

Rosetta Resources Inc.
Form 10-Q
May 06, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
For The Quarterly Period Ended March 31, 2013

OR

.. **Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number: 000-51801

ROSETTA RESOURCES INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)
1111 Bagby Street, Suite 1600,
Houston, TX
(Address of principal executive offices)

43-2083519
(I.R.S. Employer
Identification No.)

77002
(Zip Code)

(713) 335-4000
(Registrant's telephone number, including area code)

717 Texas, Suite 2800
Houston, TX
(Former address of principal executive offices)

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes No

The number of shares of the registrant's Common Stock, \$0.001 par value per share, outstanding as of April 29, 2013 was 61,089,355 which excludes unvested restricted stock awards.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Rosetta Resources Inc.****Consolidated Balance Sheet****(In thousands, except par value and share amounts)**

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,677	\$ 36,786
Accounts receivable, net	106,783	103,828
Derivative instruments	2,768	14,437
Prepaid expenses	8,539	5,742
Deferred income taxes	16,470	311
Other current assets	1,454	1,456
Total current assets	146,691	162,560
Oil and natural gas properties using the full cost method of accounting:		
Proved properties	2,948,072	2,829,431
Unproved/unevaluated properties, not subject to amortization	125,494	95,540
Gathering systems and compressor stations	118,519	104,978
Other fixed assets	19,270	16,346
	3,211,355	3,046,295
Accumulated depreciation, depletion and amortization, including impairment	(1,852,665)	(1,808,190)
Total property and equipment, net	1,358,690	1,238,105
Other assets:		
Deferred loan fees	7,162	7,699
Derivative instruments	4,350	6,790
Other long-term assets	38,663	262
Total other assets	50,175	14,751
Total assets	\$ 1,555,556	\$ 1,415,416
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 2,451	\$ 1,874
Accrued liabilities	107,996	120,336
Royalties and other payables	66,113	61,637
Total current liabilities	176,560	183,847
Long-term liabilities:		
Derivative instruments		563

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Long-term debt	465,000	410,000
Deferred income taxes	52,353	10,086
Other long-term liabilities	7,188	6,921
Total liabilities	701,101	611,417
Commitments and Contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 5,000,000 shares; no shares issued in 2013 or 2012		
Common stock, \$0.001 par value; authorized 150,000,000 shares; issued 53,635,966 shares and 53,145,853 shares at March 31, 2013 and December 31, 2012, respectively	53	53
Additional paid-in capital	833,685	830,539
Treasury stock, at cost; 707,401 and 581,717 shares at March 31, 2013 and December 31, 2012, respectively	(23,735)	(17,479)
Accumulated other comprehensive income (loss)	23	(63)
Retained earnings (Accumulated deficit)	44,429	(9,051)
Total stockholders' equity	854,455	803,999
Total liabilities and stockholders' equity	\$ 1,555,556	\$ 1,415,416

See accompanying notes to the consolidated financial statements.

Table of Contents**Rosetta Resources Inc.****Consolidated Statement of Operations****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Oil sales	\$ 110,052	\$ 62,970
NGL sales	46,461	43,760
Natural gas sales	33,576	23,689
Derivative instruments	(11,969)	(15,961)
Total revenues	178,120	114,458
Operating costs and expenses:		
Lease operating expense	11,174	8,501
Treating and transportation	15,087	11,998
Production taxes	5,392	3,228
Depreciation, depletion and amortization	44,630	32,899
General and administrative costs	15,532	17,291
Total operating costs and expenses	91,815	73,917
Operating income	86,305	40,541
Other expense (income):		
Interest expense, net of interest capitalized	6,069	5,461
Interest income		(2)
Other (income) expense, net	(30)	113
Total other expense	6,039	5,572
Income before provision for income taxes	80,266	34,969
Income tax expense	26,786	12,672
Net income	\$ 53,480	\$ 22,297
Earnings per share:		
Basic	\$ 1.01	\$ 0.43
Diluted	\$ 1.01	\$ 0.42
Weighted average shares outstanding:		
Basic	52,733	52,399
Diluted	53,081	52,810

See accompanying notes to the consolidated financial statements.

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Rosetta Resources Inc.

Consolidated Statement of Comprehensive Income

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income	\$ 53,480	\$ 22,297
Other comprehensive income (loss):		
Amortization of accumulated other comprehensive gain (loss) related to de-designated hedges, net of income taxes of (\$154) and \$34	271	(53)
Postretirement medical benefits prior service cost, net of income taxes of \$104	(185)	
Other comprehensive income (loss)	86	(53)
Comprehensive income	\$ 53,566	\$ 22,244

See accompanying notes to the consolidated financial statements.

Table of Contents**Rosetta Resources Inc.****Consolidated Statement of Cash Flows****(In thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 53,480	\$ 22,297
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	44,630	32,899
Deferred income taxes	26,060	12,672
Amortization of deferred loan fees recorded as interest expense	538	478
Stock-based compensation expense	2,664	5,423
Derivative instruments	13,971	17,952
Change in operating assets and liabilities:		
Accounts receivable	(2,955)	9,318
Prepaid expenses	771	(367)
Other current assets		296
Long-term assets	(1)	(10)
Accounts payable	577	471
Accrued liabilities	(1,306)	(27,655)
Royalties and other payables	4,476	16
Other long-term liabilities	(1,266)	(79)
Net cash provided by operating activities	141,639	73,711
Cash flows from investing activities:		
Deposit on Permian acquisition	(38,400)	
Additions to oil and gas assets	(175,849)	(127,981)
Disposals of oil and gas assets	(2,651)	65,624
Net cash used in investing activities	(216,900)	(62,357)
Cash flows from financing activities:		
Borrowings on Credit Facility	140,000	50,000
Payments on Credit Facility		