Rice Energy Inc.
Form 10-Q
August 07, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
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: 001-36273
Rice Energy Inc.
(Exact name of registrant as specified in its charter)

Delaware	46-3785773
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
400 Woodcliff Drive Canonsburg, Pennsylvania	15317
(Address of principal executive offices)	(Zip code)

(724) 746-6720
(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. þYes ¨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). þYes ¨No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer þ (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 Exchange Act). ¨Yes þNo

Number of shares of the registrant's common stock outstanding at August 4, 2015: 136,393,834 shares

RICE ENERGY INC.
QUARTERLY REPORT ON FORM 10-Q
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Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (the "Quarterly Report") contains "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, regarding our strategy, future operations, financial position, estimated revenues and income/losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words "may," "assume," "forecast," "position," "predict," "strategy," "expect," "intend," "plan," "estimate," "anticipate," " "budget," "potential," or "continue," and similar expressions are used 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. You are cautioned not to place undue reliance on any forward-looking statements. You should also understand that it is not possible to predict or identify all such factors and should not consider the following list to be a complete statement of all potential risks and uncertainties. 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, 2014 (the "2014 Annual Report") on file with the Securities and Exchange Commission (the "SEC").

Forward-looking statements may include statements about our:

- business strategy;
- reserves;
- financial strategy, liquidity and capital required for our development program;
- realized natural gas, NGLs and oil prices;
- timing and amount of future production of natural gas, NGLs and oil;
- hedging strategy and results;
- 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 and conducting our gathering and other midstream operations;
- operations of Rice Midstream Partners LP;
- general economic conditions;
- credit and capital markets;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

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 and sale of natural gas, NGLs and oil. These risks include, but are not limited to: commodity price volatility; inflation; lack of availability of drilling and production equipment and services; environmental risks; drilling and other operating risks; regulatory changes; the uncertainty inherent in estimating natural gas 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 2014 Annual Report.

Reserve engineering is a process of estimating underground accumulations of natural gas, NGLs and oil that cannot be measured in an exact way. 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 reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions could change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas, and NGLs and oil that are ultimately recovered.

Should one or more of the risks or uncertainties described in this Quarterly 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 Quarterly 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.

Commonly Used Defined Terms

As used in the Quarterly Report, unless the context indicates or otherwise requires, the following terms have the following meanings:

- “Rice Energy,” the “Company,” “we,” “our,” “us” or like terms refer collectively to Rice Energy Inc. and its consolidated subsidiaries, including Rice Drilling B;
- “Rice Drilling B” refers to Rice Drilling B LLC, a wholly-owned subsidiary of Rice Energy;
- “RMP” or the “Partnership” refer to Rice Midstream Partners LP (NYSE: RMP);
- “Rice Midstream OpCo” refers to Rice Midstream OpCo LLC, a wholly-owned subsidiary of RMP;
- “Midstream Holdings” refers to Rice Midstream Holdings LLC, a wholly-owned subsidiary of Rice Energy;
- “Alpha Holdings” refers to Foundation PA Coal Company, LLC, a wholly-owned indirect subsidiary of Alpha Natural Resources, Inc.; and
- “Marcellus joint venture” refers collectively to Alpha Shale Resources, LP and its general partner, Alpha Shale Holdings, LLC.

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements
Rice Energy Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands)	June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	$256,676	$256,130
Accounts receivable	245,428	199,900
Prepaid expenses and other	6,358	3,427
Derivative assets	128,502	133,034
Total current assets	636,964	592,491
Gas collateral account	3,995	3,995
Property, plant and equipment, net	2,922,494	2,461,331
Deferred financing costs, net	31,220	25,103
Goodwill	334,050	334,050
Intangible assets, net	46,976	47,791
Derivative assets	55,507	63,188
Total assets	$4,031,206	$3,527,949
Liabilities and stockholders’ equity		
Current liabilities:		
Current portion of long-term debt	$—	$680
Accounts payable	110,375	152,329
Royalties payable	52,620	37,172
Accrued capital expenditures	131,177	108,290
Accrued interest	17,248	9,375
Leasehold payable	14,496	30,702
Deferred tax liabilities	51,805	54,688
Other accrued liabilities	44,672	43,439
Total current liabilities	422,393	436,675
Long-term liabilities:		
Long-term debt	1,424,033	900,000
Leasehold payable	5,043	4,279
Deferred tax liabilities	210,638	209,218
Other long-term liabilities	14,898	12,609
Total liabilities	2,077,005	1,562,781
Stockholders’ equity:		
Common stock, $0.01 par value; authorized - 650,000,000 shares; issued and outstanding - 136,372,658 shares and 136,280,766 shares, respectively	1,363	1,363
Preferred stock, $0.01 par value; authorized - 50,000,000 shares; none issued	—	—
Additional paid in capital	1,420,026	1,368,001
Accumulated earnings	83,816	153,346
Stockholders’ equity before noncontrolling interest	1,505,205	1,522,710

Noncontrolling interests in consolidated subsidiaries	448,996	442,458
Total liabilities and stockholders’ equity	$4,031,206	$3,527,949

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Energy Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share data)	2015	2014	2015	2014
Operating revenues:				
Natural gas, oil and natural gas liquids (“NGL”) sales	$100,890	$88,524	$197,802	$178,990
Firm transportation sales, net	438	2,113	3,264	2,113
Gathering, compression and water distribution	11,566	1,303	21,367	1,314
Total operating revenues	112,894	91,940	222,433	182,417
Operating expenses:				
Lease operating	11,090	6,667	22,681	11,853
Gathering, compression and transportation	16,842	8,014	31,262	14,471
Production taxes and impact fees	1,694	871	3,148	1,510
Exploration	356	473	1,095	959
Midstream operation and maintenance	2,801	1,162	6,132	1,835
Incentive unit expense	23,099	1,474	46,557	75,276
Stock compensation expense	4,212	1,125	7,467	1,216
General and administrative	20,425	14,845	37,914	26,275
Depreciation, depletion and amortization	76,140	32,552	138,721	58,059
Amortization of intangible assets	408	340	816	340
Other expense	1,998	—	3,889	—
Total operating expenses	159,065	67,523	299,682	191,794
Operating (loss) income	(46,171)	24,417	(77,249)	(9,377)
Interest expense	(23,359)	(15,941)	(39,488)	(22,983)
Gain on purchase of Marcellus joint venture	—	—	—	203,579
Other income (loss)	1,035	(195)	1,196	396
(Loss) gain on derivative instruments	(3,710)	(11,198)	57,657	(31,578)
Amortization of deferred financing costs	(1,306)	(532)	(2,409)	(1,021)
Loss on extinguishment of debt	—	(3,001)	—	(3,144)
Write-off of deferred financing costs	—	(6,060)	—	(6,896)
Equity loss of joint ventures	—	—	—	(2,656)
(Loss) income before income taxes	(73,511)	(12,510)	(60,293)	126,320
Income tax benefit (expense)	9,992	4,593	1,462	(4,782)
Net (loss) income	(63,519)	(7,917)	(58,831)	121,538
Less: Net income attributable to noncontrolling interests	(6,164)	—	(10,699)	—
Net (loss) income attributable to Rice Energy Inc.	$(69,683)	$(7,917)	$(69,530)	$121,538
Weighted average number of shares of common stock—basic	136,315,882	128,419,606	136,303,914	121,925,915
Weighted average number of shares of common stock—diluted	136,315,882	128,419,606	136,303,914	122,255,908
Earnings (loss) per share—basic	$(0.51)	$(0.06)	$(0.51)	$1.00
Earnings (loss) per share—diluted	$(0.51)	$(0.06)	$(0.51)	$0.99
Pro forma income tax benefit				$5,560
Pro forma net income				$127,098
Pro forma earnings per share—basic				$1.04

Pro forma earnings per share—diluted	$ 1.04

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Energy Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
(in thousands)	2015	2014
Cash flows from operating activities:		
Net (loss) income	$(58,831)	$121,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	138,721	58,059
Amortization of deferred financing costs	2,409	1,021
Amortization of intangibles	816	340
Exploratory well costs	1,095	—
Incentive unit expense	46,557	75,276
Write-off of deferred financing costs	—	6,896
Loss on extinguishment of debt	—	3,144
Stock compensation expense	7,467	1,216
Derivative instruments fair value (gain) loss	(57,657)	31,578
Cash receipts (payments) for settled derivatives	69,870	(20,953)
Deferred income tax (benefit) expense	(1,462)	4,782
Fair value gain on purchase of Marcellus joint venture	—	(203,579)
Equity loss of joint ventures	—	2,656
Changes in operating assets and liabilities:		
(Increase) in accounts receivable and receivable from affiliate	(45,531)	(29,337)
(Increase) in prepaid expenses and other assets	(2,912)	(2,470)
(Decrease) in accounts payable	(19,171)	(10,774)
Increase in accrued liabilities and other	8,114	22,153
Increase in royalties payable	15,448	13,683
Net cash provided by operating activities	104,933	75,229
Cash flows from investing activities:		
Capital expenditures for property and equipment	(622,797)	(441,650)
Acquisition of Marcellus joint venture, net of cash acquired	—	(82,766)
Acquisition of Momentum assets	—	(111,447)
Proceeds from sale of interest in gas properties	10,201	11,542
Net cash used in investing activities	(612,596)	(624,321)
Cash flows from financing activities:		
Proceeds from borrowings	538,932	900,000
Repayments of debt obligations	(16,091)	(498,865)
Restricted cash for convertible debt	—	8,268
Debt issuance costs	(8,526)	(18,436)
Offering costs related to the Partnership’s IPO	(129)	—
Distributions to the Partnership’s public unitholders	(5,977)	—
Costs relating to IPO	—	(1,405)
Proceeds from conversion of warrants	—	948
Proceeds from issuance of common stock sold in IPO, net of underwriting fees	—	598,500
Net cash provided by financing activities	508,209	989,010
Net increase in cash	546	439,918
Cash at the beginning of the year	256,130	31,612

Cash at the end of the period	$256,676	$471,530

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Energy Inc.
Condensed Consolidated Statements of Equity
(Unaudited)

(in thousands)	Common Stock ($0.01 par)	Additional Paid-In Capital	Accumulated (Deficit) Earnings	Total
Balance, January 1, 2014	$—	$—	$(65,108)	$298,647
Shares of common stock issued in corporate reorganization	880	362,875	—	—
Shares of common stock issued in IPO, net of offering costs	300	593,120	—	593,420
Shares of common stock issued in purchase of Marcellus joint venture	95	221,905	—	222,000
Conversion of restricted units into shares of common stock at IPO	—	36,306	—	36,306
Conversion of convertible debentures into shares of common stock after IPO	6	6,599	—	6,605
Conversion of warrants into shares of common stock after IPO	6	942	—	948
Incentive unit compensation	—	75,276	—	75,276
Stock compensation	—	1,216	—	1,216
Tax impact of initial public offering and corporate reorganization	—	(164,504)	—	(164,504)
Consolidated net income	—	—	121,538	121,538
Balance, June 30, 2014	$1,287	$1,133,735	$56,430	$1,191,452

(in thousands)	Common Stock ($0.01 par)	Additional Paid-In Capital	Accumulated (Deficit) Earnings	Stockholders Equity before Non-Controlling Interest	Non-Controlling Interest	Total
Balance, January 1, 2015	$1,363	$1,368,001	$153,346	$ 1,522,710	$ 442,458	$1,965,168
Incentive unit compensation	—	46,557	—	46,557	—	46,557
Stock compensation	—	5,468	—	5,468	1,945	7,413
Distributions to the Partnership's public unitholders	—	—	—	—	(5,977)	(5,977)
Offering costs related to the Partnership’s IPO	—	—	—	—	(129)	(129)
Consolidated net income	—	—	(69,530)	(69,530)	10,699	(58,831)
Balance, June 30, 2015	$1,363	$1,420,026	$83,816	$ 1,505,205	$ 448,996	$1,954,201

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Rice Energy Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Rice Energy Inc. (the "Company") have been prepared by the Company's management in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and applicable rules and regulations promulgated under the Securities Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by GAAP for annual financial statements. The unaudited condensed consolidated financial statements included herein contain all adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position as of June 30, 2015 and December 31, 2014 and its condensed consolidated statements of operations for the three and six months ended June 30, 2015 and 2014 and of cash flows for the six months ended June 30, 2015 and 2014.

A corporate reorganization occurred concurrently with the completion of the Company's initial public offering ("IPO") on January 29, 2014. As a part of this corporate reorganization, the Company acquired all of the outstanding membership interests in Rice Energy Appalachia LLC ("Rice Appalachia") and Rice Drilling B LLC ("Rice Drilling B") (other than those already held by Rice Appalachia) in exchange for shares of the Company's common stock. This reorganization constituted a common control transaction and the accompanying consolidated financial statements are presented as though this reorganization had occurred for the earliest period presented.

The consolidated financial statements of the Company include the accounts of its wholly-owned subsidiaries. Rice Midstream Holdings LLC, a wholly-owned subsidiary of the Company ("Rice Midstream Holdings"), owns a 50.0% interest in Rice Midstream Partners LP, a publicly-traded subsidiary of the Company (the "Partnership"). The financial results of the Partnership are consolidated and the remaining 50.0% interest in the Partnership is reflected as noncontrolling interest in the condensed consolidated financial statements. All intercompany transactions have been eliminated in consolidation.

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes therein for the year ended December 31, 2014, as filed with the Securities and Exchange Commission ("SEC") by the Company in its Annual Report on Form 10-K (the "2014 Annual Report"). Certain prior period financial statement amounts have been reclassified to conform to current period presentation.

2. Accounts Receivable

Accounts receivable are primarily from the Company's joint interest partners and natural gas marketers. The Company extends credit to parties in the normal course of business based upon management's assessment of their creditworthiness. A valuation allowance is provided for those accounts for which collection is estimated as doubtful; uncollectible accounts are written off and charged against the allowance. In estimating the allowance, management considers, among other things, how recently and how frequently payments have been received and the financial position of the party. There was no allowance recorded for any of the periods presented in the condensed consolidated financial statements. Accounts receivable as of June 30, 2015 and December 31, 2014 are detailed below.

(in thousands)	June 30, 2015	December 31, 2014
Joint interest	$142,552	$125,300
Natural gas sales	83,631	72,206
Other	19,245	2,394
Total accounts receivable	$245,428	$199,900

3. Long-Term Debt

Long-term debt consists of the following as of June 30, 2015 and December 31, 2014:

(in thousands)	June 30, 2015	December 31, 2014
Long-term Debt		
Senior Notes Due 2022 [a]	$900,000	$900,000
Senior Notes Due 2023 [b]	397,033	—
Senior Secured Revolving Credit Facility [c]	—	—
Midstream Holdings Revolving Credit Facility [d]	97,000	—

RMP Revolving Credit Facility [e]	30,000	—
Other	—	680
Total debt	$1,424,033	$900,680
Less current portion	—	680
Long-term debt	$1,424,033	$900,000

Senior Notes

6.25% Senior Notes Due 2022 (a)

On April 25, 2014, the Company issued $900.0 million in aggregate principal amount of 6.25% senior notes due 2022 (the "2022 Notes") in a private placement to eligible purchasers under Rule 144A and Regulation S of the Securities Act of 1933, as amended (the "Securities Act"), which resulted in net proceeds of $882.7 million, after deducting expenses and the initial purchasers' discounts of approximately $17.3 million. The 2022 Notes will mature on May 1, 2022, and interest is payable on the 2022 Notes on each May 1 and November 1. At any time prior to May 1, 2017, the Company may redeem up to 35% of the 2022 Notes at a redemption price of 106.25% of the principal amount, plus accrued and unpaid interest to the redemption date, with the proceeds of certain equity offerings so long as the redemption occurs within 180 days of completing such equity offering and at least 65% of the aggregate principal amount of the 2022 Notes remains outstanding after such redemption. Prior to May 1, 2017, the Company may redeem some or all of the notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture governing the 2022 Notes), unless the Company has given notice to redeem the 2022 Notes, the holders of the 2022 Notes will have the right to require the Company to repurchase all or a portion of the 2022 Notes at a price equal to 101% of the aggregate principal amount of the 2022 Notes, plus any accrued and unpaid interest to the date of purchase. On or after May 1, 2017, the Company may redeem some or all of the 2022 Notes at redemption prices (expressed as percentages of principal amount) equal to 104.688% for the twelve-month period beginning on May 1, 2017, 103.125% for the twelve-month period beginning May 1, 2018, 101.563% for the twelve-month period beginning on May 1, 2019 and 100.000% beginning on May 1, 2020, plus accrued and unpaid interest to the redemption date.

7.25% Senior Notes Due 2023 (b)

On March 26, 2015, the Company issued $400.0 million in aggregate principal amount of 7.25% senior notes due 2023 (the "2023 Notes") in a private placement to eligible purchasers under Rule 144A and Regulation S of the Securities Act, which resulted in net proceeds of $389.3 million, after deducting expenses and the initial purchasers' discounts of approximately $10.7 million. The Company used a portion of the net proceeds for general corporate purposes, including capital expenditures, and intends to use the remaining net proceeds for general corporate purposes, including capital expenditures. The original issuance discount of $3.1 million related to the 2023 Notes is recorded as a reduction of the principal amount. For the three and six months ended June 30, 2015, the Company recorded $0.1 million and $0.1 million, respectively, of amortization of the debt discount as interest expense using the effective interest method and a rate of 7.345%.

The 2023 Notes will mature on May 1, 2023, and interest is payable on the 2023 Notes on each May 1 and November 1, commencing on November 1, 2015. At any time prior to May 1, 2018, the Company may redeem up to 35% of the 2023 Notes at a redemption price of 107.250% of the principal amount, plus accrued and unpaid interest to the redemption date, with the proceeds of certain equity offerings so long as the redemption occurs within 180 days of completing such equity offering and at least 65% of the aggregate principal amount of the 2023 Notes remains outstanding after such redemption. Prior to May 1, 2018, the Company may redeem some or all of the notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture governing the 2023 Notes), unless the Company has given notice to redeem the 2023 Notes, the holders of the 2023 Notes will have the right to require the Company to repurchase all or a portion of the 2023 Notes at a price equal to 101% of the aggregate principal amount of the 2023 Notes, plus any accrued and unpaid interest to the date of purchase. On or after May 1, 2018, the Company may redeem some or all of the 2023 Notes at redemption prices (expressed as percentages of principal amount) equal to 105.438% for the twelve-month period beginning on May 1, 2017, 103.625% for the twelve-month period beginning May 1, 2019, 101.813% for the twelve-month period beginning on May 1, 2020 and 100.000% beginning on May 1, 2021, plus accrued and unpaid interest to the redemption date.

In connection with the issuance and sale of the 2023 Notes, the Company and the Company's restricted subsidiaries (the "Guarantors") entered into a registration rights agreement with the initial purchasers, dated March 26, 2015. Pursuant to the registration rights agreement, the Company and the Guarantors have agreed to file a registration statement with the SEC so that holders of the 2023 Notes can exchange the 2023 Notes for registered notes with substantially identical terms. The Company and the Guarantors will use commercially reasonable efforts to cause the exchange to be completed within 365 days after the issuance of the 2023 Notes. The Company and the Guarantors are required to pay additional interest if they fail to comply with their obligations to register the 2023 Notes within the specified time periods.

The 2022 Notes and the 2023 Notes (collectively, the "Notes") are the Company's senior unsecured obligations, rank equally in right of payment with all of the Company's existing and future senior debt, and will rank senior in right of payment to all of the Company's future subordinated debt. The Notes will be effectively subordinated to all of the Company's existing and future secured debt to the extent of the value of the collateral securing such indebtedness.

The Notes are jointly and severally, fully and unconditionally, guaranteed by the Guarantors. The indentures governing the Notes provide that the guarantees of the Notes will be released under certain circumstances, including:

- in connection with any sale or other disposition of all or substantially all of the assets of that Guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary (as defined in the indentures governing the Notes) of the Company;
- in connection with any sale or other disposition of the capital stock of that Guarantor (including by way of merger or consolidation) to a person that is not (either before or after giving effect to such transaction) the Company or a Restricted Subsidiary of the Company, such that, immediately after giving effect to such transaction, such Guarantor would no longer constitute a subsidiary of the Company;
- if the Company designates any Restricted Subsidiary that is a Guarantor to be an unrestricted subsidiary in accordance with the indentures governing the Notes;
- upon legal defeasance or satisfaction and discharge of the indentures governing the Notes; or
- if such Guarantor ceases to guarantee any other indebtedness of the Company or a Guarantor under a credit facility, provided no Event of Default (as defined in the indentures governing the Notes) has occurred and is continuing.

The indentures governing the Notes restrict the Company's ability and the ability of its restricted subsidiaries to: (i) incur or guarantee additional debt or issue certain types of preferred stock; (ii) pay dividends on capital stock or redeem, repurchase or retire the Company's capital stock or subordinated debt; (iii) make certain investments; (iv) incur liens; (v) enter into transactions with affiliates; (vi) merge or consolidate with another company; (vii) transfer and sell assets; and (viii) create unrestricted subsidiaries. These covenants are subject to a number of important exceptions and qualifications. If at any time when the Notes are rated investment grade by both Moody's Investors Service, Inc. and Standard & Poor's Ratings Services and no default (as defined in the indentures governing the Notes) has occurred and is continuing, many of such covenants will terminate and the Company and its restricted subsidiaries will cease to be subject to such covenants.

The indentures governing the Notes contain customary events of default, including:

- default in any payment of interest on any Note when due, continued for 30 days;
- default in the payment of principal of or premium, if any, on any Note when due;
- failure by the Company to comply with its other obligations under the indentures governing the Notes, in certain cases subject to notice and grace periods;
- payment defaults and accelerations with respect to other indebtedness of the Company and its Restricted Subsidiaries (as defined in the indentures governing the Notes) in the aggregate principal amount of $25.0 million or more;

- certain events of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary (as defined in the indentures governing the Notes) or group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary;
- failure by the Company or Restricted Subsidiary to pay certain final judgments aggregating in excess of $25.0 million within 60 days; and
- any guarantee of the Notes by a Guarantor ceases to be in full force and effect, is declared null and void in a judicial proceeding or is denied or disaffirmed by its maker.

Senior Secured Revolving Credit Facility (c)

In April 2013, the Company entered into a Senior Secured Revolving Credit Facility (the "Senior Secured Revolving Credit Facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders. As of June 30, 2015, the borrowing base under the Third Amended and Restated Credit Agreement (as amended, the "Amended Credit Agreement") governing the Senior Secured Revolving Credit Facility was $650.0 million and the sublimit for letters of credit was $175.0 million. The Company had zero borrowings outstanding and $105.0 million in letters of credit outstanding under its Amended Credit Agreement as of June 30, 2015, resulting in availability of $545.0 million. The next redetermination of the borrowing base is scheduled for October 2015. The maturity date of the Senior Secured Revolving Credit Facility is January 29, 2019.

Eurodollar loans under the Senior Secured Revolving Credit Facility bear interest at a rate per annum equal to LIBOR plus an applicable margin ranging from 150 to 250 basis points, depending on the percentage of borrowing base utilized. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank's reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 50 to 150 basis points, depending on the percentage of borrowing base utilized.

The Amended Credit Agreement is secured by liens on at least 80% of the proved oil and gas reserves of the Company and its subsidiaries (other than any subsidiary that is designated as an unrestricted subsidiary, including Rice Midstream Holdings and its subsidiaries), as well as significant unproved acreage and substantially all of the personal property of the Company and such restricted subsidiaries, and the Company's obligations under the Amended Credit Agreement are guaranteed by such restricted subsidiaries. The Amended Credit Agreement contains restrictive covenants that limit the ability of the Company and its restricted subsidiaries to, among other things:

- incur additional indebtedness;
- sell assets;
- make loans to others;
- make investments;
- enter into mergers;
- make or declare dividends;
- hedge future production or interest rates;
- incur liens; and
- engage in certain other transactions without the prior consent of the lenders.

The Amended Credit Agreement also requires the Company to maintain certain financial ratios, which are measured at the end of each calendar quarter:

- a current ratio, which is the ratio of consolidated current assets (including unused commitments under the Amended Credit Agreement and excluding non-cash derivative assets) to consolidated current liabilities (excluding current maturities under the Amended Credit Agreement and non-cash derivative liabilities), of not less than 1.0 to 1.0; and
- a minimum interest coverage ratio, which is the ratio of consolidated EBITDAX (as such term is defined in the Amended Credit Agreement) based on the trailing 12 month period to consolidated interest expense, of not less than 2.5 to 1.0.

The Company was in compliance with such covenants and ratios effective as of June 30, 2015.

Midstream Holdings Revolving Credit Facility (d)

On December 22, 2014, Rice Midstream Holdings LLC entered into a revolving credit facility (the "Midstream Holdings Revolving Credit Facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders with a maximum credit amount of $300.0 million and a sublimit for letters of credit of $25.0 million. As of June 30, 2015, Rice Midstream Holdings had $97.0 million of borrowings outstanding and $0.1 million letters of credit under this facility. The credit facility is available to fund working capital requirements and capital expenditures and to purchase assets and matures on December 22, 2019.

Principal amounts borrowed are payable on the maturity date, and interest is payable quarterly for base rate loans and at the end of the applicable interest period for Eurodollar loans. Under the revolving credit facility, Rice Midstream Holdings may elect to borrow in Eurodollars or at the base rate. Eurodollar loans bear interest at a rate per annum equal to the applicable LIBOR Rate plus an applicable margin ranging from 225 to 300 basis points, depending on the leverage ratio then in effect. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank's reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 125 to 200 basis points, depending on the leverage ratio then in effect. Rice Midstream Holdings also pays a commitment fee based on the undrawn commitment amount ranging from 37.5 to 50 basis points.

The Midstream Holdings Revolving Credit Facility is secured by mortgages and other security interests on substantially all of the properties of, and guarantees from, Rice Midstream Holdings and its restricted subsidiaries (which do not include the Partnership, Rice Midstream Management LLC, a Delaware limited liability company and general partner of the Partnership, or the Company and its subsidiaries other than Rice Midstream Holdings).

The Midstream Holdings Revolving Credit Facility limits the ability of Rice Midstream Holdings and its restricted subsidiaries to, among other things:

- incur or guarantee additional debt;
- redeem or repurchase units or make distributions under certain circumstances;
- make certain investments and acquisitions;
- incur certain liens or permit them to exist;
- enter into certain types of transactions with affiliates;
- merge or consolidate with another company; and
- transfer, sell or otherwise dispose of assets.

The Midstream Holdings Revolving Credit Facility also requires Rice Midstream Holdings to maintain the following financial ratios:

- an interest coverage ratio, which is the ratio of Rice Midstream Holding's consolidated EBITDA (as defined within the Midstream Holdings Revolving Credit Facility) to its consolidated current interest expense of at least 2.50 to 1.0 at the end of each fiscal quarter; and
- a consolidated total leverage ratio, which is the ratio of consolidated debt to consolidated EBITDA, of not more than 4.25 to 1.0.

Rice Midstream Holdings was in compliance with such covenants and ratios effective as of June 30, 2015.

RMP Revolving Credit Facility (e)
On December 22, 2014, Rice Midstream OpCo LLC, a wholly-owned subsidiary of the Partnership ("Rice Midstream OpCo"), entered into a revolving credit facility (the "RMP Revolving Credit Facility") with Wells Fargo Bank, N.A., as administrative agent, and a syndicate of lenders with a maximum credit amount of $450.0 million with an additional $200.0 million of commitments available under an accordion feature subject to lender approval. The RMP Revolving Credit Facility provides for a letter of credit sublimit of $50.0 million. As of June 30, 2015, Rice Midstream OpCo had $30.0 million of borrowings outstanding and no letters of credit under this facility. The RMP Revolving Credit Facility is available to fund working capital requirements and capital expenditures, to purchase assets, to pay distributions and repurchase units and for general partnership purposes and matures on December 22, 2019.
Principal amounts borrowed are payable on the maturity date, and interest is payable quarterly for base rate loans and at the end of the applicable interest period for Eurodollar loans. Under the revolving credit facility, the Partnership may elect to borrow in Eurodollars or at the base rate. Eurodollar loans bears interest at a rate per annum equal to the applicable LIBOR Rate plus an applicable margin ranging from 175 to 275 basis points, depending on the leverage ratio then in effect. Base rate loans bears interest at a rate per annum equal to the greatest of (i) the agent bank's reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 100 basis points, plus an applicable margin ranging from 75 to 175 basis points, depending on the leverage ratio then in effect. The Partnership also pays a commitment fee based on the undrawn commitment amount ranging from 35 to 50 basis points.
The RMP Revolving Credit Facility is secured by mortgages and other security interests on substantially all of the properties of, and guarantees from, the Partnership and its restricted subsidiaries.
The RMP Revolving Credit Facility limits the ability of the Partnership and its restricted subsidiaries to, among other things:

- incur or guarantee additional debt;
- redeem or repurchase units or make distributions under certain circumstances;
- make certain investments and acquisitions;
- incur certain liens or permit them to exist;
- enter into certain types of transactions with affiliates;
- merge or consolidate with another company; and
- transfer, sell or otherwise dispose of assets.

The RMP Revolving Credit Facility also requires the Partnership to maintain the following financial ratios:

- an interest coverage ratio, which is the ratio of the Partnership's consolidated EBITDA (as defined within the RMP Revolving Credit Facility) to its consolidated current interest expense of at least 2.50 to 1.0 at the end of each fiscal quarter;
- a consolidated total leverage ratio, which is the ratio of consolidated debt to consolidated EBITDA, of not more than 4.75 to 1.0, and after electing to issue senior unsecured notes, a consolidated total leverage ratio of not more than 5.25 to 1.0, and, in each case, with certain increases in the permitted total leverage ratio following the completion of a material acquisition; and
- if the Partnership elects to issue senior unsecured notes, a consolidated senior secured leverage ratio, which is the ratio of consolidated senior secured debt to consolidated EBITDA, of not more than 3.50 to 1.0.

The Partnership was in compliance with such covenants and ratios effective as of June 30, 2015.

Expected Aggregate Maturities

Expected aggregate maturities of the notes payable as of June 30, 2015 are as follows (in thousands):

Remainder of Year Ending December 31, 2015	$—
Year Ending December 31, 2016	—
Year Ending December 31, 2017	—
Year Ending December 31, 2018	—
Year Ending December 31, 2019 and Beyond	1,424,033
Total	$1,424,033

Interest paid in cash was approximately $28.4 million and $28.5 million for the three and six months ended June 30, 2015, respectively, and $1.8 million and $8.8 million for the three and six months ended June 30, 2014, respectively.

4. Derivative Instruments

The Company uses derivative commodity instruments that are placed with major financial institutions whose creditworthiness is regularly monitored. The Company's derivative counterparties share in the Amended Credit Agreement collateral. The Company's hedging activities are intended to support natural gas prices at targeted levels and to manage its exposure to natural gas price fluctuations. To mitigate the potential negative impact on the Company's cash flow caused by changes in natural gas prices, the Company has entered into financial commodity derivative contracts in the form of swaps, zero cost collars, calls, puts and basis swaps to ensure that it receives minimum prices for a portion of its future natural gas production when management believes that favorable future prices can be secured.

The Company's derivative commodity instruments have not been designated as hedges for accounting purposes; therefore, all gains and losses are recognized in income currently. As of June 30, 2015, the Company has entered into derivative instruments with various financial institutions, fixing the price it receives for a portion of its natural gas through December 31, 2022, as summarized in the following table:

Swap Contract Expiration	MMBtu/day	Weighted Average Price
Year ending December 31, 2015:		
NYMEX	194,000	$4.07
TCO	41,000	$3.30
Dominion South	71,000	$2.49
Year ending December 31, 2016:		
NYMEX	295,000	$3.90
Dominion South	31,000	$2.62
Year ending December 31, 2017:		
NYMEX	80,000	$4.01

Collar Contract Expiration	MMBtu/day	Floor/Ceiling
Year ending December 31, 2015:		
NYMEX	158,000	$3.96/$4.65
Year ending December 31, 2016:		
NYMEX	40,000	$2.89/$3.68
Year ending December 31, 2017:		
NYMEX	180,000	$3.11/$3.64
Year ending December 31, 2018:	160,000	$3.20/$3.70
NYMEX		

Basis Contract Expiration	MMBtu/day	Swap ($/MMBtu)
Year ending December 31, 2015:		
TCO	33,000	$(0.42)
Dominion South	16,000	$(1.12)
M2	20,000	$(0.94)
TETCO ELA	30,000	$(0.13)
MichCon	1,000	$(0.04)
Year ending December 31, 2016:		
TCO	17,000	$(0.42)
Dominion South	45,000	$(1.10)
M2	40,000	$(1.08)
TETCO ELA	10,000	$(0.12)
MichCon	4,000	$(0.04)
Chicago	20,000	$(0.04)
ANR SE	15,000	$(0.13)
Year ending December 31, 2017:		
Dominion South	20,000	$(0.96)
MichCon	4,000	$(0.04)
Year ending December 31, 2018:		
Dominion South	65,000	$(0.69)
MichCon	4,000	$(0.04)
Year ending December 31, 2019:		
Dominion South	60,000	$(0.61)
MichCon	20,000	$(0.12)

The following tables present the gross amounts of recognized derivative assets and liabilities, the amounts offset under netting arrangements with counterparties and the resulting net amounts presented in the condensed consolidated balance sheets for the periods presented, all at fair value (refer to Note 5 for derivative instruments at fair value):

	As of June 30, 2015		
(in thousands)	Derivative instruments, recorded in the Condensed Consolidated Balance Sheet, gross	Derivative instruments subject to master netting arrangements	Derivative instruments, net
Derivative assets	$245,141	$(61,132)	$184,009

	As of December 31, 2014		
(in thousands)	Derivative instruments, recorded in the Condensed Consolidated Balance Sheet, gross	Derivative instruments subject to master netting arrangements	Derivative instruments, net
Derivative assets	$201,775	$(5,553)	$196,222

5. Fair Value of Financial Instruments

The Company determines fair value on a recurring basis for derivative instruments as these instruments are required to be recorded at fair value for each reporting amount. Fair value is based on quoted market prices, where available. If quoted market prices are not available, fair value is based upon models that use as inputs market-based parameters, including but not limited to forward curves, discount rates, broker quotes, volatilities and nonperformance risk.

The Company has categorized its fair value measurements into a three-level fair value hierarchy, based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Company's fair value measurements relating to derivative instruments are included in Level 2. Since the adoption of fair value accounting, the Company has not made any changes to its classification of financial instruments in each category.

Items included in Level 3 are valued using internal models that use significant unobservable inputs. Items included in Level 2 are valued using management's best estimate of fair value corroborated by third-party quotes.

The following assets and liabilities were measured at fair value on a recurring basis during the period (refer to Note 4 for details relating to derivative instruments):

	As of June 30, 2015				
		Fair Value Measurements at Reporting Date Using			
(in thousands)	Carrying Value	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Derivative instruments, at fair value	$184,009	$184,009	$—	$ 184,009	$—
Total assets	$184,009	$184,009	$—	$ 184,009	$—

	As of December 31, 2014				
		Fair Value Measurements at Reporting Date Using			
(in thousands)	Carrying Value	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Derivative instruments, at fair value	$196,222	$196,222	$—	$ 196,222	$—

Total assets	$196,222	$196,222	$ —	$ 196,222	$—

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The carrying value of cash equivalents approximates fair value due to the short maturity of the instruments. The Company's non-financial assets, such as property, plant and equipment, goodwill and intangible assets are recorded at fair value upon acquisition and are remeasured at fair value only if an impairment charge is recognized. To the extent necessary, the Company applies unobservable inputs and management judgment due to the absence of quoted market prices (Level 3) to the valuation methodologies for these non-financial assets.

The estimated fair value and carrying amount of long-term debt as reported on the condensed consolidated balance sheets as of June 30, 2015 and December 31, 2014 is shown in the table below (refer to Note 3 for details relating to the debt instruments). The fair value was estimated using Level 2 inputs based on rates reflective of the remaining maturity as well as the Company's financial position.

	As of June 30, 2015		As of December 31, 2014	
Long-Term Debt (in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes Due 2022	$900,000	$893,250	$900,000	$839,250
Senior Notes Due 2023	397,033	410,000	—	—
Senior Secured Revolving Credit Facility	—	—	—	—
Midstream Holdings Revolving Credit Facility	97,000	97,000	—	—
RMP Revolving Credit Facility	30,000	30,000	—	—
Other	—	—	680	680
Total	$1,424,033	$1,430,250	$900,680	$839,930

6. Financial Information by Business Segment

The Company operates in two business segments: exploration and production and midstream. The exploration and production segment is responsible for the acquisition, exploration and development of natural gas, oil and NGL properties in the Appalachian Basin. The midstream segment is engaged in the gathering and compression of natural gas, oil and NGL production, and in the provision of water services to support the well completion activities, of Rice Energy and third parties. The midstream segment includes the financial results of the Partnership as well as the Company's 50.0% limited partner interest and incentive distribution rights in the Partnership.

Business segments are evaluated for their contribution to the Company's consolidated results based on operating income, which is defined as segment operating revenues less expenses. Other income and expenses, interest and income taxes are managed on a consolidated basis. The segment accounting policies are the same as those described in Note 1 to the Company's Consolidated Financial Statements for the year ended December 31, 2014 contained in its 2014 Annual Report.

The operating results and assets of the Company's reportable segments were as follows as of and for the three months ended June 30, 2015:

(in thousands)	Exploration and Production	Midstream	Elimination of Intersegment Transactions	Consolidated Total
Operating revenues:				
Natural gas, oil and NGL sales	$100,890	$—	$—	$100,890
Firm transportation sales, net	438	—	—	438
Gathering, compression and water distribution	—	34,812	(23,246)	11,566
Total operating revenues	$101,328	$34,812	$(23,246)	$112,894
Operating expenses:				
Lease operating	11,090	—	—	11,090
Gathering, compression and transportation	32,691	—	(15,849)	16,842
Production taxes and impact fees	1,694	—	—	1,694
Exploration	356	—	—	356
Midstream operation and maintenance	—	2,801	—	2,801
Incentive unit expense	21,885	1,214	—	23,099
Stock compensation expense	3,011	1,201	—	4,212
General and administrative	16,115	4,310	—	20,425
Depreciation, depletion and amortization	73,342	3,330	(532)	76,140
Amortization of intangible assets	—	408	—	408
Other expense	1,159	839	—	1,998
Total operating expenses	$161,343	$14,103	$(16,381)	$159,065
Operating (loss) income	$(60,015)	$20,709	$(6,865)	$(46,171)
Capital expenditures for segment assets	$211,925	$93,330	$(6,866)	$298,389

The operating results and assets of the Company's reportable segments were as follows for the three months ended June 30, 2014:

(in thousands)	Exploration and Production	Midstream	Elimination of Intersegment Transactions	Consolidated Total
Operating revenues:				
Natural gas, oil and NGL sales	$88,524	$—	$—	$88,524
Firm transportation sales, net	2,113	—	—	2,113
Gathering, compression and water distribution	—	1,393	(90)	1,303
Total operating revenues	$90,637	$1,393	$(90)	$91,940
Operating expenses:				
Lease operating	6,667	—	—	6,667
Gathering, compression and transportation	8,104	—	(90)	8,014
Production taxes and impact fees	871	—	—	871
Exploration	473	—	—	473
Midstream operation and maintenance	—	1,162	—	1,162
Incentive unit expense	2,462	(988)	—	1,474
Stock compensation expense	994	131	—	1,125
General and administrative	9,430	5,415	—	14,845
Depreciation, depletion and amortization	31,397	1,155	—	32,552
Amortization of intangible assets	—	340	—	340
Total operating expenses	$60,398	$7,215	$(90)	$67,523
Operating income (loss)	$30,239	$(5,822)	$—	$24,417
Capital expenditures for segment assets	$229,015	$32,847	$—	$261,862

The operating results and assets of the Company's reportable segments were as follows as of and for the six months ended June 30, 2015:

(in thousands)	Exploration and Production	Midstream	Elimination of Intersegment Transactions	Consolidated Total
Operating revenues:				
Natural gas, oil and NGL sales	$197,802	$—	$—	$197,802
Firm transportation sales, net	3,264	—	—	3,264
Gathering, compression and water distribution	—	64,259	(42,892)	21,367
Total operating revenues	$201,066	$64,259	$(42,892)	$222,433
Operating expenses:				
Lease operating	22,681	—	—	22,681
Gathering, compression and transportation	60,367	—	(29,105)	31,262
Production taxes and impact fees	3,148	—	—	3,148
Exploration	1,095	—	—	1,095
Midstream operation and maintenance	—	6,132	—	6,132
Incentive unit expense	44,383	2,174	—	46,557
Stock compensation expense	5,231	2,236	—	7,467
General and administrative	29,414	8,500	—	37,914
Depreciation, depletion and amortization	132,256	6,997	(532)	138,721
Amortization of intangible assets	—	816	—	816
Other expense	3,050	839	—	3,889
Total operating expenses	$301,625	$27,694	$(29,637)	$299,682
Operating (loss) income	$(100,559)	$36,565	$(13,255)	$(77,249)
Capital expenditures for segment assets	$452,642	$183,942	$(13,787)	$622,797

The operating results and assets of the Company’s reportable segments were as follows for the six months ended June 30, 2014:

(in thousands)	Exploration and Production	Midstream	Elimination of Intersegment Transactions	Consolidated Total
Operating revenues:				
Natural gas, oil and NGL sales	$178,990	$—	$—	$178,990
Firm transportation sales, net	2,113	—	—	2,113
Gathering, compression and water distribution	—	1,459	(145)	1,314
Total operating revenues	$181,103	$1,459	$(145)	$182,417
Operating expenses:				
Lease operating	11,853	—	—	11,853
Gathering, compression and transportation	14,616	—	(145)	14,471
Production taxes and impact fees	1,510	—	—	1,510
Exploration	959	—	—	959
Midstream operation and maintenance	—	1,835	—	1,835
Incentive unit expense	70,564	4,712	—	75,276
Stock compensation expense	1,085	131	—	1,216
General and administrative	18,998	7,277	—	26,275
Depreciation, depletion and amortization	56,461	1,598	—	58,059
Amortization of intangible assets	—	340	—	340
Total operating expenses	$176,046	$15,893	$(145)	$191,794
Operating income (loss)	$5,057	$(14,434)	$—	$(9,377)
Capital expenditures for segment assets	$394,293	$47,357	$—	$441,650

As of June 30, 2015: (in thousands)	Exploration and Production	Midstream	Elimination of Intersegment Transactions	Consolidated Total
Segment assets	$3,215,138	$829,855	$(13,787)	$4,031,206
Goodwill	$294,908	$39,142	$—	$334,050

As of December 31, 2014: (in thousands)	Exploration and Production	Midstream	Elimination of Intersegment Transactions	Consolidated Total
Segment assets	$2,935,814	$592,135	$—	$3,527,949
Goodwill	$294,908	$39,142	$—	$334,050

7. Commitments and Contingencies

On October 14, 2013, the Company entered into a Development Agreement and Area of Mutual Interest (“AMI”) Agreement (collectively, the “Utica Development Agreements”) with Gulfport Energy Corporation (“Gulfport”) covering approximately 50,000 aggregate net acres in the Utica Shale in Belmont County, Ohio. Pursuant to the Utica Development Agreements, the Company had approximately 68.7% participating interest in acreage currently owned or to be acquired by the Company or Gulfport located within Goshen and Smith Townships (the “Northern Contract Area”) and an approximately 48.2% participating interest in acreage currently owned or to be acquired by the Company or Gulfport located within Wayne and Washington Townships (the “Southern Contract Area”), each within Belmont County, Ohio. The remaining participating interests are held by Gulfport. The participating interests of the Company and Gulfport in each of the Northern and Southern Contract Areas approximated the Company's then-current relative acreage positions in each area.

The Utica Development Agreements have terms of ten years and are terminable upon 90 days' notice by either party; provided that, with respect to interests included within a drilling unit, such interests shall remain subject to the applicable joint operating agreement and the Company and Gulfport shall remain operators of drilling units located in the Northern and Southern Contract Areas, respectively, following such termination.

The Company has commitments for gathering and firm transportation under existing contracts with third parties. Future payments under these contracts as of June 30, 2015 totaled $4,846.5 million (remainder of 2015 - $49.4 million, 2016 - $117.2 million, 2017 - $136.8 million, 2018 - $197.6 million, 2019 - $222.5 million, 2020 - $222.3 million and thereafter - $3,900.7 million).

The Company has three horizontal and two tophole drilling rigs under contract, of which two expire in 2016, two expire in 2017 and one expires in 2018. Future payments under these contracts as of June 30, 2015 totaled $64.6 million (remainder of 2015 - $21.3 million, 2016 - $28.9 million, 2017 - $12.2 million and 2018 - $2.2 million). Any other rig performing work for the Company is performed on a well-by-well basis and therefore can be released without penalty at the conclusion of drilling on the current well. These types of drilling obligations have not been included in the amounts above. The values above represent the gross amounts that the Company is committed to pay without regard to its proportionate share based on its working interest.

The Company is involved in various litigation matters arising in the normal course of business. Management is not aware of any actions that are expected to have a material adverse effect on its financial position or results of operations.

8. Stockholders' Equity

On January 29, 2014, pursuant to the Master Reorganization Agreement (the "Master Reorganization Agreement") among the Company, Rice Drilling B, Rice Appalachia, Rice Energy Holdings LLC ("Rice Holdings"), Rice Energy Family Holdings, LP ("Rice Partners"), NGP Rice Holdings, LLC ("NGP Holdings"), NGP RE Holdings, L.L.C., ("NGP RE Holdings") NGP RE Holdings II, L.L.C. ("NGP RE II" and, together with NGP RE Holdings, "Natural Gas Partners"), Mr. Daniel J. Rice III, Rice Merger LLC ("Merger Sub") and each of the persons holding incentive units representing interests in Rice Appalachia (collectively, the "Incentive Unitholders") dated as of January 23, 2014, (i) (a) Rice Partners contributed a portion of its interests in Rice Appalachia to Rice Holdings, (b) Natural Gas Partners contributed its interests in Rice Appalachia to NGP Holdings and (c) the Incentive Unitholders contributed a portion of their incentive units to Rice Holdings and NGP Holdings, in each case in return for substantially similar incentive units in such entities; (ii) NGP Holdings, Rice Holdings and Mr. Daniel J. Rice III contributed their respective interests in Rice Appalachia to the Company in exchange for 43,452,550, 20,300,923 and 2,356,844 shares of common stock, respectively; (iii) Rice Partners contributed its remaining interest in Rice Appalachia to the Company in exchange for 20,000,000 shares of common stock; (iv) the Incentive Unitholders contributed their remaining interests in Rice Appalachia to the Company in exchange for 160,831 shares of common stock, each of which were issued by the Company in connection with the closing of the IPO. In connection with the IPO, in the first quarter of 2014, the Company recognized non-cash compensation expense of $3.4 million for these 160,831 shares.

In addition, on January 29, 2014, pursuant to the Agreement and Plan of Merger (the "Merger Agreement") among the Company, Rice Drilling B and Merger Sub dated as of January 23, 2014, the Company issued 1,728,852 shares of common stock to the members of Rice Drilling B (other than Rice Appalachia) in exchange for their units in Rice Drilling B.

In August 2014, the Company completed a public offering (the "August 2014 Equity Offering") of 13,729,650 shares of common stock at $27.30 per share, which included 7,500,000 shares sold by the Company and 6,229,650 shares sold by NGP Holdings and an affiliate of Alpha Natural Resources, Inc. (the "Selling Stockholders"). After deducting underwriting discounts and commissions of $7.7 million and transaction costs, the Company received net proceeds of $196.3 million. The Company received no proceeds from the sale of shares by the Selling Stockholders. The net proceeds from this offering were used to fund a portion of the Company's 2014 capital budget.

On December 22, 2014, the Partnership completed an initial public offering (the "RMP IPO") of 28,750,000 common units representing limited partner interests in the Partnership, which represented 50% of the Partnership's outstanding equity. The Company retained a 50% limited partner interest in the Partnership, consisting of 3,623 common units and

28,753,623 subordinated units. In connection with the RMP IPO, the Company contributed to the Partnership 100% of Rice Poseidon Midstream, LLC (“Rice Poseidon”). A wholly-owned subsidiary of the Company serves as the general partner of the Partnership. The Company continues to consolidate the results of the Partnership and records an income tax provision only as to its ownership percentage. The Company records the noncontrolling interest of the public limited partners in its condensed consolidated financial statements.

On May 12, 2015, the Company and NGP Holdings entered into an Underwriting Agreement (the "Underwriting Agreement") with Goldman, Sachs & Co. and Citigroup Global Markets Inc. (together, the "Underwriters"), relating to the offer and sale by NGP Holdings (the "Secondary Offering") of 6,000,000 shares of common stock at a price to the public of $24.20 per share ($23.99 per share net of underwriting discounts and commissions). The Secondary Offering closed on May 15, 2015. The Company did not receive any proceeds from the sale of shares of common stock by NGP Holdings.

The Company's Board of Directors did not declare or pay a dividend for the three or six months ended June 30, 2015 or 2014. A cash distribution to the Partnership's unitholders of $0.1875 per common and subordinated unit was paid by the Partnership on May 14, 2015 related to the first quarter of 2015. On July 24, 2015, the Board of Directors of the Partnership's general partner declared a cash distribution to the Partnership's unitholders for the second quarter of 2015 of $0.1905 per common and subordinated unit. The cash distribution will be paid on August 13, 2015 to unitholders of record at the close of business on August 4, 2015.

9. Incentive Units

In connection with the IPO and the related corporate reorganization, the Rice Appalachia incentive unit holders contributed their Rice Appalachia incentive units (except for those exchanged for shares of common stock in connection with the extinguishment of an incentive burden attributable to Mr. Daniel J. Rice III) to Rice Holdings and NGP Holdings in return for incentive units in such entities that, in the aggregate, were substantially similar to the Rice Appalachia incentive units they previously held (except with respect to the incentive burden attributable to Mr. Daniel J. Rice III). In the first quarter of 2014, NGP Holdings distribution thresholds with regard to certain classes (tiers) of incentive units were satisfied as a result of NGP Holdings' distribution of net proceeds from its sale of the Company's common stock, and NGP Holdings made cash distributions to its members including holders of incentive units in an aggregate amount of $4.4 million. No payments were made in respect of incentive units prior to the completion of the Company's IPO. These two transactions resulted in non-cash compensation expense of $7.8 million being recorded in the first quarter of 2014 by the Company. As a result of the IPO, the payment likelihood related to the incentive units was deemed probable, requiring the Company to recognize expense.

Total compensation expense relative to these interests was $23.1 million and $46.6 million for the three and six months ended June 30, 2015, respectively, and $1.5 million and $75.3 million for the three and six months ended June 30, 2014, respectively. Of the compensation expense recognized for the three and six months ended June 30, 2015, approximately $1.9 million and $11.1 million, respectively, related to changes in certain service condition assumptions. The Company expects to recognize approximately $52.2 million of additional compensation expense over the remaining expected service period related to the Rice Holdings interests. The NGP Holdings interests are considered a liability-based award and will be adjusted to fair market value on a quarterly basis until all payments have been made. The recognized and unrecognized compensation expense related to the NGP Holdings interests is sensitive to certain assumptions, including the estimated timing of NGP Holdings' sale of the Company's common stock. As of June 30, 2015, the unrecognized compensation expense related to the NGP Holdings units is approximately $24.5 million. The compensation expense related to these interests is treated as additional paid in capital from Rice Holdings and NGP Holdings in our financial statements and is not deductible for federal or state income tax purposes. The compensation expense recognized is a non-cash charge, with the settlement obligation resting on NGP Holdings and Rice Holdings, and as such are not dilutive to Rice Energy Inc.

In August 2014, the triggering event for the Rice Holdings incentive units was achieved. As a result, in August of 2015, 2016 and 2017, Rice Holdings will distribute one third, one half and all, respectively, of its then-remaining assets (consisting solely of shares of the Company's common stock) to its members pursuant to the terms of its limited liability company agreement. As a result, over time, the shares of the Company's common stock held by Rice Holdings will be transferred in their entirety to Rice Energy Irrevocable Trust and the incentive unitholders.

As a result of the Company's August 2014 Equity Offering, NGP Holdings paid approximately $12.0 million to holders of certain NGP Holdings incentive units.

The sale of the Company's stock by NGP Holdings in the Secondary Offering triggered a payment to holders of certain NGP Holdings incentive units in May 2015, which resulted in approximately $26.7 million expense for the three and six months ended June 30, 2015. See Note 8 for a discussion of the Secondary Offering.

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Three tranches of the incentive units have a time vesting feature. A roll forward of those units from December 31, 2014 to June 30, 2015 is included below.

Vested Units Balance, December 31, 2014	1,800,911
Vested During Period	559,590
Forfeited During Period	—
Granted During Period	—
Canceled During Period	—
Vested Units Balance, June 30, 2015	2,360,501

Four tranches of the incentive units do not have a time vesting feature, and their payouts are triggered upon a future payment condition. As such, none of these awards have legally vested as of June 30, 2015. The fair value of the incentive units was estimated using a Monte Carlo simulation valuation model with the following assumptions:

Rice Holdings		
Valuation Date	1/29/2014	
Dividend Yield	0.00	%
Expected Volatility	47.00	%
Risk-Free Rate	1.11	%
Expected Life (Years)	4.0	
Rice Holdings		
Valuation Date	4/14/2014	
Dividend Yield	0.00	%
Expected Volatility	45.19	%
Risk-Free Rate	1.13	%
Expected Life (Years)	3.8	
Rice Holdings		
Valuation Date	4/16/2014	
Dividend Yield	0.00	%
Expected Volatility	44.32	%
Risk-Free Rate	1.18	%
Expected Life (Years)	3.8	
NGP Holdings		
Valuation Date	6/30/2015	
Dividend Yield	0.00	%
Expected Volatility	47.29	%
Risk-Free Rate	0.37	%
Expected Life (Years)	1.25	

10. Stock-Based Compensation

During the year ended December 31, 2014 and the six months ended June 30, 2015, the Company granted stock compensation awards to certain non-employee directors and employees under the Company's long-term incentive plan. The awards consisted of restricted stock units, which vest upon the passage of time, and performance stock units, which vest based upon attainment of specified performance criteria. Stock compensation expense related to these awards was $3.2 million and $5.5 million for the three and six months ended June 30, 2015, respectively, and $1.1 million and $1.2 million for the three and six months ended June 30, 2014, respectively. As of June 30, 2015, the Company has unrecognized compensation expense related to these equity awards of $26.0 million.

Stock compensation expense also includes phantom unit awards granted in connection with the closing of the Partnership's IPO to certain non-employee directors of the Partnership and executive officers and employees of Rice Energy. The Partnership recorded $1.0 million and $2.0 million of stock compensation expense related to these awards in the three and six months ended June 30, 2015, respectively. As of June 30, 2015, the Partnership has unrecognized compensation expense related to these awards of $4.9 million.

11. Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share takes into account the dilutive effect of potential common stock that could be issued by the Company in conjunction with stock awards that have been granted to directors and employees. The following is a calculation of the basic and diluted weighted-average number of shares of common stock outstanding and EPS for the three and six months ended June 30, 2015 and 2014. As indicated in Note 1, the Company's corporate reorganization was considered a transaction amongst entities under common control. Therefore, the weighted average shares used in the Company's EPS calculation assume that the Rice Energy Inc. corporate structure was in place for all periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share data)	2015	2014	2015	2014
Income (numerator):				
Net (loss) income	$(69,683)	$(7,917)	$(69,530)	$121,538
Weighted-average number of shares of common stock (denominator):				
Basic	136,315,882	128,419,606	136,303,914	121,925,915
Diluted	136,315,882	128,419,606	136,303,914	122,255,908
Earnings (loss) per share:				
Basic	$(0.51)	$(0.06)	$(0.51)	$1.00
Diluted	$(0.51)	$(0.06)	$(0.51)	$0.99

For the three and six months ended June 30, 2015, 284,829 and 170,413 shares, respectively, attributable to equity awards were not included in the diluted earnings per share calculation as the Company incurred a net loss for the periods presented herein.

For the three months ended June 30, 2014, 109,593 shares were not considered dilutive as the Company incurred a net loss for the periods presented herein.

12. Income Taxes

The Company is a corporation subject to federal income tax at a statutory rate of 35% of pretax earnings and, as such, its future income taxes will be dependent upon its future taxable income. The Company did not report any income tax benefit or expense for periods prior to the consummation of its IPO because Rice Drilling B, the Company's accounting predecessor, is a limited liability company that was not subject to federal income tax. The reorganization of the Company's business in connection with the closing of the IPO, such that it is now held by a corporation subject to federal income tax, required the recognition of a deferred tax asset or liability for the initial temporary differences at the time of the IPO. The resulting deferred tax liability of approximately $162.3 million was recorded in equity at the date of the completion of the IPO as it represents a transaction among shareholders. Additionally, the pro forma EPS for the six months ended June 30, 2014 disclosed in the accompanying condensed consolidated statements of operations assumes a statutory tax rate.

The Company estimates an annual effective income tax rate based on projected results for the year and applies this rate to income before taxes to calculate income tax expense. All of the Partnership's earnings are included in the Company's net income; however, the Company is not required to record income tax expense with respect to the portion of the Partnership's earnings allocated to its noncontrolling public limited partners, which reduces the Company's effective tax rate. Any refinements made due to subsequent information that affects the estimated annual effective income tax rate are reflected as adjustments in the current period.

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The tax benefit for the three and six months ended June 30, 2015 was $10.0 million and $1.5 million, respectively, resulting in an effective tax rate of approximately 14% and 2%, respectively. A tax benefit of $4.6 million was recorded for the three months ended June 30, 2014, resulting in an effective tax rate of approximately 37%. Tax expense of $4.8 million was recorded for the six months ended June 30, 2014, resulting in an effective tax rate of approximately 4%. The effective tax rate for the three and six months ended June 30, 2015 and 2014 differs from the statutory rate due principally to nondeductible incentive unit expense, pre-tax income prior to the IPO and the portion of the Partnership's earnings allocated to its noncontrolling public limited partners.

Based on management's analysis, the Company did not have any uncertain tax positions as of June 30, 2015.

13. New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU"), No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," or ASU No. 2014-09. The FASB created Topic 606 which supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance throughout the Industry Topics of the Codification. ASU 2014-09 will enhance comparability of revenue recognition practices across entities, industries and capital markets compared to existing guidance. Additionally, ASU 2014-09 will reduce the number of requirements to which an entity must consider in recognizing revenue as this update will replace multiple locations for guidance. The FASB and International Accounting Standards Board initiated this joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for both U.S. GAAP and International Financial Reporting Standards. ASU 2014-09 is effective for fiscal and interim periods beginning after December 15, 2016 and should be applied retrospectively. Early adoption of this standard is not permitted. In July 2015, the FASB deferred the effective date of the ASU to interim and annual periods beginning after December 15, 2017. The Company has not yet selected a transition method and is currently evaluating the standard and the impact on its consolidated financial statements and footnote disclosures.

In February 2015, the FASB issued ASU, 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis." ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for periods beginning after December 15, 2015 with early adoption permitted. The Company is currently evaluating the new guidance and has not determined the impact this standard may have on its financial statements.

In April 2015, the FASB issued ASU, 2015-03, "Interest—Imputation of Interest (Subtopic 835-30): Simplification of Debt Issuance Costs." ASU 2015-03 was issued to simplify the presentation of debt issuance costs by requiring debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. ASU 2015-03 is effective for periods beginning after December 15, 2015 with early adoption permitted. The Company is currently evaluating the impact of the provisions of ASU 2015-03.

14. Subsequent Events

On July 17, 2015, the Company entered into the Fifth Amendment to its Third Amended and Restated Credit Agreement and Amendment to Limited Consent and Second Amendment (the "Fifth Amendment") to its Amended Credit Agreement. The Fifth Amendment expanded the Company's hedging capabilities with respect to physical sales contracts. The Fifth Amendment, among other things, (i) revised the aggregate notional volume limitations for the Company's hedging arrangements contained in the Amended Credit Agreement for the five year period following the date of the Amendment, (ii) provided a limited consent by the lenders to hedge additional volumes of natural gas with respect to calendar months of 2015 in which the Company is not calculated to exceed the notional volume limitations for such month and (iii) allowed the Company to enter into certain sales contracts with its lenders and their affiliates that are secured by the collateral under the Amended Credit Agreement, thereby reducing the Company's need to post letters of credit with respect to certain firm transportation obligations.

15. Guarantor Financial Information

On April 25, 2014, the Company issued $900.0 million in aggregate principal amount of the 2022 Notes and on March 26, 2015, the Company issued $400.0 million in aggregate principal amount of the 2023 Notes. The obligations under the Notes are fully and unconditionally guaranteed by the Guarantors, subject to release provisions described in Note

3. The Company's subsidiaries that constitute its midstream segment, including the Partnership, are unrestricted subsidiaries under the indentures governing the Notes and consequently are not Guarantors. In accordance with positions established by the SEC, the following shows separate financial information with respect to the Company, the Guarantors and the non-guarantor subsidiaries. The principal elimination entries eliminate investment in subsidiaries and certain intercompany balances and transactions.

Condensed Consolidated Balance Sheet as of June 30, 2015

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash	$162,358	$88,732	$5,586	$—	$256,676
Accounts receivable	322	227,853	17,253	—	245,428
Receivable from affiliates	37,082	—	26,424	(63,414)	92
Prepaid expenses and other assets	3,218	2,391	657	—	6,266
Derivative assets	36,668	91,834	—	—	128,502
Total current assets	239,648	410,810	49,920	(63,414)	636,964
Investments in subsidiaries	2,496,157	118,094	—	(2,614,251)	—
Gas collateral account	—	3,995	—	—	3,995
Property, plant and equipment, net	10,193	2,236,277	689,279	(13,255)	2,922,494
Deferred financing costs, net	26,681	—	4,539	—	31,220
Goodwill	—	294,908	39,142	—	334,050
Intangible assets, net	—	—	46,976	—	46,976
Derivative assets	7,900	47,607	—	—	55,507
Total assets	$2,780,579	$3,111,691	$829,856	$(2,690,920)	$4,031,206
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	1,962	64,535	43,878	—	110,375
Royalties payables	—	52,620	—	—	52,620
Accrued capital expenditures	—	77,729	53,448	—	131,177
Accrued interest	17,108	—	140	—	17,248
Leasehold payables	—	14,496	—	—	14,496
Deferred tax liabilities	11,393	40,412	—	—	51,805
Payable to affiliate	—	63,414	—	(63,414)	—
Other accrued liabilities	9,827	33,033	1,812	—	44,672
Total current liabilities	40,290	346,239	99,278	(63,414)	422,393
Long-term liabilities:					
Long-term debt	1,297,033	—	127,000	—	1,424,033
Leasehold payable	—	5,043	—	—	5,043
Deferred tax liabilities	(65,496)	255,239	20,895	—	210,638
Other long-term liabilities	3,091	9,013	2,794	—	14,898
Total liabilities	1,274,918	615,534	249,967	(63,414)	2,077,005
Stockholders' equity before noncontrolling interest	1,505,661	2,496,157	130,893	(2,627,506)	1,505,205
Noncontrolling interest	—	—	448,996	—	448,996
Total liabilities and stockholders' equity	$2,780,579	$3,111,691	$829,856	$(2,690,920)	$4,031,206

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Condensed Consolidated Balance Sheet as of December 31, 2014

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash	$181,835	$41,934	$ 32,361	$—	$256,130
Accounts receivable	1,773	196,974	1,153	—	199,900
Receivable from affiliates	634	55	2,198	(2,799)	88
Prepaid expenses and other assets	1,296	1,702	341	—	3,339
Derivative assets	47,291	85,743	—	—	133,034
Total current assets	232,829	326,408	36,053	(2,799)	592,491
Investments in subsidiaries	2,177,895	86,148	—	(2,264,043)	—
Gas collateral account	—	3,995	—	—	3,995
Property, plant and equipment, net	10,348	1,986,856	464,127	—	2,461,331
Deferred financing costs, net	20,081	—	5,022	—	25,103
Goodwill	—	294,908	39,142	—	334,050
Intangible assets, net	—	—	47,791	—	47,791
Other non-current assets	8,290	54,898	—	—	63,188
Total assets	$2,449,443	$2,753,213	$ 592,135	$(2,266,842)	$3,527,949
Liabilities and stockholders’ equity					
Current liabilities:					
Current portion of long-term debt	$—	$680	$ —	$—	$680
Accounts payable	19,231	101,132	31,966	—	152,329
Royalties payables	—	37,172	—	—	37,172
Accrued capital expenditures	1,515	89,858	16,917	—	108,290
Accrued interest	9,375	—	—	—	9,375
Leasehold payables	—	30,702	—	—	30,702
Deferred tax liabilities	54,688	39,197	—	(39,197)	54,688
Other accrued liabilities	16,652	27,502	2,086	(2,801)	43,439
Total current liabilities	101,461	326,243	50,969	(41,998)	436,675
Long-term liabilities:					
Long-term debt	900,000	—	—	—	900,000
Deferred tax liabilities	12,497	237,155	10,660	(51,094)	209,218
Leasehold payable	—	4,279	—	—	4,279
Other long-term liabilities	3,068	7,641	1,900	—	12,609
Total liabilities	1,017,026	575,318	63,529	(93,092)	1,562,781
Stockholders’ equity before noncontrolling interest	1,432,417	2,177,895	86,148	(2,173,750)	1,522,710
Noncontrolling interest	—	—	442,458	—	442,458
Total liabilities and stockholders’ equity	$2,449,443	$2,753,213	$ 592,135	$(2,266,842)	$3,527,949

Condensed Consolidated Statement of Operations for the Three Months Ended June 30, 2015

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating revenues:					
Natural gas, oil and NGL sales	$—	$100,890	$ —	$—	$100,890
Firm transportation sales, net	—	438	—	—	438
Gathering, compression and water distribution	—	—	34,812	(23,246)	11,566
Total operating revenues	—	101,328	34,812	(23,246)	112,894
Operating expenses:					
Lease operating	—	11,090	—	—	11,090
Gathering, compression and transportation	—	32,691	—	(15,849)	16,842
Production taxes and impact fees	—	1,694	—	—	1,694
Exploration	—	212	144	—	356
Midstream operation and maintenance	—	—	2,801	—	2,801
Incentive unit expense	—	21,885	1,214	—	23,099
Stock compensation expense	—	3,011	1,201	—	4,212
General and administrative	—	16,116	4,309	—	20,425
Depreciation, depletion and amortization	—	73,119	3,553	(532)	76,140
Amortization of intangible assets	—	—	408	—	408
Other expense	—	1,159	839	—	1,998
Total operating expenses	—	160,977	14,469	(16,381)	159,065
Operating (loss) income	—	(59,649)	20,343	(6,865)	(46,171)
Interest expense	(22,381)	(18)	(960)	—	(23,359)
Other income	261	774	—	—	1,035
(Loss) gain on derivative instruments	(4,866)	1,156	—	—	(3,710)
Amortization of deferred financing costs	(1,054)	—	(252)	—	(1,306)
Equity income (loss) in affiliate	(62,845)	912	—	61,933	—
Income (loss) before income taxes	(90,885)	(56,825)	19,131	55,068	(73,511)
Income tax (expense) benefit	9,992	(6,020)	(5,189)	11,209	9,992
Net income (loss)	(80,893)	(62,845)	13,942	66,277	(63,519)
Less: Net loss attributable to the noncontrolling interests	—	—	(6,164)	—	(6,164)
Net income (loss) attributable to Rice Energy	$(80,893)	$(62,845)	$ 7,778	$66,277	$(69,683)

Condensed Consolidated Statement of Operations for the Three Months Ended June 30, 2014

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating revenues:					
Natural gas, oil and NGL sales	$—	$88,524	$ —	$—	$88,524
Firm transportation sales, net	—	2,113	—	—	2,113
Gathering, compression and water distribution	—	—	1,448	(145)	1,303
Total operating revenues	—	90,637	1,448	(145)	91,940
Operating expenses:					
Lease operating	—	6,667	—	—	6,667
Gathering, compression and transportation	—	8,159	—	(145)	8,014
Production taxes and impact fees	—	871	—	—	871
Exploration	—	473	—	—	473
Midstream operation and maintenance	—	126	1,036	—	1,162
Incentive unit expense	—	2,387	(913)	—	1,474
Stock compensation expense	—	994	131	—	1,125
General and administrative	—	8,106	6,739	—	14,845
Depreciation, depletion and amortization	—	31,157	1,395	—	32,552
Amortization of intangible assets	—	—	340	—	340
Total operating expenses	—	58,940	8,728	(145)	67,523
Operating loss	—	31,697	(7,280)	—	24,417
Interest expense	(10,252)	(5,689)	—	—	(15,941)
Other income (expense)	19	(226)	12	—	(195)
Loss on derivative instruments	—	(11,198)	—	—	(11,198)
Amortization of deferred financing costs	(532)	—	—	—	(532)
Loss on extinguishment of debt	—	(3,001)	—	—	(3,001)
Write-off of deferred financing costs	—	(6,060)	—	—	(6,060)
Equity in income (loss) of affiliate	3,629	1,610	—	(5,239)	—
Income (loss) before income taxes	(7,136)	7,133	(7,268)	(5,239)	(12,510)
Income tax (expense) benefit	4,593	(3,504)	8,878	(5,374)	4,593
Net income (loss)	(2,543)	3,629	1,610	(10,613)	(7,917)
Less: Net income attributable to the noncontrolling interests	—	—	—	—	—
Net income (loss) attributable to Rice Energy	$(2,543)	$3,629	$ 1,610	$(10,613)	$(7,917)

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Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2015

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating revenues:					
Natural gas, oil and NGL sales	$—	$197,802	$ —	$—	$197,802
Firm transportation sales, net	—	3,264	—	—	3,264
Gathering, compression and water distribution	—	—	64,259	(42,892)	21,367
Total operating revenues	—	201,066	64,259	(42,892)	222,433
Operating expenses:					
Lease operating	—	22,681	—	—	22,681
Gathering, compression and transportation	—	60,367	—	(29,105)	31,262
Production taxes and impact fees	—	3,148	—	—	3,148
Exploration	—	951	144	—	1,095
Midstream operation and maintenance	—	—	6,132	—	6,132
Incentive unit expense	—	44,383	2,174	—	46,557
Stock compensation expense	—	5,231	2,236	—	7,467
General and administrative	—	29,414	8,500	—	37,914
Depreciation, depletion and amortization	—	132,256	6,997	(532)	138,721
Amortization of intangible assets	—	—	816	—	816
Other expense	—	3,050	839	—	3,889
Total operating expenses	—	301,481	27,838	(29,637)	299,682
Operating (loss) income	—	(100,415)	36,421	(13,255)	(77,249)
Interest expense	(37,806)	(50)	(1,632)	—	(39,488)
Other income	355	832	9	—	1,196
Gain on derivative instruments	9,099	48,558	—	—	57,657
Amortization of deferred financing costs	(1,906)	—	(503)	—	(2,409)
Equity income (loss) in affiliate	(69,570)	60	—	69,510	—
Income (loss) before income taxes	(99,828)	(51,015)	34,295	56,255	(60,293)
Income tax (expense) benefit	1,462	(18,555)	(10,279)	28,834	1,462
Net income (loss)	(98,366)	(69,570)	24,016	85,089	(58,831)
Less: Net loss attributable to the noncontrolling interests	—	—	(10,699)	—	(10,699)
Net income (loss) attributable to Rice Energy	$(98,366)	$(69,570)	$ 13,317	$85,089	$(69,530)

Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2014

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating revenues:					
Natural gas, oil and NGL sales	$—	$178,990	$ —	$—	$178,990
Firm transportation sales, net	—	2,113	—	—	2,113
Gathering, compression and water distribution	—	—	1,459	(145)	1,314
Total operating revenues	—	181,103	1,459	(145)	182,417
Operating expenses:					
Lease operating	—	11,853	—	—	11,853
Gathering, compression and transportation	—	14,616	—	(145)	14,471
Production taxes and impact fees	—	1,510	—	—	1,510
Exploration	—	959	—	—	959
Midstream operation and maintenance	—	515	1,320	—	1,835
Incentive unit expense	—	70,564	4,712	—	75,276