

CABOT OIL & GAS CORP  
Form 10-Q  
April 26, 2019  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2019

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number 1-10447

CABOT OIL & GAS CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE 04-3072771

(State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number)

Three Memorial City Plaza

840 Gessner Road, Suite 1400, Houston, Texas 77024

(Address of principal executive offices including ZIP code)

(281) 589-4600

(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 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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of April 24, 2019, there were 423,286,317 shares of Common Stock, Par Value \$0.10 Per Share, outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## CABOT OIL &amp; GAS CORPORATION

## CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

(In thousands, except share amounts)	March 31, 2019	December 31, 2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$314,889	\$2,287
Accounts receivable, net	220,732	362,403
Income taxes receivable	111,303	109,251
Inventories	18,277	11,076
Derivative instruments	14,246	57,665
Other current assets	744	1,863
Total current assets	680,191	544,545
Properties and equipment, net (Successful efforts method)	3,574,622	3,463,606
Equity method investments	163,964	163,181
Other assets	62,770	27,497
	\$4,481,547	\$4,198,829
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$204,544	\$241,939
Accrued liabilities	27,255	25,227
Interest payable	7,211	20,098
Derivative instruments	1,305	—
Total current liabilities	240,315	287,264
Long-term debt, net	1,219,338	1,226,104
Deferred income taxes	546,559	458,597
Asset retirement obligations	53,701	50,622
Postretirement benefits	28,421	27,912
Other liabilities	72,274	60,171
Total liabilities	2,160,608	2,110,670
Commitments and contingencies		
Stockholders' equity		
Common stock:		
Authorized — 960,000,000 shares of \$0.10 par value in 2019 and 2018, respectively		
Issued — 476,776,955 shares and 476,094,551 shares in 2019 and 2018, respectively	47,678	47,610
Additional paid-in capital	1,762,861	1,763,142
Retained earnings	1,840,816	1,607,658
Accumulated other comprehensive income	4,300	4,437
Less treasury stock, at cost:		
53,409,705 shares and 53,409,705 shares in 2019 and 2018, respectively	(1,334,716 )	(1,334,688 )
Total stockholders' equity	2,320,939	2,088,159
	\$4,481,547	\$4,198,829

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

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## CABOT OIL &amp; GAS CORPORATION

## CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

(In thousands, except per share amounts)	Three Months Ended	
	March 31,	
	2019	2018
<b>OPERATING REVENUES</b>		
Natural gas	\$633,174	\$412,108
Crude oil and condensate	—	48,722
Gain on derivative instruments	8,257	5,577
Brokered natural gas	—	4,950
Other	250	1,870
	641,681	473,227
<b>OPERATING EXPENSES</b>		
Direct operations	18,334	20,070
Transportation and gathering	137,333	112,125
Brokered natural gas	—	4,950
Taxes other than income	5,847	7,190
Exploration	6,044	3,617
Depreciation, depletion and amortization	92,258	82,128
General and administrative	31,090	24,060
	290,906	254,140
Earnings (loss) on equity method investments	3,684	(994 )
Loss on sale of assets	(1,500 )	(41,049 )
<b>INCOME FROM OPERATIONS</b>	<b>352,959</b>	<b>177,044</b>
Interest expense, net	12,181	20,058
Other expense	144	114
Income before income taxes	340,634	156,872
Income tax expense	77,871	39,641
<b>NET INCOME</b>	<b>\$262,763</b>	<b>\$117,231</b>
<b>Earnings per share</b>		
Basic	\$0.62	\$0.26
Diluted	\$0.62	\$0.25
<b>Weighted-average common shares outstanding</b>		
Basic	423,116	459,715
Diluted	425,189	461,549
Dividends per common share	\$0.07	\$0.06

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

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## CABOT OIL &amp; GAS CORPORATION

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Three Months Ended	
	March 31,	
(In thousands)	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$262,763	\$117,231
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	92,258	82,128
Deferred income tax expense	88,002	64,287
Loss on sale of assets	1,500	41,049
Exploratory dry hole cost	13	(60 )
Gain on derivative instruments	(8,257 )	(5,577 )
Net cash received (paid) in settlement of derivative instruments	52,980	(26,131 )
(Earnings) loss on equity method investments	(3,684 )	994
Distribution of earnings from equity method investments	4,729	—
Amortization of debt issuance costs	1,089	1,195
Stock-based compensation and other	14,474	5,184
Changes in assets and liabilities:		
Accounts receivable, net	141,671	50,216
Income taxes	6,786	(24,646 )
Inventories	(7,201 )	(4,309 )
Other current assets	1,119	1,023
Accounts payable and accrued liabilities	(27,934 )	(14,169 )
Interest payable	(12,887 )	(15,318 )
Other assets and liabilities	(22,134 )	(337 )
Net cash provided by operating activities	585,287	272,760
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(195,650 )	(156,257 )
Proceeds from sale of assets	2,346	646,545
Investment in equity method investments	(1,828 )	(35,418 )
Net cash provided by (used in) investing activities	(195,132 )	454,870
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings from debt	95,000	—
Repayments of debt	(102,000 )	—
Treasury stock repurchases	(31,378 )	(207,134 )
Dividends paid	(29,605 )	(27,647 )
Tax withholdings on vesting of stock awards	(9,570 )	(7,968 )
Net cash used in financing activities	(77,553 )	(242,749 )
Net increase in cash and cash equivalents	312,602	484,881
Cash and cash equivalents, beginning of period	2,287	480,047
Cash and cash equivalents, end of period	\$314,889	\$964,928

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

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## CABOT OIL &amp; GAS CORPORATION

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

(In thousands, except per share amounts)	Common Shares	Common Stock Par	Treasury Shares	Treasury Stock	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2018	476,095	\$47,610	53,410	\$(1,334,688)	\$1,763,142	\$4,437	\$1,607,658	\$2,088,159
Net income	—	—	—	—	—	—	262,763	262,763
Stock amortization and vesting	682	68	—	—	(281)	—	—	(213)
Purchase of treasury stock	—	—	—	(28)	—	—	—	(28)
Cash dividends at \$0.07 per share	—	—	—	—	—	—	(29,605)	(29,605)
Other comprehensive income	—	—	—	—	—	(137)	—	(137)
Balance at March 31, 2019	476,777	\$47,678	53,410	\$(1,334,716)	\$1,762,861	\$4,300	\$1,840,816	\$2,320,939

(In thousands, except per share amounts)	Common Shares	Common Stock Par	Treasury Shares	Treasury Stock	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2017	475,547	\$47,555	14,936	\$(430,576)	\$1,742,419	\$2,077	\$1,162,430	\$2,523,905
Net income	—	—	—	—	—	—	117,231	117,231
Stock amortization and vesting	534	53	—	—	249	—	—	302
Purchase of treasury stock	—	—	8,328	(207,135)	—	—	—	(207,135)
Cash dividends at \$0.06 per share	—	—	—	—	—	—	(27,647)	(27,647)
Other comprehensive income	—	—	—	—	—	306	—	306
Cumulative impact from accounting change	—	—	—	—	—	—	(446)	(446)
Balance at March 31, 2018	476,081	\$47,608	23,264	\$(637,711)	\$1,742,668	\$2,383	\$1,251,568	\$2,406,516

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

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CABOT OIL & GAS CORPORATION

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Financial Statement Presentation

During interim periods, Cabot Oil & Gas Corporation (the Company) follows the same accounting policies disclosed in its Annual Report on Form 10-K for the year ended December 31, 2018 (Form 10-K) filed with the Securities and Exchange Commission (SEC). The interim financial statements should be read in conjunction with the notes to the consolidated financial statements and information presented in the Form 10-K. In management's opinion, the accompanying interim condensed consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments, necessary for a fair statement. The results for any interim period are not necessarily indicative of the expected results for the entire year.

Recently Adopted Accounting Pronouncements

Leases. In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). The new lease guidance supersedes Topic 840. The core principle of the guidance is that entities should recognize the assets and liabilities that arise from leases. This ASU does not apply to leases to explore for or use minerals, oil, natural gas and similar nonregenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. In July 2018, the FASB issued ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, which provides entities with an optional transition method that permits an entity to initially apply the new lease standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The guidance is effective for interim and annual periods beginning after December 15, 2018. This ASU is to be adopted using a modified retrospective approach. The Company adopted this guidance effective January 1, 2019 by applying the optional transition approach as of the beginning of the period of adoption. Comparative periods, including the disclosures related to those periods, were not restated.

On the adoption date, the Company elected the following practical expedients which are provided in the lease standard:

- an election not to apply the recognition requirements in the lease standard to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not contain a purchase option that the Company is reasonably certain to exercise);
- a package of practical expedients to not reassess whether a contract is or contains a lease, lease classification and initial direct costs;
- a practical expedient to use hindsight when determining the lease term;
- a practical expedient that permits combining lease and non-lease components in a contract and accounting for the combination as a lease (elected by asset class); and
- a practical expedient to not reassess certain land easements in existence prior to January 1, 2019.

On January 1, 2019, the Company recognized a right of use asset for operating leases and an operating lease liability of \$44.6 million, representing the present value of the future minimum lease payment obligations associated with office leases, drilling rig commitments, surface use agreements and other leases. The adoption of this guidance did not have an impact on the Company's results of operations or cash flows.

Refer to Note 8 for more details regarding leases.

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## 2. Properties and Equipment, Net

Properties and equipment, net are comprised of the following

(In thousands)	March 31, 2019	December 31, 2018
Proved oil and gas properties	\$5,919,534	\$5,717,145
Unproved oil and gas properties	186,590	194,435
Land, building and other equipment	94,305	94,797
	6,200,429	6,006,377
Accumulated depreciation, depletion and amortization	(2,625,807 )	(2,542,771 )
	\$3,574,622	\$3,463,606

At March 31, 2019, the Company did not have any projects that had exploratory well costs capitalized for a period of greater than one year after drilling.

## 3. Equity Method Investments

The Company holds a 25 percent equity interest in Constitution Pipeline Company, LLC (Constitution) and a 20 percent equity interest in Meade Pipeline Co LLC (Meade). Activity related to these equity method investments is as follows:

(In thousands)	Constitution		Meade		Total	
	2019	2018	2019	2018	2019	2018
Balance at beginning of period	\$—	\$732	\$163,181	\$85,345	\$163,181	\$86,077
Contributions	250	250	1,578	35,168	1,828	35,418
Distributions	—	—	(4,729 )	—	(4,729 )	—
Earnings (loss) on equity method investments	(250)	(982 )	3,934	(12 )	3,684	(994 )
Balance at end of period	\$—	\$—	\$163,964	\$120,501	\$163,964	\$120,501

For further information regarding the Company's equity method investments, refer to Note 4 of the Notes to the Consolidated Financial Statements in the Form 10-K.

## 4. Debt and Credit Agreements

The Company's debt and credit agreements consisted of the following:

(In thousands)	March 31, 2019	December 31, 2018
Total debt		
6.51% weighted-average senior notes	\$124,000	\$124,000
5.58% weighted-average senior notes	175,000	175,000
3.65% weighted-average senior notes	925,000	925,000
Revolving credit facility	—	7,000
Unamortized debt issuance costs	(4,662 )	(4,896 )
	\$1,219,338	\$1,226,104

The borrowing base under the terms of the Company's revolving credit facility is redetermined annually in April. In addition, either the Company or the banks may request an interim redetermination twice a year or in connection with certain acquisitions or divestitures of oil and gas properties. At March 31, 2019, the Company had no borrowings outstanding under its revolving credit facility and had unused commitments of \$1.8 billion.

At March 31, 2019, the Company was in compliance with all restrictive financial covenants for both its revolving credit facility and senior notes.



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Subsequent Event

On April 22, 2019, the Company entered into a second amended and restated credit agreement (the amended and restated credit agreement). The borrowing base under the amended and restated credit agreement remained unchanged at \$3.2 billion, while the available commitments were reduced to \$1.5 billion. The maximum revolving credit available to the Company is the lesser of the available commitments or the difference of the borrowing base less the outstanding senior notes.

Interest rates under the amended and restated credit agreement are based on LIBOR or ABR indications, plus a margin which ranges from 50 to 125 basis points for ABR loans and 150 to 225 basis points for LIBOR loans when not in an Investment Grade Period (as defined in the amended and restated credit agreement) and from 12.5 to 75 basis points for ABR loans and 112.5 to 175 basis points for LIBOR loans during an Investment Grade Period. The commitment fee on the unused available credit is calculated at annual rates ranging from 30 basis points to 42.5 basis points when not in an Investment Grade Period and from 12.5 to 27.5 basis points during an Investment Grade Period. All other terms and conditions of the amended and restated credit agreement are generally consistent with the Company's existing revolving credit facility, including debt covenants, which remain unchanged. The new revolving credit facility matures in April 2024. The maturity date can be extended by one year upon the agreement of the Company and lenders holding at least 50 percent of the commitments under the new revolving credit facility.

There are currently no borrowings outstanding under the amended and restated credit agreement.

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## 5. Derivative Instruments

As of March 31, 2019, the Company had the following outstanding financial commodity derivatives:

Type of Contract	Volume (Mmbtu)	Contract Period	Swaps Weighted-Average (\$/Mmbtu)	Basis Swaps Weighted-Average (\$/Mmbtu)
Natural gas (IFERC TRANSCO Z6 non-NY)	8,250,000	Apr. 2019 - Dec. 2019		\$ 0.41
Natural gas (IFERC TRANSCO Z6 non-NY)	32,100,000	Apr. 2019 - Oct. 2019	\$ 2.61	
Natural gas (IFERC TRANSCO Leidy Line Receipts)	41,250,000	Apr. 2019 - Dec. 2019		\$ (0.53 )
Natural gas (NYMEX)	74,900,000	Apr. 2019 - Oct. 2019	\$ 2.85	
Natural gas (NYMEX)	82,500,000	Apr. 2019 - Dec. 2019	\$ 2.81	

## Effect of Derivative Instruments on the Condensed Consolidated Balance Sheet

(In thousands)	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
Commodity contracts	Derivative instruments (current)	\$ 14,246	\$ 57,665	\$ 1,305	\$ —
		\$ 14,246	\$ 57,665	\$ 1,305	\$ —

## Offsetting of Derivative Assets and Liabilities in the Condensed Consolidated Balance Sheet

(In thousands)	March 31, 2019	December 31, 2018
Derivative assets		
Gross amounts of recognized assets	\$ 18,824	\$ 60,105
Gross amounts offset in the statement of financial position	(4,578 )	(2,440 )
Net amounts of assets presented in the statement of financial position	14,246	57,665
Gross amounts of financial instruments not offset in the statement of financial position	—	—
Net amount	\$ 14,246	\$ 57,665

## Derivative liabilities

Gross amounts of recognized liabilities	\$ 5,883	\$ 2,440
Gross amounts offset in the statement of financial position	(4,578 )	(2,440 )
Net amounts of liabilities presented in the statement of financial position	1,305	—
Gross amounts of financial instruments not offset in the statement of financial position	—	—
Net amount	\$ 1,305	\$ —

## Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

(In thousands)	Three Months Ended March 31,	
	2019	2018
Cash received (paid) on settlement of derivative instruments		
Gain (loss) on derivative instruments	\$52,980	\$(26,131)
Non-cash gain (loss) on derivative instruments		
Gain (loss) on derivative instruments	(44,723 )	31,708
	\$8,257	\$5,577

## 6. Fair Value Measurements

The Company follows the authoritative guidance for measuring fair value of assets and liabilities in its financial statements. For further information regarding the fair value hierarchy, refer to Note 1 of the Notes to the Consolidated

Financial Statements in the Form 10-K.

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## Financial Assets and Liabilities

The following fair value hierarchy table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis:

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2019
<b>Assets</b>				
Deferred compensation plan	\$ 16,818	\$ —	\$ —	\$16,818
Derivative instruments	—	9,616	9,208	18,824
Total assets	\$ 16,818	\$ 9,616	\$ 9,208	\$35,642
<b>Liabilities</b>				
Deferred compensation plan	\$ 29,758	\$ —	\$ —	\$29,758
Derivative instruments	—	1,291	4,592	5,883
Total liabilities	\$ 29,758	\$ 1,291	\$ 4,592	\$35,641
(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
<b>Assets</b>				
Deferred compensation plan	\$ 14,699	\$ —	\$ —	\$ 14,699
Derivative instruments	—	35,689	24,416	60,105
Total assets	\$ 14,699	\$ 35,689	\$ 24,416	\$ 74,804
<b>Liabilities</b>				
Deferred compensation plan	\$ 25,780	\$ —	\$ —	\$ 25,780
Derivative instruments	—	—	2,440	2,440
Total liabilities	\$ 25,780	\$ —	\$ 2,440	\$ 28,220

The Company's investments associated with its deferred compensation plan consist of mutual funds and deferred shares of the Company's common stock that are publicly traded and for which market prices are readily available. The derivative instruments were measured based on quotes from the Company's counterparties or internal models. Such quotes and models have been derived using an income approach that considers various inputs including current market and contractual prices for the underlying instruments, quoted forward commodity prices, basis differentials, volatility factors and interest rates, such as a LIBOR curve for a similar length of time as the derivative contract term as applicable. Estimates are derived from or verified using relevant NYMEX futures contracts and/or are compared to multiple quotes obtained from counterparties for reasonableness. The determination of the fair values presented above also incorporates a credit adjustment for non-performance risk. The Company measured the non-performance risk of its counterparties by reviewing credit default swap spreads for the various financial institutions with which it has derivative transactions while non-performance risk of the Company is evaluated using a market credit spread provided by the Company's bank. The Company has not incurred any losses related to non-performance risk of its counterparties and does not anticipate any material impact on its financial results due to non-performance by third parties.

The most significant unobservable inputs relative to the Company's Level 3 derivative contracts are basis differentials. An increase (decrease) in these unobservable inputs would result in an increase (decrease) in fair value, respectively. The Company does not have access to the specific assumptions used in its counterparties' valuation models. Consequently, additional disclosures regarding significant Level 3 unobservable inputs were not provided.

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The following table sets forth a reconciliation of changes in the fair value of financial assets and liabilities classified as Level 3 in the fair value hierarchy:

(In thousands)	Three Months Ended March 31,	
	2019	2018
Balance at beginning of period	\$21,976	\$(28,398)
Total gain (loss) included in earnings	4,716	6,628
Settlement (gain) loss	(22,076 )	21,755
Balance at end of period	\$4,616	\$(15 )

Change in unrealized gains (losses) relating to assets and liabilities still held at the end of the period \$(1,067 ) \$2,217

There were no transfers between Level 1 and Level 2 fair value measurements for the three months ended March 31, 2019 and 2018.

**Non-Financial Assets and Liabilities**

The Company discloses or recognizes its non-financial assets and liabilities, such as impairments or acquisitions, at fair value on a nonrecurring basis. As none of the Company's other non-financial assets and liabilities were measured at fair value as of March 31, 2019, additional disclosures were not required.

The estimated fair value of the Company's asset retirement obligations at inception is determined by utilizing the income approach by applying a credit-adjusted risk-free rate, which takes into account the Company's credit risk, the time value of money, and the current economic state to the undiscounted expected abandonment cash flows. Given the unobservable nature of the inputs, the measurement of the asset retirement obligations was classified as Level 3 in the fair value hierarchy.

**Fair Value of Other Financial Instruments**

The estimated fair value of other financial instruments is the amount at which the instrument could be exchanged currently between willing parties. The carrying amount reported in the Condensed Consolidated Balance Sheet for cash and cash equivalents approximates fair value due to the short-term maturities of these instruments. Cash and cash equivalents are classified as Level 1 in the fair value hierarchy and the remaining financial instruments are classified as Level 2.

The Company uses available market data and valuation methodologies to estimate the fair value of debt. The fair value of debt is the estimated amount the Company would have to pay a third party to assume the debt, including a credit spread for the difference between the issue rate and the period end market rate. The credit spread is the Company's default or repayment risk. The credit spread (premium or discount) is determined by comparing the Company's senior notes and revolving credit facility to new issuances (secured and unsecured) and secondary trades of similar size and credit statistics for both public and private debt. The fair value of all senior notes and the revolving credit facility is based on interest rates currently available to the Company. The Company's debt is valued using an income approach and classified as Level 3 in the fair value hierarchy.

The carrying amount and fair value of debt is as follows:

(In thousands)	March 31, 2019		December 31, 2018	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt	\$1,219,338	\$1,216,612	\$1,226,104	\$1,202,994

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## 7. Asset Retirement Obligations

Activity related to the Company's asset retirement obligations is as follows:

(In thousands)	Three Months Ended March 31, 2019
Balance at beginning of period <sup>(1)</sup>	\$51,622
Liabilities incurred	2,350
Liabilities settled	(79 )
Liabilities divested	(187 )
Accretion expense	995
Balance at end of period <sup>(1)</sup>	\$54,701

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<sup>(1)</sup> Includes \$1.0 million of current asset retirement obligations included in accrued liabilities at March 31, 2019 and December 31, 2018.

## 8. Commitments and Contingencies

## Contractual Obligations

The Company has various contractual obligations in the normal course of its operations. There have been no material changes to the Company's contractual obligations described under "Transportation and Gathering Agreements" as disclosed in Note 9 of the Notes to Consolidated Financial Statements in the Form 10-K.

## Lease Commitments (Topic 840)

Future minimum rental commitments under non-cancelable leases in effect at