

ANTERO RESOURCES Corp
Form 10-Q
October 26, 2016
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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 September 30, 2016

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

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ANTERO RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	80-0162034
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1615 Wynkoop Street	
Denver, Colorado	80202
(Address of principal executive offices)	(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

Smaller reporting company

(Do not check if a 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 313,937,299 shares of common stock outstanding as of October 21, 2016.

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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, 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, 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 our Annual Report on Form 10-K for the year ended December 31, 2015 (our “2015 Form 10-K”) on file with the Securities and Exchange Commission (the “SEC”) and in “Item 1A. Risk Factors” of this Quarterly Report on Form 10-Q.

Forward-looking statements may include statements about our:

- ability to successfully integrate the properties recently acquired from a third party with our own assets and realize the anticipated benefits of the transaction;
- business strategy;
- reserves;
- financial strategy, liquidity, and capital required for our development program;
- 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;
- ability to meet our minimum volume commitments and to utilize or monetize our firm transportation commitments;

- 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;
- operations of Antero Midstream Partners LP;
- general economic conditions;
- credit markets;
- uncertainty regarding our future operating results; and

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- plans, objectives, expectations, and intentions.

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, processing, transportation, and sale of natural gas, NGLs, and oil. These risks include, but are not limited to, commodity price volatility and continued low commodity prices, 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 2015 Form 10-K on file with the SEC and in “Item 1A. Risk Factors” of this Quarterly Report on 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 manner. 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, or changes in commodity prices, 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.

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 Quarterly Report on Form 10-Q.

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PART I—FINANCIAL INFORMATION

ANTERO RESOURCES CORPORATION

Condensed Consolidated Balance Sheets

December 31, 2015 and September 30, 2016

(Unaudited)

(In thousands, except per share amounts)

	December 31, 2015	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 23,473	18,512
Accounts receivable, net of allowance for doubtful accounts of \$1,195 in 2015 and 2016	79,404	59,462
Accrued revenue	128,242	196,490
Derivative instruments	1,009,030	417,605
Other current assets	8,087	3,402
Total current assets	1,248,236	695,471
Property and equipment:		
Natural gas properties, at cost (successful efforts method):		
Unproved properties	1,996,081	2,449,995
Proved properties	8,211,106	9,180,705
Water handling and treatment systems	565,616	681,062
Gathering systems and facilities	1,502,396	1,656,676
Other property and equipment	46,415	45,571
	12,321,614	14,014,009
Less accumulated depletion, depreciation, and amortization	(1,589,372)	(2,176,793)
Property and equipment, net	10,732,242	11,837,216
Derivative instruments	2,108,450	2,015,090
Other assets	26,565	81,476
Total assets	\$ 14,115,493	14,629,253
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 364,160	172,293
Accrued liabilities	194,076	245,174
Revenue distributions payable	129,949	172,202
Derivative instruments	—	3,110
Other current liabilities	19,085	19,125
Total current liabilities	707,270	611,904
Long-term liabilities:		
Long-term debt	4,668,782	4,759,904
Deferred income tax liability	1,370,686	1,215,240

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Derivative instruments	—	40
Other liabilities	82,077	61,883
Total liabilities	6,828,815	6,648,971
Commitments and contingencies (notes 9 and 13)		
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value; authorized - 50,000 shares; none issued	—	—
Common stock, \$0.01 par value; authorized - 1,000,000 shares; issued and outstanding 277,036 shares and 307,188 shares, respectively	2,770	3,072
Additional paid-in capital	4,122,811	5,131,909
Accumulated earnings	1,808,811	1,445,767
Total stockholders' equity	5,934,392	6,580,748
Noncontrolling interest in consolidated subsidiary	1,352,286	1,399,534
Total equity	7,286,678	7,980,282
Total liabilities and equity	\$ 14,115,493	14,629,253

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Income

Three Months Ended September 30, 2015 and 2016

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended September 30,	
	2015	2016
Revenue:		
Natural gas sales	\$ 253,975	364,373
Natural gas liquids sales	50,092	106,958
Oil sales	20,138	14,793
Gathering, compression, and water handling and treatment	4,426	2,969
Marketing	35,633	97,076
Commodity derivative fair value gains	1,079,071	530,334
Total revenue	1,443,335	1,116,503
Operating expenses:		
Lease operating	10,786	13,854
Gathering, compression, processing, and transportation	160,302	234,915
Production and ad valorem taxes	10,721	15,554
Marketing	61,799	114,611
Exploration	1,087	1,166
Impairment of unproved properties	8,754	11,753
Depletion, depreciation, and amortization	188,667	199,113
Accretion of asset retirement obligations	419	628
General and administrative (including equity-based compensation expense of \$23,915 and \$26,381 in 2015 and 2016, respectively)	59,685	57,577
Total operating expenses	502,220	649,171
Operating income	941,115	467,332
Other income (expenses):		
Equity in earnings of unconsolidated affiliate	—	1,543
Interest	(60,921)	(59,755)
Total other expenses	(60,921)	(58,212)
Income before income taxes	880,194	409,120
Provision for income tax expense	(335,460)	(140,924)
Net income and comprehensive income including noncontrolling interest	544,734	268,196
Net income and comprehensive income attributable to noncontrolling interest	10,892	29,941
Net income and comprehensive income attributable to Antero Resources Corporation	\$ 533,842	238,255
Earnings per common share—basic	\$ 1.93	0.78
Earnings per common share—assuming dilution	\$ 1.93	0.77

Weighted average number of shares outstanding:

Basic	277,007	306,785
Diluted	277,015	308,657

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

Nine Months Ended September 30, 2015 and 2016

(Unaudited)

(In thousands, except per share amounts)

	Nine Months Ended September 30,	
	2015	2016
Revenue:		
Natural gas sales	\$ 810,982	848,936
Natural gas liquids sales	188,403	274,736
Oil sales	55,627	41,712
Gathering, compression, and water handling and treatment	15,084	10,107
Marketing	143,242	287,194
Commodity derivative fair value gains	1,836,398	125,624
Total revenue	3,049,736	1,588,309
Operating expenses:		
Lease operating	25,561	37,190
Gathering, compression, processing, and transportation	490,633	649,713
Production and ad valorem taxes	57,458	52,296
Marketing	214,201	378,521
Exploration	3,086	3,289
Impairment of unproved properties	43,670	47,223
Depletion, depreciation, and amortization	548,013	588,057
Accretion of asset retirement obligations	1,227	1,846
General and administrative (including equity-based compensation expense of \$79,280 and \$75,667 in 2015 and 2016, respectively)	177,925	173,966
Contract termination and rig stacking	10,902	—
Total operating expenses	1,572,676	1,932,101
Operating income (loss)	1,477,060	(343,792)
Other income (expenses):		
Equity in earnings of unconsolidated affiliate	—	2,027
Interest	(173,929)	(185,634)
Total other expenses	(173,929)	(183,607)
Income (loss) before income taxes	1,303,131	(527,399)
Provision for income tax (expense) benefit	(498,709)	230,755
Net income (loss) and comprehensive income (loss) including noncontrolling interest	804,422	(296,644)
Net income and comprehensive income attributable to noncontrolling interest	21,522	66,400
Net income (loss) and comprehensive income (loss) attributable to Antero Resources Corporation	\$ 782,900	(363,044)

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Earnings (loss) per common share—basic	\$ 2.87	(1.26)
Earnings (loss) per common share—assuming dilution	\$ 2.87	(1.26)
Weighted average number of shares outstanding:		
Basic	273,145	288,607
Diluted	273,154	288,607

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Equity

Nine Months Ended September 30, 2016

(Unaudited)

(In thousands)

	Common Stock Shares	Amount	Additional paid- in capital	Accumulated earnings	Noncontrolling interest	Total equity
Balances, December 31, 2015	277,036	\$ 2,770	4,122,811	1,808,811	1,352,286	7,286,678
Issuance of common stock in public offering, net of offering costs	29,762	298	837,116	—	—	837,414
Issuance of common stock upon vesting of equity-based compensation awards, net of shares withheld for income taxes	390	4	(4,863)	—	—	(4,859)
Issuance of common units by Antero Midstream Partners LP, net of offering costs	—	—	—	—	19,605	19,605
Issuance of common units in Antero Midstream Partners LP upon vesting of equity-based compensation awards, net of units withheld for income taxes	—	—	(158)	—	141	(17)
Sale of common units of Antero Midstream Partners LP held by Antero Resources Corporation, net of tax	—	—	107,257	—	6,419	113,676
Equity-based compensation	—	—	69,746	—	5,921	75,667
Net income (loss) and comprehensive income (loss)	—	—	—	(363,044)	66,400	(296,644)
Distributions to noncontrolling interests	—	—	—	—	(51,238)	(51,238)

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Balances, September 30, 2016	307,188	\$ 3,072	5,131,909	1,445,767	1,399,534	7,980,282
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See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Cash Flows

Nine Months Ended September 30, 2015 and 2016

(Unaudited)

(In thousands)

	Nine Months Ended September 30,	
	2015	2016
Cash flows from operating activities:		
Net income (loss) including noncontrolling interest	\$ 804,422	(296,644)
Adjustment to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization, and accretion	549,240	589,903
Impairment of unproved properties	43,670	47,223
Derivative fair value gains	(1,836,398)	(125,624)
Gains on settled derivatives	586,639	813,559
Deferred income tax expense (benefit)	498,709	(230,755)
Equity-based compensation expense	79,280	75,667
Equity in earnings of unconsolidated affiliate	—	(2,027)
Other	12,129	(1,544)
Changes in current assets and liabilities:		
Accounts receivable	15,299	10,077
Accrued revenue	75,765	(68,248)
Other current assets	4,127	4,685
Accounts payable	(1,302)	(7,415)
Accrued liabilities	34,091	54,484
Revenue distributions payable	(20,839)	42,253
Other current liabilities	(3,678)	103
Net cash provided by operating activities	841,154	905,697
Cash flows used in investing activities:		
Additions to proved properties	—	(64,789)
Additions to unproved properties	(170,291)	(559,572)
Drilling and completion costs	(1,350,498)	(1,009,851)
Additions to water handling and treatment systems	(79,227)	(137,355)
Additions to gathering systems and facilities	(282,813)	(154,136)
Additions to other property and equipment	(5,225)	(1,747)
Investment in unconsolidated affiliate	—	(45,044)
Change in other assets	11,190	(2,173)
Proceeds from asset sales	40,000	—
Net cash used in investing activities	(1,836,864)	(1,974,667)
Cash flows from financing activities:		
Issuance of common stock	537,832	837,414
Issuance of common units by Antero Midstream Partners LP	240,972	19,605
	—	178,000

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Proceeds from sale of common units of Antero Midstream Partners LP held by
Antero Resources Corporation

Issuance of senior notes	750,000	650,000
Repayments on bank credit facilities, net	(705,000)	(552,000)
Payments of deferred financing costs	(17,190)	(9,029)
Distributions to noncontrolling interest in consolidated subsidiary	(21,358)	(51,238)
Employee tax withholding for settlement of equity compensation awards	(4,554)	(4,876)
Other	(3,561)	(3,867)
Net cash provided by financing activities	777,141	1,064,009
Net decrease in cash and cash equivalents	(218,569)	(4,961)
Cash and cash equivalents, beginning of period	245,979	23,473
Cash and cash equivalents, end of period	\$ 27,410	18,512

Supplemental disclosure of cash flow information:

Cash paid during the period for interest	\$ 116,579	132,928
Supplemental disclosure of noncash investing activities:		
Decrease in accounts payable and accrued liabilities for additions to property and equipment	\$ (193,288)	(189,234)

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

(1) Organization

(a) Business and Organization

Antero Resources Corporation (individually referred to as “Antero”) and its consolidated subsidiaries (collectively referred to as the “Company”) are engaged in the exploration, development, and acquisition of natural gas, NGLs, and oil properties in the Appalachian Basin in West Virginia, Ohio, and Pennsylvania. The Company targets large, repeatable resource plays where horizontal drilling and advanced fracture stimulation technologies provide the means to economically develop and produce natural gas, NGLs, and oil from unconventional formations. Through its consolidated subsidiary, Antero Midstream Partners LP, a publicly-traded limited partnership (“Antero Midstream” or “the Partnership”), the Company has water handling and treatment operations and gathering and compression operations in the Appalachian Basin. The Company’s corporate headquarters are located in Denver, Colorado.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC applicable to interim financial information and should be read in the context of the December 31, 2015 consolidated financial statements and notes thereto for a more complete understanding of the Company’s operations, financial position, and accounting policies. The December 31, 2015 consolidated financial statements have been filed with the SEC in the Company’s 2015 Form 10-K.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information, and, accordingly, do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly the Company’s financial position as of December 31, 2015 and September 30, 2016, the results of its operations for the three and nine months ended September 30, 2015 and 2016, and its cash flows for the nine months ended September 30, 2015 and 2016. The Company has no items of other comprehensive income or loss;

therefore, its net income or loss is identical to its comprehensive income or loss. Operating results for the period ended September 30, 2016 are not necessarily indicative of the results that may be expected for the full year because of the impact of fluctuations in prices received for natural gas, NGLs, and oil, natural production declines, the uncertainty of exploration and development drilling results, fluctuations in the fair value of derivative instruments, and other factors.

The Company's exploration and production activities are accounted for under the successful efforts method.

As of the date these financial statements were filed with the SEC, the Company completed its evaluation of potential subsequent events for disclosure and no items requiring disclosure were identified except for the following items:

- On October 7, 2016, the Company issued 6,730,769 shares of the Company's common stock in a private placement, resulting in gross proceeds of approximately \$175 million. The Company used the proceeds to repay a portion of outstanding borrowings under its revolving credit facility and for general corporate purposes.
- On October 12, 2016, Antero Midstream declared a distribution of \$0.265 per unit that will be paid in November 2016.
- As discussed in note 4(a), in October 2016 the borrowing base under the Company's revolving credit facility was increased from \$4.5 billion to \$4.75 billion.

(b) Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Antero, its wholly-owned subsidiaries, any entities in which the Company owns a controlling interest, and variable interest entities for which the Company is the primary beneficiary. The Company consolidates Antero Midstream as it determined that it is the primary beneficiary based on its significant ownership interest in Antero Midstream, the significance of the Company's activities to

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

Antero Midstream, and its influence over Antero Midstream through the presence of Company executives and directors that serve on the board of directors of Antero Midstream's general partner. All significant intercompany accounts and transactions have been eliminated in the Company's condensed consolidated financial statements. Noncontrolling interest in the Company's condensed consolidated financial statements represents the interests in Antero Midstream which are owned by the public and Antero Midstream's general partner. An affiliate of the Company owns the general partner interest in Antero Midstream. Noncontrolling interest is included as a component of equity in the Company's condensed consolidated balance sheets.

Investments in entities for which the Company exercises significant influence, but not control, are accounted for under the equity method. Such investments are included in other assets on the Company's condensed consolidated balance sheets. Income from such investments is included in equity in earnings of unconsolidated affiliate on the Company's condensed consolidated statements of operations and cash flows.

(c)Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Changes in facts and circumstances or discovery of new information may result in revised estimates, and actual results could differ from those estimates.

The Company's condensed consolidated financial statements are based on a number of significant estimates including estimates of natural gas, NGLs, and oil reserve quantities, which are the basis for the calculation of depletion and impairment of oil and gas properties. Reserve estimates by their nature are inherently imprecise. Other items in the Company's consolidated financial statements which involve the use of significant estimates include derivative assets and liabilities, accrued revenue, deferred income taxes, equity-based compensation, asset retirement obligations, depreciation, amortization, and commitments and contingencies.

(d)Risks and Uncertainties

Historically, the markets for natural gas, NGLs, and oil have experienced significant price fluctuations. Price fluctuations can result from variations in weather, regional levels of production, availability of transportation capacity to other regions of the country, and various other factors. Increases or decreases in the prices the Company receives for its production could have a significant impact on the Company's future results of operations and reserve quantities.

(e)Derivative Financial Instruments

In order to manage its exposure to natural gas, NGLs, and oil price volatility, the Company enters into derivative transactions from time to time, which may include commodity swap agreements, basis swap agreements, collar agreements, and other similar agreements related to the price risk associated with a portion of the Company's production. To the extent legal right of offset exists with a counterparty, the Company reports derivative assets and liabilities on a net basis. The Company has exposure to credit risk to the extent that the counterparty is unable to satisfy its settlement obligations. The Company actively monitors the creditworthiness of counterparties and assesses the impact, if any, on its derivative position.

The Company records derivative instruments on the condensed consolidated balance sheets as either an asset or liability measured at fair value and records changes in the fair value of derivatives in current earnings as they occur. Changes in the fair value of commodity derivatives, including gains or losses on settled derivatives, are classified as revenues on the Company's condensed consolidated statements of operations. The Company's derivatives have not been designated as hedges for accounting purposes.

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

(f) Industry Segments and Geographic Information

Management has evaluated how the Company is organized and managed and has identified the following segments: (1) the exploration and production of natural gas, NGLs, and oil; (2) gathering and compression; (3) water handling and treatment; and (4) marketing of excess firm transportation capacity.

All of the Company's assets are located in the United States and substantially all of its production revenues are attributable to customers located in the United States.

(g) Earnings (Loss) per Common Share

Earnings (loss) per common share—basic for each period is computed by dividing net income (loss) attributable to Antero by the basic weighted average number of shares outstanding during such period. Earnings (loss) per common share—assuming dilution for each period is computed giving consideration to the potential dilution from outstanding equity awards, calculated using the treasury stock method. During periods in which the Company incurs a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the effect of all equity awards is antidilutive. The following is a reconciliation of the Company's basic weighted average shares outstanding to diluted weighted average shares outstanding during the periods presented (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Basic weighted average number of shares outstanding	277,007	306,785	273,145	288,607
Add: Dilutive effect of non-vested restricted stock units	8	1,835	9	—
Add: Dilutive effect of outstanding stock options	—	—	—	—
Add: Dilutive effect of performance stock units	—	37	—	—
Diluted weighted average number of shares outstanding	277,015	308,657	273,154	288,607
Weighted average number of outstanding equity awards excluded from calculation of diluted earnings per common share(1):				
Non-vested restricted stock and restricted stock units	2,483	1,251	2,240	6,899

Outstanding stock options	743	693	492	706
Performance stock units	—	660	—	577

(1) The potential dilutive effects of these awards were excluded from the computation of earnings per common share—assuming dilution because the inclusion of these awards would have been anti-dilutive.

(h) Adoption of New Accounting Principle

On March 30, 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2016-09, Stock Compensation—Improvements to Employee Share-Based Payment Accounting. This standard simplifies or clarifies several aspects of the accounting for equity-based payment awards, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Certain of these changes are required to be applied retrospectively, while other changes are required to be applied prospectively. The Company elected to early-adopt the standard as of January 1, 2016.

As permitted by this standard, the Company has elected to account for forfeitures in compensation cost as they occur. This standard also permits an entity to withhold income taxes upon settlement of equity-classified awards at up to the maximum statutory tax rate and requires that such payments be classified as financing activities on the statement of cash flows.

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

As a result of adopting this standard, cash outflows attributable to tax withholdings on the net settlement of equity-classified awards have been reclassified from operating cash flows to financing cash flows. The retrospective adjustment to the condensed consolidated statement of cash flows for the nine months ended September 30, 2015 is as follows (in thousands):

	As Previously Reported Nine Months Ended September 30, 2015	Adjustment Effect	As Adjusted Nine Months Ended September 30, 2015
Changes in accrued liabilities	\$ 29,537	4,554	34,091
Employee tax withholding for settlement of equity compensation awards	—	(4,554)	(4,554)

(3)Antero Midstream Partners LP

In 2014, the Company formed Antero Midstream to own, operate, and develop midstream assets to service Antero’s production. Antero Midstream’s assets consist of gathering pipelines, compressor stations, and water handling and treatment facilities, through which it provides services to Antero under long-term, fixed-fee contracts. Antero Resources Midstream Management LLC (“Midstream Management”), a wholly-owned subsidiary of Antero Resources Investment LLC, owns the general partnership interest in Antero Midstream, which allows Midstream Management to manage the business and affairs of Antero Midstream. Midstream Management also holds incentive distribution rights in Antero Midstream. Antero Midstream is an unrestricted subsidiary as defined by Antero’s bank credit facility and, as such, Antero Midstream and its subsidiaries are not guarantors of Antero’s obligations, and Antero is not a guarantor of Antero Midstream’s obligations (see note 12).

On September 23, 2015, Antero contributed (i) all of the outstanding limited liability company interests of Antero Water LLC (“Antero Water”) to Antero Midstream and (ii) all of the assets, contracts, rights, permits and properties owned or leased by Antero and used primarily in connection with the construction, ownership, operation, use or maintenance of Antero’s advanced waste water treatment complex under construction in Doddridge County, West Virginia, to Antero Treatment LLC (“Antero Treatment”), a subsidiary of Antero Midstream (collectively, (i) and (ii) are referred to herein as the “Contributed Assets”).

In consideration for the Contributed Assets, Antero Midstream (i) paid to Antero a cash distribution equal to \$552 million, less \$171 million of assumed debt, (ii) issued to Antero 10,988,421 common units representing limited partner interests in Antero Midstream, (iii) distributed to Antero proceeds of approximately \$241 million from a private placement of Antero Midstream common units, and (iv) has agreed to pay Antero (a) \$125 million in cash if Antero Midstream delivers 176,295,000 barrels or more of fresh water during the period between January 1, 2017 and December 31, 2019 and (b) an additional \$125 million in cash if Antero Midstream delivers 219,200,000 barrels or more of fresh water during the period between January 1, 2018 and December 31, 2020. Antero Midstream borrowed \$525 million on its bank credit facility in connection with this transaction.

On March 30, 2016, Antero sold 8,000,000 of its Antero Midstream common units for \$178 million. The sale of the units is reflected in stockholders' equity as additional paid-in capital, net of taxes.

On May 26, 2016, Antero Midstream purchased a 15% equity interest in a regional gathering pipeline, in which Antero is an anchor shipper, for approximately \$45 million. This investment is accounted for under the equity method.

During the third quarter of 2016, the Partnership entered into an Equity Distribution Agreement (the "Distribution Agreement"). Pursuant to the terms of the agreement, the Partnership may sell, from time to time through brokers acting as its sales agents, common units representing limited partner interests having an aggregate offering price of up to \$250 million. Sales of the common units are made by means of ordinary brokers' transactions on the New York Stock Exchange, at market prices, in block transactions, or as otherwise agreed to between the Partnership and the sales agents. Proceeds are used for general partnership purposes, which may include repayment of indebtedness and funding working capital or capital expenditures. The Partnership is under no obligation to offer and sell common units under the Distribution Agreement. During the three months ended September 30, 2016, the Partnership issued and sold 764,739 common units under the Distribution Agreement, resulting in net proceeds of \$19.6 million after deducting commissions and other offering costs. The Partnership used the net proceeds from the

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sales for general partnership purposes. As of September 30, 2016, Antero Midstream had the capacity to issue additional common units under the Distribution Agreement up to an aggregate sales price of \$229.8 million.

Antero owned approximately 66.3% and 61.5% of the limited partner interests of Antero Midstream at December 31, 2015 and September 30, 2016, respectively.

(4)Long-Term Debt

Long-term debt was as follows at December 31, 2015 and September 30, 2016 (in thousands):

	December 31, 2015	September 30, 2016
Antero:		
Bank credit facility(a)	\$ 707,000	605,000
6.00% senior notes due 2020(b)	525,000	525,000
5.375% senior notes due 2021(c)	1,000,000	1,000,000
5.125% senior notes due 2022(d)	1,100,000	1,100,000
5.625% senior notes due 2023(e)	750,000	750,000
Net unamortized premium	6,513	5,698
Net unamortized debt issuance costs	(39,731)	(35,560)
Antero Midstream:		
Bank credit facility(g)	620,000	170,000
5.375% senior notes due 2024 (h)	—	650,000
Net unamortized debt issuance costs	—	(10,234)
	\$ 4,668,782	4,759,904

Antero Resources Corporation

(a)Senior Secured Revolving Credit Facility

Antero has a senior secured revolving bank credit facility (the “Credit Facility”) with a consortium of bank lenders. Borrowings under the Credit Facility are subject to borrowing base limitations based on the collateral value

of Antero's assets and are subject to regular semiannual redeterminations. At September 30, 2016, the borrowing base was \$4.5 billion and lender commitments were \$4.0 billion. In October 2016, the borrowing base was increased to \$4.75 billion, and lender commitments remain at \$4.0 billion. The next redetermination of the borrowing base is scheduled to occur in April 2017. The maturity date of the Credit Facility is May 5, 2019.

The Credit Facility is ratably secured by mortgages on substantially all of Antero's properties and guarantees from Antero's restricted subsidiaries, as applicable. The Credit Facility contains certain covenants, including restrictions on indebtedness and dividends, and requirements with respect to working capital and interest coverage ratios. Interest is payable at a variable rate based on LIBOR or the prime rate, determined by Antero's election at the time of borrowing. Antero was in compliance with all of the financial covenants under the Credit Facility as of December 31, 2015 and September 30, 2016.

As of September 30, 2016, Antero had a total outstanding balance under the Credit Facility of \$605 million, with a weighted average interest rate of 2.31%, and outstanding letters of credit of \$709 million. As of December 31, 2015, Antero had an outstanding balance under the Credit Facility of \$707 million, with a weighted average interest rate of 2.32%, and outstanding letters of credit of \$702 million. Commitment fees on the unused portion of the Credit Facility are due quarterly at rates ranging from 0.375% to 0.50% of the unused portion based on utilization.

(b)6.00% Senior Notes Due 2020

On November 19, 2012, Antero issued \$300 million of 6.00% senior notes due December 1, 2020 (the "2020 notes") at par. On February 4, 2013, Antero issued an additional \$225 million of the 2020 notes at 103% of par. The 2020 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2020 notes rank pari passu to Antero's other outstanding senior notes. The 2020 notes are guaranteed on a full

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and unconditional and joint and several senior unsecured basis by Antero's wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2020 notes is payable on June 1 and December 1 of each year. Antero may redeem all or part of the 2020 notes at any time at redemption prices ranging from 104.50% currently to 100.00% on or after December 1, 2018. If Antero undergoes a change of control, the holders of the 2020 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2020 notes, plus accrued and unpaid interest.

(c)5.375% Senior Notes Due 2021

On November 5, 2013, Antero issued \$1 billion of 5.375% senior notes due November 21, 2021 (the "2021 notes") at par. The 2021 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2021 notes rank pari passu to Antero's other outstanding senior notes. The 2021 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero's wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2021 notes is payable on May 1 and November 1 of each year. Antero may redeem all or part of the 2021 notes at any time on or after November 1, 2016 at redemption prices ranging from 104.031% on or after November 1, 2016 to 100.00% on or after November 1, 2019. In addition, on or before November 1, 2016, Antero may redeem up to 35% of the aggregate principal amount of the 2021 notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.375% of the principal amount of the 2021 notes, plus accrued and unpaid interest. At any time prior to November 1, 2016, Antero may also redeem the 2021 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2021 notes plus a "make-whole" premium and accrued and unpaid interest. If Antero undergoes a change of control, the holders of the 2021 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2021 notes, plus accrued and unpaid interest.

(d)5.125% Senior Notes Due 2022

On May 6, 2014, Antero issued \$600 million of 5.125% senior notes due December 1, 2022 (the "2022 notes") at par. On September 18, 2014, Antero issued an additional \$500 million of the 2022 notes at 100.5% of par. The 2022 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2022 notes rank pari passu to Antero's other outstanding senior notes. The 2022 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero's wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2022 notes is payable on June 1 and December 1 of each year. Antero may redeem all or part of the 2022 notes at any time on or after June 1, 2017 at redemption prices ranging from 103.844% on or after June 1, 2017 to 100.00% on or after

June 1, 2020. In addition, on or before June 1, 2017, Antero may redeem up to 35% of the aggregate principal amount of the 2022 notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.125% of the principal amount of the 2022 notes, plus accrued and unpaid interest. At any time prior to June 1, 2017, Antero may also redeem the 2022 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2022 notes plus a “make-whole” premium accrued and unpaid interest. If Antero undergoes a change of control, the holders of the 2022 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2022 notes, plus accrued and unpaid interest.

(e)5.625% Senior Notes Due 2023

On March 17, 2015, Antero issued \$750 million of 5.625% senior notes due June 1, 2023 (the “2023 notes”) at par. The 2023 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2023 notes rank pari passu to Antero’s other outstanding senior notes. The 2023 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero’s wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2023 notes is payable on June 1 and December 1 of each year. Antero may redeem all or part of the 2023 notes at any time on or after June 1, 2018 at redemption prices ranging from 104.219% on or after June 1, 2018 to 100.00% on or after June 1, 2021. In addition, on or before June 1, 2018, Antero may redeem up to 35% of the aggregate principal amount of the 2023 notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.625% of the principal amount of the 2023 notes, plus accrued and unpaid interest. At any time prior to June 1, 2018, Antero may also redeem the 2023 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2023 notes plus a “make-whole” premium and accrued and unpaid interest. If

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Antero undergoes a change of control, the holders of the 2023 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2023 notes, plus accrued and unpaid interest.

(f)Treasury Management Facility

Antero has a stand-alone revolving note with a lender under the Credit Facility which provides for up to \$25 million of cash management obligations in order to facilitate Antero's daily treasury management. Borrowings under the revolving note are secured by the collateral for the Credit Facility. Borrowings under the facility bear interest at the lender's prime rate plus 1.0%. The note matures on May 1, 2017. At December 31, 2015 and September 30, 2016, there were no outstanding borrowings under this note

Antero Midstream Partners LP

(g)Senior Secured Revolving Credit Facility – Antero Midstream

Antero Midstream has a secured revolving credit facility (the "Midstream Facility") with a syndicate of bank lenders. At September 30, 2016, lender commitments were \$1.5 billion. The maturity date of the Midstream Facility is November 10, 2019.

The Midstream Facility is ratably secured by mortgages on substantially all of the properties of Antero Midstream and guarantees from its restricted subsidiaries, as applicable. The Midstream Facility contains certain covenants, including restrictions on indebtedness and certain distributions to owners, and requirements with respect to leverage and interest coverage ratios. Interest is payable at a variable rate based on LIBOR or the prime rate, determined by election at the time of borrowing. Antero Midstream was in compliance with all of the financial covenants under the Midstream Facility as of December 31, 2015 and September 30, 2016.

As of September 30, 2016, Antero Midstream had an outstanding balance under the Midstream Facility of \$170 million with a weighted average interest rate of 2.03%. As of December 31, 2015, Antero Midstream had a total outstanding balance under the Midstream Facility of \$620 million with a weighted average interest rate of 1.92%. Commitment fees on the unused portion of the Midstream Facility are due quarterly at rates ranging from 0.25% to 0.375% of the unused portion based on utilization.

(h)5.375% Senior Notes Due 2024 – Antero Midstream

On September 13, 2016, Antero Midstream and its wholly-owned subsidiary, Antero Midstream Finance Corporation (“Midstream Finance Corp.”) as co-issuers, issued \$650 million in aggregate principal amount of 5.375% senior notes due September 15, 2024 (the “2024 Midstream notes”) at par. The 2024 Midstream notes are unsecured and effectively subordinated to the Midstream Facility to the extent of the value of the collateral securing the Midstream Facility. The 2024 Midstream notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Midstream’s wholly-owned subsidiaries, excluding Midstream Finance Corp., and certain of Antero Midstream’s future restricted subsidiaries. Interest on the 2024 Midstream notes is payable on March 15 and September 15 of each year. Antero Midstream may redeem all or part of the 2024 Midstream notes at any time on or after September 15, 2019 at redemption prices ranging from 104.031% on or after September 15, 2019 to 100.00% on or after September 15, 2022. In addition, prior to September 15, 2019, Antero Midstream may redeem up to 35% of the aggregate principal amount of the 2024 Midstream notes with an amount of cash not greater than the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.375% of the principal amount of the 2024 Midstream notes, plus accrued and unpaid interest. At any time prior to September 15, 2019, Antero Midstream may also redeem the 2024 Midstream notes, in whole or in part, at a price equal to 100% of the principal amount of the 2024 Midstream notes plus a “make-whole” premium and accrued and unpaid interest. If Antero Midstream undergoes a change of control, the holders of the 2024 Midstream notes will have the right to require Antero Midstream to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2024 Midstream notes, plus accrued and unpaid interest.

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(5) Asset Retirement Obligations

The following is a reconciliation of the Company's asset retirement obligations for the nine months ended September 30, 2016 (in thousands):

Asset retirement obligations—December 31, 2015	\$ 30,612
Obligations incurred for wells drilled and producing properties acquired	3,945
Accretion expense	1,846
Asset retirement obligations—September 30, 2016	\$ 36,403

Asset retirement obligations are included in other liabilities on the condensed consolidated balance sheets.

(6) Equity-Based Compensation

Antero is authorized to grant up to 16,906,500 shares of common stock to employees and directors of the Company under the Antero Resources Corporation Long-Term Incentive Plan (the "Plan"). The Plan allows equity-based compensation awards to be granted in a variety of forms, including stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, dividend equivalent awards, and other types of awards. The terms and conditions of the awards granted are established by the Compensation Committee of Antero's Board of Directors. A total of 7,809,464 shares were available for future grant under the Plan as of September 30, 2016.

Antero Midstream's general partner is authorized to grant up to 10,000,000 common units representing limited partner interests in Antero Midstream under the Antero Midstream Partners LP Long-Term Incentive Plan (the "Midstream Plan") to non-employee directors of Antero Midstream's general partner and certain officers, employees, and consultants of Antero Midstream's general partner and its affiliates (which include Antero). A total of 7,737,934 common units were available for future grant under the Midstream Plan as of September 30, 2016.

The Company's equity-based compensation expense was as follows for the three and nine months ended September 30, 2015 and 2016 (in thousands):

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	Three months ended September 30,		Nine months ended September 30,	
	2015	2016	2015	2016
Profits interests awards	\$ 8,140	—	\$ 35,221	—
Restricted stock unit awards	10,686	18,618	29,357	54,231
Stock options	743	638	1,514	1,939
Performance share unit awards	—	2,668	—	6,017
Antero Midstream phantom unit awards	4,271	3,977	12,963	11,978
Equity awards issued to directors	75	480	225	1,502
Total expense	\$ 23,915	26,381	\$ 79,280	75,667

Profits Interests Awards

The profits interest awards were fully vested as of December 31, 2015. All available profits interest awards were made prior to the date of the Company's IPO, and no additional profits interest awards have been made since the Company's IPO.

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Restricted Stock and Restricted Stock Unit Awards

Restricted stock and restricted stock unit awards vest subject to the satisfaction of service requirements. Expense related to each restricted stock and restricted stock unit award is recognized on a straight-line basis over the requisite service period of the entire award. Forfeitures are accounted for as they occur through reversal of expense on awards that were forfeited during the period. The grant date fair values of these awards are determined based on the closing price of the Company's common stock on the date of the grant. A summary of restricted stock and restricted stock unit awards activity for the nine months ended September 30, 2016 is as follows:

	Number of shares	Weighted average grant date fair value	Aggregate intrinsic value (in thousands)
Total awarded and unvested—December 31, 2015	6,529,459	\$ 33.48	\$ 142,342
Granted	1,228,587	\$ 27.05	
Vested	(533,512)	\$ 55.37	
Forfeited	(270,382)	\$ 26.70	
Total awarded and unvested—September 30, 2016	6,954,152	\$ 30.92	\$ 187,414

Intrinsic values are based on the closing price of the Company's stock on the referenced dates. Unamortized expense of \$149.4 million at September 30, 2016 is expected to be recognized over a weighted average period of approximately 2.2 years.

Stock Options

Stock options granted under the Plan vest over periods from one to four years and have a maximum contractual life of 10 years. Expense related to stock options is recognized on a straight-line basis over the requisite service period of the entire award. Forfeitures are accounted for as they occur through reversal of expense on awards that were forfeited during the period. Stock options are granted with an exercise price equal to or greater than the market price of the Company's common stock on the date of grant. A summary of stock option activity for the nine months ended September 30, 2016 is as follows:

Weighted
Intrinsic

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	Stock options	Weighted average exercise price	average remaining contractual life	value (in thousands)
Outstanding at December 31, 2015	720,887	\$ 50.44	9.14	\$ —
Granted	—	\$ —		
Exercised	—	—		
Forfeited	(31,625)	\$ 50.00		
Expired	—	—		
Outstanding at September 30, 2016	689,262	\$ 50.46	8.37	\$ —
Vested or expected to vest as of September 30, 2016	689,262	\$ 50.46	8.37	\$ —
Exercisable at September 30, 2016	203,590	\$ 50.95	8.19	\$ —

Intrinsic value is based on the exercise price of the options and the closing price of the Company's stock on the referenced dates.

As of September 30, 2016, there was \$6.0 million of unamortized equity-based compensation expense related to nonvested stock options. That expense is expected to be recognized over a weighted average period of approximately 2.5 years.

Performance Share Unit Awards

Performance Share Unit Awards Based on Price Targets

In the first quarter of 2016, the Company granted performance share unit awards ("PSUs") to certain of its executive officers. These PSUs vest conditioned on the closing price of the Company's common stock achieving specific thresholds over 10-day periods, subject to the following vesting restrictions: no PSUs may vest before the first anniversary of the grant date; no more

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than one-third of the PSUs may vest before the second anniversary of the grant date; and no more than two-thirds of the PSUs may vest before the third anniversary of the grant date. Any PSUs which have not vested by the fifth anniversary of the grant date will expire. Expense related to these PSUs is recognized on a graded basis over three years.

Performance Share Unit Awards Based on Total Shareholder Return

In the second quarter of 2016, the Company granted PSUs to certain of its employees and executive officers which vest based on the total shareholder return ("TSR") of the Company's common stock relative to the TSR of a peer group of companies over a three-year performance period. The number of performance shares which may ultimately be earned ranges from zero to 200% of the PSUs granted.

Summary Information for Performance Share Unit Awards

A summary of PSU activity for the nine months ended September 30, 2016 is as follows:

	Number of units	Weighted average grant date fair value
Total awarded and unvested—December 31, 2015	—	\$ —
Granted	790,890	\$ 29.77
Vested	—	\$ —
Forfeited	(5,589)	\$ 32.97
Total awarded and unvested—September 30, 2016	785,301	\$ 29.75

The grant-date fair values of PSUs were determined using Monte Carlo simulations, which use a probabilistic approach for estimating the fair values of the awards. Expected volatilities were derived from the volatility of the historical stock prices of a peer group of similar publicly-traded companies' stock prices. The risk-free interest rate was determined using the yield available for zero-coupon U.S. government issues with remaining terms corresponding to the service periods of the PSUs. A dividend yield of zero was assumed.

The following table presents information regarding the weighted average fair value for PSUs granted during the nine months ended September 30, 2016 and the assumptions used to determine the fair values.

	Nine months ended September 30, 2016	
Dividend yield	—	%
Volatility	45	%
Risk-free interest rate	1.01	%
Weighted average fair value of awards granted	\$ 29.77	

As of September 30, 2016, there was \$17.3 million of unamortized equity-based compensation expense related to unvested PSUs. That expense is expected to be recognized over a weighted average period of approximately 2.2 years.

Antero Midstream Partners Phantom Unit Awards

Phantom units granted by Antero Midstream vest subject to the satisfaction of service requirements, upon the completion of which common units in Antero Midstream are delivered to the holder of the phantom units. These phantom units are treated, for accounting purposes, as if Antero Midstream distributed the units to Antero. Antero recognizes compensation expense as the units are granted to employees, and a portion of the expense is allocated to Antero Midstream. Expense related to each phantom unit award is recognized on a straight-line basis over the requisite service period of the entire award. Forfeitures are accounted for as they occur through reversal of expense on awards that were forfeited during the period. The grant date fair values of these awards are determined based on the closing price of Antero Midstream's common units on the date of grant. A summary of phantom unit awards activity for the nine months ended September 30, 2016 is as follows:

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	Number of units	Weighted average grant date fair value	Aggregate intrinsic value (in thousands)
Total awarded and unvested—December 31, 2015	1,667,832	\$ 28.97	\$ 38,060
Granted	290,254	\$ 21.24	
Vested	(6,354)	\$ 24.98	
Forfeited	(97,723)	\$ 28.63	
Total awarded and unvested—September 30, 2016	1,854,009	\$ 27.79	\$ 49,502

Intrinsic values are based on the closing price of Antero Midstream's common units on the referenced dates. Unamortized expense of \$37.5 million at September 30, 2016 is expected to be recognized over a weighted average period of approximately 2.3 years.

(7)Financial Instruments

The carrying values of accounts receivable and accounts payable at December 31, 2015 and September 30, 2016 approximated market value because of their short-term nature. The carrying values of the amounts outstanding under the Credit Facility and Midstream Facility at December 31, 2015 and September 30, 2016 approximated fair value because the variable interest rates are reflective of current market conditions.

Based on Level 2 market data inputs, the fair value of the Company's senior notes was approximately \$2.6 billion at December 31, 2015 and \$3.4 billion at September 30, 2016. Based on Level 2 market data inputs, the fair value of Antero Midstream's senior notes was approximately \$656 million at September 30, 2016.

See note 8 for information regarding the fair value of derivative financial instruments.

(8)Derivative Instruments

(a)Commodity Derivatives

The Company periodically enters into natural gas, NGLs, and oil derivative contracts with counterparties to hedge the price risk associated with its production. These derivatives are not held for trading purposes. To the extent that changes occur in the market prices of natural gas, NGLs, and oil, the Company is exposed to market risk on these open contracts. This market risk exposure is generally offset by the change in market prices of natural gas, NGLs, and oil recognized upon the ultimate sale of the Company's production.

The Company was party to various fixed price commodity swap contracts that settled during the nine months ended September 30, 2015 and 2016. The Company enters into these swap contracts when management believes that favorable future sales prices for the Company's production can be secured. Under these swap agreements, when actual commodity prices exceed the fixed price provided by the swap contracts, the Company pays the difference to the counterparty. When actual commodity prices are below the contractually provided fixed price, the Company receives the difference from the counterparty. In addition to fixed price swap contracts, the Company has entered into basis swap contracts in order to hedge the difference between the New York Mercantile Exchange ("NYMEX") index price and a local index price at which the Company sells a portion of its natural gas production.

The Company's derivative swap contracts have not been designated as hedges for accounting purposes; therefore, all gains and losses are recognized in the Company's statements of operations.

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As of September 30, 2016, the Company's fixed price natural gas and NGLs swap contracts from October 1, 2016 through December 31, 2022 were as follows (abbreviations in the table refer to the index to which the swap position is tied, as follows: TCO=Columbia Gas Transmission; NYMEX=Henry Hub; CGTLA=Columbia Gas Louisiana Onshore; CCG=Chicago City Gate; Mont Belvieu-Ethane=Mont Belvieu Purity Ethane; Mont Belvieu-Propane=Mont Belvieu Propane; NYMEX-WTI=West Texas Intermediate):

	Natural gas MMBtu/day	Oil Bbls/day	Natural Gas Liquids Bbls/day	Weighted average index price
Three months ending December 31, 2016:				
TCO (\$/MMBtu)	60,000		—	\$ 5.01
Dominion South (\$/MMBtu)	272,500		—	\$ 5.47
NYMEX (\$/MMBtu)	1,110,000		—	\$ 3.57
CGTLA (\$/MMBtu)	170,000		—	\$ 4.20
Mont Belvieu-Propane (\$/Gallon)	—		30,000	\$ 0.61
Total	1,612,500		30,000	
Year ending December 31, 2017:				
NYMEX (\$/MMBtu)	1,370,000	—	—	\$ 3.39
CGTLA (\$/MMBtu)	420,000	—	—	\$ 4.27
CCG (\$/MMBtu)	70,000	—	—	\$ 4.57
NYMEX-WTI (\$/Bbl)	—	1,000	—	\$ 51.90
Mont Belvieu-Ethane (\$/Gallon)	—	—	20,000	\$ 0.25
Mont Belvieu-Propane (\$/Gallon)	—	—	27,500	\$ 0.39
Total	1,860,000	1,000	47,500	
Year ending December 31, 2018:				
NYMEX (\$/MMBtu)	2,002,500		—	\$ 3.91
Mont Belvieu-Propane (\$/Gallon)	—		2,000	\$ 0.65
Total	2,002,500		2,000	
Year ending December 31, 2019:				
NYMEX (\$/MMBtu)	2,330,000			\$ 3.70
Year ending December 31, 2020:				
NYMEX (\$/MMBtu)	1,377,500			\$ 3.66
Year ending December 31, 2021:				
NYMEX (\$/MMBtu)	660,000			\$ 3.35
Year ending December 31, 2022:				
NYMEX (\$/MMBtu)	470,000			\$ 3.26

As of September 30, 2016, the Company's natural gas basis swap positions, which settle on the pricing index to basis differential of TCO to the NYMEX Henry Hub natural gas price, were as follows:

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	Natural gas MMbtu/day	Hedged Differential
Three months ending December 31, 2016:	290,000	\$ (0.45)
Year ending December 31, 2017:	125,000	\$ (0.49)

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As of September 30, 2016, the Company's natural gas basis swap positions, which settle on the pricing index to basis differential of NYMEX Henry Hub to the TCO natural gas price, were as follows:

	Natural gas MMbtu/day	Hedged Differential
Three months ending December 31, 2016:	170,000	\$ 0.34
Year ending December 31, 2017:	125,000	\$ 0.30

(b)Summary

The following is a summary of the fair values of the Company's derivative instruments and where such values are recorded in the consolidated balance sheets as of December 31, 2015 and September 30, 2016. None of the Company's derivative instruments are designated as hedges for accounting purposes.

	December 31, 2015 Balance sheet location	Fair value (In thousands)	September 30, 2016 Balance sheet location	Fair value (In thousands)
Asset derivatives not designated as hedges for accounting purposes:				
Commodity contracts	Current assets	\$ 1,009,030	Current assets	\$ 417,605
Commodity contracts	Long-term assets	2,108,450	Long-term assets	2,015,090
Total asset derivatives		3,117,480		2,432,695
Liability derivatives not designated as hedges for accounting purposes:				
Commodity contracts	Current liabilities	—	Current liabilities	3,110
Commodity contracts	Long-term liabilities	—	Long-term liabilities	40
Total liability derivatives		—		3,150

Net derivatives	\$ 3,117,480	\$ 2,429,545
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The following table presents the gross amounts of recognized derivative assets and liabilities, the amounts offset under master netting arrangements with counterparties, and the resulting net amounts presented in the consolidated balance sheets as of the dates presented, all at fair value (in thousands):

	December 31, 2015			September 30, 2016		
			Net amounts			Net amounts
	Gross amounts on balance sheet	Gross amounts offset on balance sheet	of assets on balance sheet	Gross amounts on balance sheet	Gross amounts offset on balance sheet	of assets (liabilities) on balance sheet
Commodity derivative assets	\$ 3,163,639	(46,159)	3,117,480	\$ 2,578,640	(145,945)	2,432,695
Commodity derivative liabilities	\$ —	—	—	\$ (3,183)	33	(3,150)

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Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

The following is a summary of derivative fair value gains and where such values are recorded in the condensed consolidated statements of operations for the three and nine months ended September 30, 2015 and 2016 (in thousands):

	Statement of operations location	Three months ended September 30,		Nine months ended September 30,	
		2015	2016	2015	2016
Commodity derivative fair value gains	Revenue	\$ 1,079,071	530,334	\$ 1,836,398	125,624

The fair value of commodity derivative instruments was determined using Level 2 inputs.

(9)Contingencies

The Company is the plaintiff in two nearly identical lawsuits against South Jersey Gas Company and South Jersey Resources Group, LLC (collectively “SJGC”) pending in United States District Court in Colorado. The Company filed suit against SJGC seeking relief for breach of contract and damages in the amounts that SJGC has short paid, and continues to short pay, the Company in connection with two long term gas contracts. Under those contracts, SJGC are long term purchasers of some of the Company’s natural gas production. Deliveries under the contracts began in October 2011 and the delivery obligation continues through October 2019. SJGC unilaterally breached the contracts claiming that the index prices specified in the contracts, and the index prices at which SJGC paid for deliveries from 2011 through September 2014, are no longer appropriate under the contracts because a market disruption event (as defined by the contract) has occurred and, as a result, a new index price is to be determined by the parties. Beginning in October 2014, SJGC began short paying the Company based on indexes unilaterally selected by SJGC and not the index specified in the contract. The Company contends that no market disruption event has occurred and that SJGC have breached the contracts by failing to pay the Company based on the express price terms of the contracts. Through September 30, 2016, the Company estimates that it is owed approximately \$51 million more than SJGC has paid using the indexes unilaterally selected by them.

The Company and Washington Gas Light Company and WGL Midstream, Inc. (collectively “WGL”) are also involved in a pricing dispute involving contracts that the Company began delivering gas under in January 2016. The Company has invoiced WGL at the index price specified in the contract and WGL has paid the Company based on that invoice price; however, WGL maintains that the index price is no longer appropriate under the contracts and that an undefined alternative index is more appropriate for the delivery point of the gas. The matter has been submitted to arbitration. The Company believes that there is no basis for WGL’s position and intends to vigorously dispute the WGL claim in arbitration.

The Company is party to various other legal proceedings and claims in the ordinary course of its business. The Company believes that certain of these matters will be covered by insurance and that the outcome of other matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

(10)Contract Termination and Rig Stacking

During the nine months ended September 30, 2015, the Company incurred \$10.9 million of costs, respectively, for the delay or cancelation of drilling contracts with third-party contractors. There were no such costs incurred during the nine months ended September 30, 2016.

(11)Segment Information

See note 2(f) for a description of the Company's determination of its reportable segments. Revenues from gathering and compression and water handling and treatment operations are primarily derived from intersegment transactions for services provided to the Company's exploration and production operations. Marketing revenues are primarily derived from activities to purchase and sell third-party natural gas and NGLs and to market excess firm transportation capacity to third parties.

Operating segments are evaluated based on their contribution to consolidated results, which is determined by the respective operating income of each segment. General and administrative expenses are allocated to the gathering and compression and water handling and treatment segments based on the nature of the expenses and on a combination of the segments' proportionate share of the Company's consolidated property and equipment, capital expenditures, and labor costs, as applicable. General and administrative expenses related to the marketing segment are not allocated because they are immaterial. Other income, income

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taxes, and interest expense are primarily managed and evaluated on a consolidated basis. Intersegment sales are transacted at prices which approximate market. Accounting policies for each segment are the same as the Company's accounting policies described in note 2 to the condensed consolidated financial statements.

The operating results and assets of the Company's reportable segments were as follows for the nine months ended September 30, 2015 and 2016 (in thousands):

	Exploration and production	Gathering and compression	Water handling	Marketing	Elimination of intersegment transactions	Consolidated total
Three months ended September 30, 2015:						
Sales and revenues:						
Third-party	\$ 1,403,275	3,468	959	35,633	—	1,443,335
Intersegment	398	55,790	21,487	—	(77,675)	—
Total	\$ 1,403,673	59,258	22,446	35,633	(77,675)	1,443,335
Operating expenses:						
Lease operating	\$ 10,721	—	3,973	—	(3,908)	10,786
Gathering, compression, processing, and transportation	211,469	4,699	—	—	(55,866)	160,302
Depletion, depreciation, and amortization	166,900	15,282	6,485	—	—	188,667
General and administrative expense	46,165	11,265	2,577	—	(322)	59,685
Other operating expenses	28,044	(7,863)	800	61,799	—	82,780
Total	463,299	23,383	13,835	61,799	(60,096)	502,220
Operating income (loss)	\$ 940,374	35,875	8,611	(26,166)	(17,579)	941,115
Segment assets	\$ 11,940,524	1,410,920	487,734	5,847	(267,951)	13,577,074
Capital expenditures for segment assets	\$ 399,695	82,768	45,151	—	(17,579)	510,035

	Exploration and production	Gathering and compression	Water handling	Marketing	Elimination of intersegment transactions	Consolidated total
Three months ended September 30, 2016:						
Sales and revenues:						
Third-party	\$ 1,016,458	2,745	224	97,076	—	1,116,503
Intersegment	3,990	75,319	72,187	—	(151,496)	—
Total	\$ 1,020,448	78,064	72,411	97,076	(151,496)	1,116,503
Operating expenses:						
Lease operating	\$ 13,710	—	28,978	—	(28,834)	13,854
Gathering, compression, processing, and transportation	303,753	6,400	—	—	(75,238)	234,915
Depletion, depreciation, and amortization	172,735	18,540	7,838	—	—	199,113
General and administrative expense	44,637	10,282	3,033	—	(375)	57,577
Other operating expenses	31,266	(1,708)	3,070	114,611	(3,527)	143,712
Total	566,101	33,514	42,919	114,611	(107,974)	649,171
Operating income (loss)	\$ 454,347	44,550	29,492	(17,535)	(43,522)	467,332
Segment assets	\$ 12,966,493	1,669,667	562,995	33,114	(603,016)	14,629,253
Capital expenditures for segment assets	\$ 909,837	56,836	58,730	—	(43,343)	982,060

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Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

The operating results and assets of the Company's reportable segments were as follows for the nine months ended September 30, 2015 and 2016 (in thousands):

			Water			
	Exploration and production	Gathering and compression	handling and treatment	Marketing	Elimination of intersegment transactions	Consolidated total
Nine months ended September 30, 2015:						
Sales and revenues:						
Third-party	\$ 2,891,410	8,433	6,651	143,242	—	3,049,736
Intersegment	1,025	159,661	80,886	—	(241,572)	—
Total	\$ 2,892,435	168,094	87,537	143,242	(241,572)	3,049,736
Operating expenses:						
Lease operating	\$ 24,981	—	16,576	—	(15,996)	25,561
Gathering, compression, processing, and transportation	630,708	19,792	—	—	(159,867)	490,633
Depletion, depreciation, and amortization	483,991	45,255	18,767	—	—	548,013
General and administrative expense	140,821	30,685	7,238	—	(819)	177,925
Other operating expenses	113,881	25	2,437	214,201	—	330,544
Total	1,394,382	95,757	45,018	214,201	(176,682)	1,572,676
Operating income (loss)	\$ 1,498,053	72,337	42,519	(70,959)	(64,890)	1,477,060
Segment assets	\$ 11,940,524	1,410,920	487,734	5,847	(267,951)	13,577,074
Capital expenditures for segment assets	\$ 1,590,904	282,813	79,227	—	(64,890)	1,888,054

			Water			
	Exploration and production	Gathering and compression	handling and treatment	Marketing	Elimination of intersegment transactions	Consolidated total
Nine months ended September 30, 2016:						
Sales and revenues:						
Third-party	\$ 1,291,008	9,463	644	287,194	—	1,588,309
Intersegment	11,714	210,144	203,106	—	(424,964)	—
Total	\$ 1,302,722	219,607	203,750	287,194	(424,964)	1,588,309
Operating expenses:						
Lease operating	\$ 37,299	—	104,009	—	(104,118)	37,190
Gathering, compression, processing, and transportation	838,936	20,567	—	—	(209,790)	649,713
Depletion, depreciation, and amortization	513,302	52,780	21,975	—	—	588,057
General and administrative expense	135,356	29,755	9,957	—	(1,102)	173,966
Other operating expenses	104,279	(809)	11,568	378,521	(10,384)	483,175
Total	1,629,172	102,293	147,509	378,521	(325,394)	1,932,101
Operating income (loss)	\$ (326,450)	117,314	56,241	(91,327)	(99,570)	(343,792)
Segment assets	\$ 12,966,493	1,669,667	562,995	33,114	(603,016)	14,629,253
Capital expenditures for segment assets	\$ 1,734,914	154,136	137,355	—	(98,955)	1,927,450

(12)Subsidiary Guarantors

Antero's wholly-owned subsidiaries each have fully and unconditionally guaranteed Antero's senior notes. Antero Midstream and its subsidiaries have been designated unrestricted subsidiaries under the Credit Facility and the

indentures governing Antero's senior notes, and do not guarantee any of Antero's obligations (see note 4). In the event a subsidiary guarantor is sold or disposed of (whether by merger, consolidation, the sale of a sufficient amount of its capital stock so that it no longer qualifies as a

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“Subsidiary” of the Company (as defined in the indentures governing the notes) or the sale of all or substantially all of its assets (other than by lease)) and whether or not the subsidiary guarantor is the surviving entity in such transaction to a person which is not Antero or a restricted subsidiary of Antero, such subsidiary guarantor will be released from its obligations under its subsidiary guarantee if the sale or other disposition does not violate the covenants set forth in the indentures governing the notes.

In addition, a subsidiary guarantor will be released from its obligations under the indentures and its guarantee, upon the release or discharge of the guarantee of other Indebtedness (as defined in the indentures governing the notes) that resulted in the creation of such guarantee, except a release or discharge by or as a result of payment under such guarantee; if Antero designates such subsidiary as an unrestricted subsidiary and such designation complies with the other applicable provisions of the indentures governing the notes or in connection with any covenant defeasance, legal defeasance or satisfaction and discharge of the notes.

The following Condensed Consolidating Balance Sheets at December 31, 2015 and September 30, 2016, and the related Condensed Consolidating Statements of Operations and Comprehensive Income for the three and nine months ended September 30, 2015 and 2016 and Condensed Consolidating Statements of Cash Flows for the nine months ended September 30, 2015 and 2016 present financial information for Antero on a stand-alone basis (carrying its investment in wholly-owned subsidiaries using the equity method), financial information for the subsidiary guarantors, financial information for the non-guarantor subsidiaries, and the consolidation and elimination entries necessary to arrive at the information for the Company on a consolidated basis. Antero’s wholly-owned subsidiaries are not restricted from making distributions to the Parent.

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Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

Condensed Consolidating Balance Sheets

December 31, 2015

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 16,590	—	6,883	—	23,473
Accounts receivable, net	76,697	—	2,707	—	79,404
Intercompany receivables	2,138	—	65,712	(67,850)	—
Accrued revenue	128,242	—	—	—	128,242
Derivative instruments	1,009,030	—	—	—	1,009,030
Other current assets	8,087	—	—	—	8,087
Total current assets	1,240,784	—	75,302	(67,850)	1,248,236
Property and equipment:					
Natural gas properties, at cost (successful efforts method):					
Unproved properties	1,996,081	—	—	—	1,996,081
Proved properties	8,243,901	—	—	(32,795)	8,211,106
Water handling and treatment systems	—	—	565,616	—	565,616
Gathering systems and facilities	16,561	—	1,485,835	—	1,502,396
Other property and equipment	46,415	—	—	—	46,415
	10,302,958	—	2,051,451	(32,795)	12,321,614
Less accumulated depletion, depreciation, and amortization	(1,431,747)	—	(157,625)	—	(1,589,372)
Property and equipment, net	8,871,211	—	1,893,826	(32,795)	10,732,242
Derivative instruments	2,108,450	—	—	—	2,108,450
Investments in subsidiaries	(302,336)	—	—	302,336	—
Contingent acquisition consideration	178,049	—	—	(178,049)	—
Other assets, net	15,661	—	10,904	—	26,565
Total assets	\$ 12,111,819	—	1,980,032	23,642	14,115,493
Liabilities and Equity					
Current liabilities:					
Accounts payable	\$ 303,197	—	60,963	—	364,160
Intercompany payable	65,712	—	2,138	(67,850)	—
Accrued liabilities	158,713	—	35,363	—	194,076
Revenue distributions payable	129,949	—	—	—	129,949
Other current liabilities	18,935	—	150	—	19,085

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Total current liabilities	676,506	—	98,614	(67,850)	707,270
Long-term liabilities:					
Long-term debt	4,048,782	—	620,000	—	4,668,782
Deferred income tax liability	1,370,686	—	—	—	1,370,686
Contingent acquisition consideration	—	—	178,049	(178,049)	—
Other liabilities	81,453	—	624	—	82,077
Total liabilities	6,177,427	—	897,287	(245,899)	6,828,815
Equity:					
Stockholders' equity:					
Partners' capital	—	—	1,082,745	(1,082,745)	—
Common stock	2,770	—	—	—	2,770
Additional paid-in capital	4,122,811	—	—	—	4,122,811
Accumulated earnings	1,808,811	—	—	—	1,808,811
Total stockholders' equity	5,934,392	—	1,082,745	(1,082,745)	5,934,392
Noncontrolling interest in consolidated subsidiary	—	—	—	1,352,286	1,352,286
Total equity	5,934,392	—	1,082,745	269,541	7,286,678
Total liabilities and equity	\$ 12,111,819	—	1,980,032	23,642	14,115,493

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December 31, 2015 and September 30, 2016

Condensed Consolidating Balance Sheet

September 30, 2016

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,291	—	9,221	—	18,512
Accounts receivable, net	58,219	—	1,243	—	59,462
Intercompany receivables	2,237	—	58,398	(60,635)	—
Accrued revenue	196,490	—	—	—	196,490
Derivative instruments	417,605	—	—	—	417,605
Other current assets	3,349	—	53	—	3,402
Total current assets	687,191	—	68,915	(60,635)	695,471
Property and equipment:					
Natural gas properties, at cost (successful efforts method):					
Unproved properties	2,449,995	—	—	—	2,449,995
Proved properties	9,312,455	—	—	(131,750)	9,180,705
Water handling and treatment systems	—	—	681,062	—	681,062
Gathering systems and facilities	17,928	—	1,638,748	—	1,656,676
Other property and equipment	45,571	—	—	—	45,571
	11,825,949	—	2,319,810	(131,750)	14,014,009
Less accumulated depletion, depreciation, and amortization	(1,945,069)	—	(231,724)	—	(2,176,793)
Property and equipment, net	9,880,880	—	2,088,086	(131,750)	11,837,216
Derivative instruments	2,015,090	—	—	—	2,015,090
Investments in subsidiaries	(375,986)	—	—	375,986	—
Contingent acquisition consideration	188,433	—	—	(188,433)	—
Other assets, net	22,190	—	59,286	—	81,476
Total assets	\$ 12,417,798	—	2,216,287	(4,832)	14,629,253
Liabilities and Equity					
Current liabilities:					
Accounts payable	\$ 122,220	—	50,073	—	172,293
Intercompany payable	58,398	—	2,237	(60,635)	—
Accrued liabilities	235,560	—	9,614	—	245,174
Revenue distributions payable	172,202	—	—	—	172,202
Derivative instruments	3,110	—	—	—	3,110

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Other current liabilities	18,928	—	197	—	19,125
Total current liabilities	610,418	—	62,121	(60,635)	611,904
Long-term liabilities:					
Long-term debt	3,950,138	—	809,766	—	4,759,904
Deferred income tax liability	1,215,240	—	—	—	1,215,240
Contingent acquisition consideration	—	—	188,433	(188,433)	—
Derivative instruments	40	—	—	—	40
Other liabilities	61,214	—	669	—	61,883
Total liabilities	5,837,050	—	1,060,989	(249,068)	6,648,971
Equity:					
Stockholders' equity:					
Partners' capital	—	—	1,155,298	(1,155,298)	—
Common stock	3,072	—	—	—	3,072
Additional paid-in capital	5,131,909	—	—	—	5,131,909
Accumulated earnings	1,445,767	—	—	—	1,445,767
Total stockholders' equity	6,580,748	—	1,155,298	(1,155,298)	6,580,748
Noncontrolling interest in consolidated subsidiary	—	—	—	1,399,534	1,399,534
Total equity	6,580,748	—	1,155,298	244,236	7,980,282
Total liabilities and equity	\$ 12,417,798	—	2,216,287	(4,832)	14,629,253

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

Condensed Consolidating Statement of Operations and Comprehensive Income

Three Months Ended September 30, 2015

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Natural gas sales	\$ 253,975	—	—	—	253,975
Natural gas liquids sales	50,092	—	—	—	50,092
Oil sales	20,138	—	—	—	20,138
Gathering, compression, and water handling and treatment	958	—	59,258	(55,790)	4,426
Marketing	35,633	—	—	—	35,633
Commodity derivative fair value losses	1,079,071	—	—	—	1,079,071
Other income	324	—	—	(324)	—
Total revenue	1,440,191	—	59,258	(56,114)	1,443,335
Operating expenses:					
Lease operating	10,786	—	—	—	10,786
Gathering, compression, processing, and transportation	211,469	—	4,699	(55,866)	160,302
Production and ad valorem taxes	18,584	—	(7,863)	—	10,721
Marketing	61,799	—	—	—	61,799
Exploration	1,087	—	—	—	1,087
Impairment of unproved properties	8,754	—	—	—	8,754
Depletion, depreciation, and amortization	173,592	—	15,075	—	188,667
Accretion of asset retirement obligations	419	—	—	—	419
General and administrative	48,666	—	11,267	(248)	59,685
Total operating expenses	535,156	—	23,178	(56,114)	502,220
Operating income	905,035	—	36,080	—	941,115
Other income (expenses):					
Interest	(59,647)	—	(1,274)	—	(60,921)
Equity in net income of subsidiaries	23,913	—	—	(23,913)	—
Total other expenses	(35,734)	—	(1,274)	(23,913)	(60,921)
Income before income taxes	869,301	—	34,806	(23,913)	880,194
Provision for income tax expense	(335,460)	—	—	—	(335,460)
Net income and comprehensive income including noncontrolling interest	533,841	—	34,806	(23,913)	544,734
Net income and comprehensive income attributable to noncontrolling interest	—	—	—	10,892	10,892
	\$ 533,841	—	34,806	(34,805)	533,842

Net income and comprehensive income
attributable to Antero Resources
Corporation

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Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

Condensed Consolidating Statement of Operations and Comprehensive Income

Three Months Ended September 30, 2016

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Natural gas sales	\$ 364,373	—	—	—	364,373
Natural gas liquids sales	106,958	—	—	—	106,958
Oil sales	14,793	—	—	—	14,793
Gathering, compression, and water handling and treatment	—	—	150,475	(147,506)	2,969
Marketing	97,076	—	—	—	97,076
Commodity derivative fair value losses	530,334	—	—	—	530,334
Other income	3,990	—	—	(3,990)	—
Total revenue	1,117,524	—	150,475	(151,496)	1,116,503
Operating expenses:					
Lease operating	13,710	—	28,978	(28,834)	13,854
Gathering, compression, processing, and transportation	303,753	—	6,400	(75,238)	234,915
Production and ad valorem taxes	17,719	—	(2,165)	—	15,554
Marketing	114,611	—	—	—	114,611
Exploration	1,166	—	—	—	1,166
Impairment of unproved properties	11,753	—	—	—	11,753
Depletion, depreciation, and amortization	172,976	—	26,137	—	199,113
Accretion of asset retirement obligations	628	—	—	—	628
General and administrative	44,637	—	13,315	(375)	57,577
Accretion of contingent acquisition consideration	—	—	3,527	(3,527)	—
Total operating expenses	680,953	—	76,192	(107,974)	649,171
Operating income	436,571	—	74,283	(43,522)	467,332
Other income (expenses):					
Equity in earnings of unconsolidated affiliate	—	—	1,543	—	1,543
Interest	(54,631)	—	(5,303)	179	(59,755)
Equity in net income (loss) of subsidiaries	(2,761)	—	—	2,761	—
Total other expenses	(57,392)	—	(3,760)	2,940	(58,212)
Income before income taxes	379,179	—	70,523	(40,582)	409,120
Provision for income tax expense	(140,924)	—	—	—	(140,924)
	238,255	—	70,523	(40,582)	268,196

Net income and comprehensive income
including noncontrolling interest

Net income and comprehensive income
attributable to noncontrolling interest

Net income and comprehensive income
attributable to Antero Resources

Corporation

—	—	—	29,941	29,941
\$ 238,255	—	70,523	(70,523)	238,255

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

Condensed Consolidating Statement of Operations and Comprehensive Income

Nine Months Ended September 30, 2015

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Natural gas sales	\$ 810,982	—	—	—	810,982
Natural gas liquids sales	188,403	—	—	—	188,403
Oil sales	55,627	—	—	—	55,627
Gathering, compression, and water handling and treatment	6,651	—	168,094	(159,661)	15,084
Marketing	143,242	—	—	—	143,242
Commodity derivative fair value gains	1,836,398	—	—	—	1,836,398
Other income	824	—	—	(824)	—
Total revenue	3,042,127	—	168,094	(160,485)	3,049,736
Operating expenses:					
Lease operating	25,561	—	—	—	25,561
Gathering, compression, processing, and transportation	630,708	—	19,792	(159,867)	490,633
Production and ad valorem taxes	57,433	—	25	—	57,458
Marketing	214,201	—	—	—	214,201
Exploration	3,086	—	—	—	3,086
Impairment of unproved properties	43,670	—	—	—	43,670
Depletion, depreciation, and amortization	503,265	—	44,748	—	548,013
Accretion of asset retirement obligations	1,227	—	—	—	1,227
General and administrative	147,858	—	30,685	(618)	177,925
Contract termination and rig stacking	10,902	—	—	—	10,902
Total operating expenses	1,637,911	—	95,250	(160,485)	1,572,676
Operating income	1,404,216	—	72,844	—	1,477,060
Other income (expenses):					
Interest	(170,989)	—	(2,940)	—	(173,929)
Equity in net income of subsidiaries	48,381	—	—	(48,381)	—
Total other expenses	(122,608)	—	(2,940)	(48,381)	(173,929)
Income before income taxes	1,281,608	—	69,904	(48,381)	1,303,131
Provision for income tax expense	(498,709)	—	—	—	(498,709)
Net income and comprehensive income including noncontrolling interest	782,899	—	69,904	(48,381)	804,422
Net income and comprehensive income attributable to noncontrolling interest	—	—	—	21,522	21,522

Net income and comprehensive income
 attributable to Antero Resources
 Corporation

\$ 782,899	—	69,904	(69,903)	782,900
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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2015 and September 30, 2016

Condensed Consolidating Statement of Operations and Comprehensive Income (Loss)

Nine Months Ended September 30, 2016

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:					
Natural gas sales	\$ 848,936	—	—	—	848,936
Natural gas liquids sales	274,736	—	—	—	274,736
Oil sales	41,712	—	—	—	41,712
Gathering, compression, and water handling and treatment	—	—	423,357	(413,250)	10,107
Marketing	287,194	—	—	—	287,194
Commodity derivative fair value gains	125,624	—	—	—	125,624
Other income	11,714	—	—	(11,714)	—
Total revenue	1,589,916	—	423,357	(424,964)	1,588,309
Operating expenses:					
Lease operating	37,299	—	104,009	(104,118)	37,190
Gathering, compression, processing, and transportation	838,936	—	20,567	(209,790)	649,713
Production and ad valorem taxes	51,921	—	375	—	52,296
Marketing	378,521	—	—	—	378,521
Exploration	3,289	—	—	—	3,289
Impairment of unproved properties	47,223	—	—	—	47,223
Depletion, depreciation, and amortization	513,957	—	74,100	—	588,057
Accretion of asset retirement obligations	1,846	—	—	—	1,846
General and administrative	135,356	—	39,712	(1,102)	173,966
Accretion of contingent acquisition consideration	—	—	10,384	(10,384)	—
Total operating expenses	2,008,348	—			