

RANGE RESOURCES CORP

Form 10-Q

April 27, 2011

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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 March 31, 2011

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: 001-12209

RANGE RESOURCES CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

34-1312571

(IRS Employer Identification No.)

**100 Throckmorton Street, Suite 1200
Fort Worth, Texas**

(Address of Principal Executive Offices)

76102

(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 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 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

Smaller Reporting

Company

(Do not check if a smaller reporting
company)

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

160,703,877 Common Shares were outstanding on April 25, 2011.

RANGE RESOURCES CORPORATION
FORM 10-Q
Quarter Ended March 31, 2011

Unless the context otherwise indicates, all references in this report to Range, we, us, or our are to Range Resources Corporation and its wholly-owned subsidiaries and its ownership interests in equity method investees.

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RANGE RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per share data)

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,681	\$ 2,848
Accounts receivable, less allowance for doubtful accounts of \$4,285 and \$5,001	75,530	76,683
Unrealized derivative gain	62,286	123,255
Assets of discontinued operations	856,195	876,304
Inventory and other	18,605	21,352
Deferred tax asset	1,639	
Total current assets	1,015,936	1,100,442
Equity method investments	142,353	155,105
Natural gas and oil properties, successful efforts method	5,669,791	5,390,391
Accumulated depletion and depreciation	(1,373,652)	(1,306,378)
	4,296,139	4,084,013
Transportation and field assets	121,274	134,980
Accumulated depreciation and amortization	(61,303)	(60,931)
	59,971	74,049
Other assets	100,848	84,977
Total assets	\$ 5,615,247	\$ 5,498,586
Liabilities		
Current liabilities:		
Accounts payable	\$ 245,446	\$ 289,109
Asset retirement obligations	4,020	4,020
Accrued liabilities	44,629	60,082
Deferred tax liability		11,848
Accrued interest	39,496	32,189
Unrealized derivative loss	593	352
Current liabilities of discontinued operations	16,288	32,962
Total current liabilities	350,472	430,562
Bank debt	480,000	274,000

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Subordinated notes	1,686,816	1,686,536
Deferred tax liability	646,427	672,041
Unrealized derivative loss	30,242	13,412
Deferred compensation liability	169,278	134,488
Asset retirement obligations and other liabilities	66,168	59,885
Long-term liabilities of discontinued operations	2,226	3,901
Commitments and contingencies		
Stockholders Equity		
Preferred stock, \$1 par, 10,000,000 shares authorized, none issued and outstanding		
Common stock, \$0.01 par, 475,000,000 shares authorized, 160,668,296 issued at March 31, 2011 and 160,113,608 issued at December 31, 2010	1,607	1,601
Common stock held in treasury, 196,016 shares at March 31, 2011 and 204,556 shares at December 31, 2010	(7,190)	(7,512)
Additional paid-in capital	1,835,261	1,820,503
Retained earnings	310,246	341,699
Accumulated other comprehensive income	43,694	67,470
Total stockholders equity	2,183,618	2,223,761
Total liabilities and stockholders equity	\$ 5,615,247	\$ 5,498,586

See the accompanying notes.

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

	Three Months Ended March	
	31,	
	2011	2010
Revenues and other income		
Natural gas, NGL and oil sales	\$ 226,881	\$ 187,673
Transportation and gathering	313	2,081
Derivative fair value (loss) income	(40,834)	42,333
Gain on the sale of assets	139	67,913
Other	1,077	(1,575)
Total revenues and other income	187,576	298,425
Costs and expenses		
Direct operating	28,717	21,836
Production and ad valorem taxes	6,879	6,542
Exploration	27,187	14,139
Abandonment and impairment of unproved properties	16,537	6,551
General and administrative	33,959	28,170
Termination costs		7,938
Deferred compensation plan	30,630	(5,712)
Interest expense	24,779	20,931
Depletion, depreciation and amortization	72,216	64,807
Impairment of proved properties		6,505
Total costs and expenses	240,904	171,707
(Loss) income from continuing operations before income taxes	(53,328)	126,718
Income tax (benefit) expense		
Current		
Deferred	(19,897)	49,012
Total income tax (benefit) expense	(19,897)	49,012
(Loss) income from continuing operations	(33,431)	77,706
Discontinued operations, net of taxes	8,398	(127)
Net (loss) income	\$ (25,033)	\$ 77,579
(Loss) income per common share		
Basic-(loss) income from continuing operations	\$ (0.21)	\$ 0.50

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-discontinued operations		0.05	
-net (loss) income	\$	(0.16)	\$ 0.50
Diluted-(loss) income from continuing operations	\$	(0.21)	\$ 0.48
-discontinued operations		0.05	
-net (loss) income	\$	(0.16)	\$ 0.48
Dividends per common share	\$	0.04	\$ 0.04
Weighted average common shares outstanding			
Basic		157,545	156,393
Diluted		157,545	160,292

See the accompanying notes.

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

	Three Months Ended March	
	31,	
	2011	2010
Operating activities		
Net (loss) income	\$ (25,033)	\$ 77,579
Adjustments to reconcile net cash provided from operating activities:		
(Gain) loss from discontinued operations	(8,398)	127
Loss from equity method investments, net of distributions	14,738	1,621
Deferred income tax (benefit) expense	(19,897)	49,012
Depletion, depreciation, amortization and proved property impairment	72,216	71,312
Exploration dry hole costs	10	
Mark-to-market loss (gain) on gas and oil derivatives not designated as hedges	40,036	(46,578)
Abandonment and impairment of unproved properties	16,537	6,551
Unrealized derivative (gain) loss	(568)	249
Allowance for bad debts	(688)	
Deferred and stock-based compensation	40,650	7,277
Amortization of deferred financing costs and other	(78)	1,167
Gain on sale of assets	(139)	(67,913)
Changes in working capital:		
Accounts receivable	1,689	8,111
Inventory and other	3,574	(700)
Accounts payable	2,302	17,452
Accrued liabilities and other	(18,210)	(8,998)
Net cash provided from continuing operations	118,741	116,269
Net cash provided from discontinued operations	21,881	36,605
Net cash provided from operating activities	140,622	152,874
Investing activities		
Additions to oil and gas properties	(250,766)	(153,971)
Additions to field service assets	(1,022)	(6,355)
Acreage and proved property purchases	(24,316)	(19,849)
Other assets		(45)
Investing activities of discontinued operations	(8,219)	(12,273)
Proceeds from disposal of assets	15,197	301,648
Purchase of marketable securities held by the deferred compensation plan	(6,260)	(3,690)
Proceeds from the sales of marketable securities held by the deferred compensation plan	3,557	2,613
Net cash (used in) provided from investing activities	(271,829)	108,078
Financing activities		
Borrowing on credit facilities	372,826	148,000
Repayment on credit facilities	(166,826)	(118,000)

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Dividends paid	(6,420)	(6,373)
Issuance of common stock	503	5,437
Debt issuance costs	(12,356)	
Change in cash overdrafts	(60,979)	(5,162)
Proceeds from the sales of common stock held by the deferred compensation plan	3,292	893
Net cash provided from financing activities	130,040	24,795
(Decrease) increase in cash and equivalents	(1,167)	285,747
Cash and cash equivalents at beginning of period	2,848	767
Cash and cash equivalents at end of period	\$ 1,681	\$ 286,514

See the accompanying notes.

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

	Three Months Ended March	
	31,	
	2011	2010
Net (loss) income	\$ (25,033)	\$ 77,579
Other comprehensive (loss) income:		
Realized gain on hedge derivative contract settlements reclassified into earnings from other comprehensive income, net of taxes	(23,889)	(753)
Change in unrealized deferred hedging gains (losses), net of taxes	113	52,582
Total comprehensive (loss) income	\$ (48,809)	\$ 129,408

See the accompanying notes.

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RANGE RESOURCES CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(1) ORGANIZATION AND NATURE OF BUSINESS

We are a Fort Worth, Texas-based independent natural gas and oil company engaged in the exploration, development and acquisition of natural gas and oil properties, mostly in the Appalachia and the Southwest regions of the United States. Our objective is to build stockholder value through consistent growth in reserves and production on a cost-efficient basis. Range Resources Corporation is a Delaware corporation with our common stock listed and traded on the New York Stock Exchange under the symbol RRC.

(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 2010 Annual Report on Form 10-K filed on March 1, 2011. 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 (SEC) and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements.

In February 2011, we entered into an agreement to sell our Barnett Shale assets. Accordingly, we have classified the assets and liabilities as discontinued operations in the accompanying consolidated balance sheets along with the historic results of operations of our Barnett Shale operations as discontinued operations, net of tax, in the accompanying consolidated statements of operations. See also Note 4 and 5.

(3) NEW ACCOUNTING STANDARDS

There have been no developments to recently issued accounting standards, including the expected dates of adoption and estimated effects on our consolidated financial statements, from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010.

(4) DISPOSITIONS

2011 Asset Sales

In February 2011, we entered into an agreement to sell our Barnett Shale natural gas properties in North Central Texas for a price of \$900.0 million, which also includes the assumption of certain derivative contracts by the buyer and is subject to normal post closing adjustments. The completion of the sale is dependent upon customary prospective buyer due diligence procedures. We expect to complete the sale by the end of April 2011. As of March 31, 2011, we have classified these assets and liabilities held for sale as discontinued operations. As of February 28, 2011, the carrying value of the asset group, which excludes the derivative contracts to be sold, was approximately \$827.9 million. As indicated in Note 2, our Barnett operations are presented as discontinued operations.

2010 Asset Sales

In February 2010, we entered into an agreement to sell our tight gas sand properties in Ohio. We closed approximately 90% of the sale in March 2010 and closed the remainder in June 2010. Proceeds received in first quarter 2010 were approximately \$300.0 million and we recorded a gain of \$67.0 million in continuing operations. The agreement had an effective date of January 1, 2010, and consequently operating net revenues after January 1, 2010 were a downward adjustment to the selling price. The proceeds we received were placed in a like-kind exchange account and in June 2010, we used a portion of the proceeds to purchase proved and unproved natural gas properties in Virginia. In September 2010, the like-kind exchange account was closed and the balance of these proceeds (\$135.0 million) was used to repay amounts outstanding under our bank credit facility.

Table of Contents**(5) DISCONTINUED OPERATIONS**

The following table presents the components of our Barnett operations as discontinued operations for the three months ended March 31, 2011 and 2010 (in thousands):

	Three Months Ended March	
	31,	
	2011	2010
Revenues and other income		
Natural gas, NGL and oil sales	\$ 42,257	\$ 49,087
Transportation and gathering	5	12
Gain on the sale of assets		955
Other	4	
Total revenues and other income	42,266	50,054
Costs and expenses		
Direct operating	8,277	9,204
Production and ad valorem taxes	1,066	1,528
Exploration	32	496
Abandonment and impairment of unproved properties		5,856
Interest expense ^(a)	11,076	9,356
Depletion, depreciation and amortization	8,880	23,819
Total costs and expenses	29,331	50,259
Income (loss) from discontinued operations before income taxes	12,935	(205)
Income tax expense (benefit)		
Current		
Deferred	4,537	(78)
Total income tax expense (benefit)	4,537	(78)
Net income (loss) from discontinued operations	\$ 8,398	\$ (127)
Production:		
Natural gas (mcf)	8,885,498	9,378,392
NGLs (bbls)	158,843	207,662
Crude oil (bbls)	6,988	9,577
Total (mcf) ^(b)	9,880,483	10,681,826

(a) Interest expense is allocated to discontinued operations based on the ratio of the net assets of discontinued operations to our consolidated net assets plus long-term debt.

(b) NGLs and oil are converted at a rate of one barrel equals six mcf.

The carrying values of our Barnett operations are included in discontinued operations in the accompanying consolidated balance sheets which is comprised of the following (in thousands):

	March 31, 2011	December 31, 2010
Composition of assets of discontinued operations:		
Natural gas and oil properties, net	\$ 827,172	\$ 838,044
Transportation and field assets, net	666	684
Accounts receivable	28,276	29,300
Unrealized derivative gain		8,195
Inventory and other	81	81
Total assets of discontinued operations	\$ 856,195	\$ 876,304

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	March 31, 2011	December 31, 2010
Composition of liabilities of discontinued operations:		
Account payable	\$ 9,514	\$ 23,366
Accrued liabilities	6,774	9,596
Total current liabilities of discontinued operations	\$ 16,288	\$ 32,962
Asset retirement obligations	\$ 2,025	\$ 1,980
Other liabilities	201	1,921
Total long-term liabilities of discontinued operations	\$ 2,226	\$ 3,901

(6) INCOME TAXES

Income tax (benefit) expense from continuing operations was as follows (in thousands):

	Three Months Ended March 31,	
	2011	2010
Income tax (benefit) expense	\$(19,897)	\$49,012
Effective tax rate	37.3%	38.7%

We compute our quarterly taxes under the effective tax rate method based on applying an anticipated annual effective rate to our year-to-date income, except for discrete items. Income taxes for discrete items are computed and recorded in the period that the specific transaction occurs. For the three months ended March 31, 2011 and 2010, our overall effective tax rate on pre-tax income from operations was different than the statutory rate of 35% due primarily to state income taxes, valuation allowances and other permanent differences.

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Basic income or loss from continuing operations per share is computed as (i) income or loss from continuing operations (ii) less income allocable to participating securities (iii) divided by weighted average basic shares outstanding. Diluted income or loss from continuing operations per share is computed as (i) basic income or loss from continuing operations attributable to common shareholders (ii) plus diluted adjustments to income allocable to participating securities (iii) divided by weighted average diluted shares outstanding. The following table sets forth a reconciliation of income (loss) from continuing operations to basic income (loss) from continuing operations attributable to common shareholders and to diluted income (loss) from continuing operations attributable to common shareholders and a reconciliation of basic weighted average common shares outstanding to diluted weighted average common shares outstanding (in thousands except per share amounts):

	Three Months Ended March 31,	
	2011	2010
Numerator:		
(Loss) income from continuing operations	\$ (33,431)	\$ 77,706
Less: Basic income allocable to participating securities ^(a)		
Basic (loss) income from continuing operations attributable to common shareholders	(33,431)	77,706
Diluted adjustments to income allocable to participating securities ^(a)		
Diluted (loss) income from continuing operations attributable to common shareholders	\$ (33,431)	\$ 77,706
Denominator:		
Weighted average common shares outstanding basic	157,545	156,393
Effect of dilutive securities:		
Employee stock options, SARs, restricted stock units and stock held in the deferred compensation plan		3,899
Weighted average common shares diluted	157,545	160,292
(Loss) income from continuing operations per common share:		
Basic net (loss) income	\$ (0.21)	\$ 0.50
Diluted net (loss) income	\$ (0.21)	\$ 0.48

^(a) Restricted stock awards represent participating securities because they participate in nonforfeitable dividends or distributions with common equity owners. Income allocable to participating securities represents the distributed and undistributed earnings attributable to the participating securities. Restricted stock awards do not participate in undistributed net losses.

The weighted average common shares basic for the three months ended March 31, 2011 excludes 2.9 million shares of restricted stock compared to 2.7 million shares of restricted stock excluded at March 31, 2010 which are held in our deferred compensation plans (although all restricted stock is issued and outstanding upon grant). Due to our loss from >

(Principal Executive Officer)

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May 15, 2013

/s/ Deepak Ahuja

Deepak Ahuja

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

May 15, 2013

/s/ Brad W. Buss

Brad W. Buss

Director May 15, 2013

/s/ Ira Ehrenpreis

Ira Ehrenpreis

Director May 15, 2013

/s/ Antonio J. Gracias

Antonio J. Gracias

Director May 15, 2013

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Signature	Title	Date
/s/ Stephen T. Jurveston Stephen T. Jurveston	Director	May 15, 2013
/s/ Harald Kroeger Harald Kroeger	Director	May 15, 2013
/s/ Kimbal Musk Kimbal Musk	Director	May 15, 2013

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Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
1.1	Form of Underwriting Agreement*					
3.1	Amended and Restated Certificate of Incorporation of the Registrant	S-1	333-164593	3.1	January 29, 2010	
3.2	Amended and Restated Bylaws of the Registrant	S-1	333-164593	3.2	January 29, 2010	
4.1	Specimen common stock certificate of the Registrant	S-1/A	333-164593	4.1	May 27, 2010	
4.2	Form of Indenture					X
4.3	Form of Debt Security*					
5.1	Opinion of Wilson Sonsini Goodrich & Rosati, P.C.					X
12.1	Computation of the Ratio of Earnings to Fixed Charges					X
23.1	Consent of Independent Registered Public Accounting Firm					X
23.2	Consent of Wilson Sonsini Goodrich & Rosati, P.C. (included in Exhibit 5.1)					X
24.1	Power of Attorney (incorporated by reference to the signature page of this Registration Statement)					X
25.1	Form T-1 Statement of Eligibility for Indenture under the Trust Indenture Act of 1939					X

* To be filed by amendment or as an exhibit to a Current Report on Form 8-K and incorporated by reference herein.