to effect the transportation of the commodity, to minimize credit exposure, and to meet the competitive demands of the customer. In September 2005, the EITF of the Financial Accounting Standards Board ("FASB") reached consensus in the issue of accounting for buy/sell arrangements as part of its EITF Issue No. 04-13, "Accounting for Purchases and Sales of Inventory with the Same Counterparty" ("Issue 04-13"). As part of Issue 04-13, the EITF is requiring that all buy/sell arrangements be reflected on a net basis, such that the purchase and sale are netted and shown as either a net purchase or a net sale in the income statement. This requirement is effective for new arrangements entered into after June 30, 2006. However, the Company adopted Issue 04-13 effective January 1, 2006. Prior period amounts for marketing revenues and marketing costs and expenses in the accompanying condensed consolidated statements of operations were not restated to reflect the requirements of Issue 04-13.

Earnings Per Share

The Company computes and presents earnings per share in accordance with SFAS No. 128, "Earnings Per Share", which requires the presentation of basic earnings per share and diluted earnings per share for potentially dilutive securities. Earnings per share are based on the weighted average number of shares of common stock and potentially dilutive common stock shares outstanding during the period. The weighted average number of shares outstanding was 4,217,596 for the six-month periods ended June 30, 2006 and 2005. There were no potentially dilutive securities during those periods in 2006 and 2005.

7

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Examples of significant estimates used in the accompanying condensed consolidated financial statements include the accounting for depreciation, depletion and amortization, oil and gas property impairments, the provision for bad debts, income taxes, contingencies and price risk management activities.

Price Risk Management Activities

SFAS No. 133, as amended by SFAS No. 137 and No. 138, establishes accounting and reporting standards that require every derivative instrument (including certain derivative instruments embedded in other contracts) to be recorded on the balance sheet as either an asset or liability measured at its fair value, unless the derivative qualifies and has been designated as a normal purchase or sale. Changes in fair value are recognized immediately in earnings unless the derivatives qualify for, and the Company elects, cash flow hedge accounting. The Company had no contracts designated for hedge accounting under SFAS No. 133 during any current reporting periods.

The Company's trading and non-trading transactions give rise to market risk, which represents the potential loss that may result from a change in the market value of a particular commitment. The Company closely monitors and manages its exposure to market risk to ensure compliance with the Company's risk management policies. Such policies are regularly assessed to ensure their appropriateness given management's objectives, strategies and current market conditions.

The Company's forward crude oil contracts are designated as normal purchases and sales. Natural gas forward contracts and energy trading contracts on crude oil and natural gas are recorded at fair value, depending on management's assessments of the numerous accounting standards and positions that comply with generally accepted accounting principles. The undiscounted fair value of such contracts is reflected on the Company's balance sheet as risk management assets and liabilities. The revaluation of such contracts is recognized in the Company's results of operations. Current market price quotes from actively traded liquid markets are used in all cases to determine the contracts' fair value. Risk management assets and liabilities are classified as short-term or long-term depending on contract terms. The estimated future net cash inflow based on market prices as of June 30, 2006 is $1,180,000, all of which will be received during the remainder of 2006 through December 2007. The estimated future cash inflow approximates the net fair value recorded in the Company's risk management assets and liabilities.

The following table illustrates the factors impacting the change in the net value of the Company's risk management assets and liabilities for the six-month period ended June 30, 2006 and 2005 **(in thousands):**

		2006		2005
Net fair value on January 1,	$	1,781	$	630
Activity during the period				
-Cash paid (received) from settled contracts		(1,455)		(617)
-Net realized gain from prior years' contracts		258		149
-Net unrealized gain from prior years' contracts		-		22
-Net unrealized (loss) from prior years' contracts		(62)		-
-Net unrealized gain from current year contracts		658		296
Net fair value on June 30,	$	1,180	$	480

8

Asset Retirement Obligations

SFAS No. 143 “Accounting for Asset Retirement Obligations” established an accounting model for accounting and reporting obligations associated with retirement of tangible long-lived assets and associated retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset's retirement obligation be recorded in the period in which it is incurred and the corresponding cost capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, a gain or loss is recognized. A summary of the recording of the estimated fair value of the Company’s asset retirement obligations is presented as follows (in thousands):

		2006		2005
Balance on January 1,	$	1,058	$	723
-Liabilities incurred		24		11
-Accretion of discount		36		43
-Liabilities settled		-		(11)
-Revisions to estimates		-		-
Balance on June 30,	$	1,118	$	766

In addition to an accrual for asset retirement obligations, the Company maintains $75,000 in escrow cash, which is legally restricted for the potential purpose of settling asset retirement costs in accordance with certain state regulations. Such cash deposits are included in other assets on the accompanying balance sheet.

In March 2005, the FASB issued Interpretation No. (“FIN”) 47. FIN 47 clarifies that an entity must record a liability for a “conditional” asset retirement obligation if the fair value can be reasonably estimated. The adoption of FIN 47 had no impact on the Company’s financial statements.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123(R), “Share-Based Payment”, which established accounting standards for all transactions in which an entity exchanges its equity instruments for goods and services. SFAS No. 123(R) focuses primarily on accounting for such transactions with employees. As of June 30, 2006, the Company had no stock-based employee compensation plans, nor any other share-based payment arrangements.

In November 2004, the FASB issued SFAS No. 151, “Inventory Costs”. This statement clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS No. 151 requires that these items be charged to expense regardless of whether they meet the “so abnormal” criterion outlined in Accounting Research Bulletin 43. This statement was effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this statement did not have any material effect on the Company’s financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections”. This statement establishes new standards on the accounting for and reporting of changes in accounting principles and error corrections. SFAS No. 154 requires retrospective application to the financial statements of prior periods for all such changes, unless it is impracticable to do so. SFAS No. 154 was effective for the Company in the first quarter of 2006.

In July 2006, the FASB issued Financial Interpretation (FIN) No. 48, “Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109.” FIN 48 addresses the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” FIN 48 prescribes specific criteria for the financial statement recognition and measurement of the tax effects of a position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition of previously recognized tax benefits, classification of tax liabilities on the balance sheet, recording interest and penalties on tax underpayments, accounting in interim periods, and disclosure requirements. FIN 48 is effective for fiscal periods beginning after December 15, 2006. The Company is currently assessing the impact, if any, that the adoption of FIN 48 will have on its financial statements.

Note 3 - Discontinued Operations

Effective September 30, 2005, the Company sold its ownership in its offshore Gulf of Mexico crude oil gathering pipeline. The sale was completed to eliminate abandonment obligations and because the Company was no longer purchasing crude oil in the affected region. The operating results for the pipeline for the six months and second quarter of 2005 have been reflected in the accompanying unaudited condensed consolidated statement of operations as income from discontinued operations. As of September 30, 2005, the Company had no assets or liabilities associated with this former operation.

Note 4 - Segment Reporting

The Company is primarily engaged in the business of marketing crude oil, natural gas and petroleum products; tank truck transportation of liquid chemicals; and oil and gas exploration and production. Information concerning the Company’s various business activities is summarized as follows (**in thousands**):

- Six Month Comparison

	Revenues	Segment Operating Earnings	Depreciation Depletion and Amortization	Property and Equipment Additions
Period Ended June 30, 2006				
Marketing				
- Crude Oil	$ 947,128	$ 4,043	$ 439	$ 1,254
- Natural gas	5,545	2,422	29	220
- Refined products	89,412	878	192	902
Marketing Total	1,042,085	7,343	660	2,376
Transportation	32,097	3,145	2,233	969
Oil and gas	8,846	4,945	1,543	4,590
	$ 1,083,028	$ 15,433	$ 4,436	$ 7,935
Period Ended June 30, 2005				
Marketing				
- Crude Oil	$ 963,010	$ 4,988	$ 371	$ 57
- Natural gas	3,249	1,114	29	12
- Refined products	69,931	3	240	53
Marketing Total	1,036,190	6,105	640	122
Transportation	27,898	2,994	1,317	2,421
Oil and gas	5,750	2,708	1,432	3,620
	$ 1,069,838	$ 11,807	$ 3,389	$ 6,163

- Three Month Comparison

		Revenues		Segment Operating Earnings		Depreciation Depletion and Amortization		Property and Equipment Additions
Period Ended June 30, 2006								
Marketing								
- Crude Oil	$	519,974	$	2,582	$	232	$	169
- Natural gas		2,456		631		14		220
- Refined products		51,167		493		93		886
Marketing Total		573,597		3,706		339		1,275
Transportation		17,156		1,974		1,109		355
Oil and gas		4,247		2,140		946		1,674
	$	595,000	$	7,820	$	2,394	$	3,304
Period Ended June 30, 2005								
Marketing								
- Crude Oil	$	484,610	$	1,577	$	188	$	15
- Natural gas		1,590		377		15		-
- Refined products		37,835		211		113		40
Marketing Total		524,035		2,165		316		55
Transportation		14,849		1,825		732		576
Oil and gas		3,311		1,193		948		2,042
	$	542,195	$	5,183	$	1,996	$	2,673

Identifiable assets by industry segment are as follows **(in thousands)**:

		June 30, 2006		December 31, 2005
Marketing				
- Crude oil	$	152,485	$	145,097
- Natural gas		53,371		75,741
- Refined products		21,166		19,471
Marketing Total		227,022		240,309
Transportation		28,139		28,412
Oil and gas		22,581		20,780
Other		28,245		23,161
	$	305,987	$	312,662

Intersegment sales are insignificant. Other identifiable assets are primarily corporate cash, accounts receivable, and properties not identified with any specific segment of the Company’s business. All sales by the Company occurred in the United States.

Segment operating earnings reflect revenues net of operating costs and depreciation, depletion and amortization. Segment earnings reconcile to earnings from continuing operations before income taxes as follows **(in thousands)**:

	Six months ended	Three months ended
	June 30,	June 30,