Rice Energy Inc.
Form 10-Q
August 04, 2016

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, 2016
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from_______ to_______
Commission File Number: 001-36273
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.)
2200 Rice Drive Canonsburg, Pennsylvania	15317
(Address of principal executive offices)	(Zip code)

(724) 271-7200
(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 þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨Yes þNo

Number of shares of the registrant’s common stock outstanding at August 2, 2016: 156,584,875 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 (the "Securities Act"), 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 "could," "may," "assume," "forecast," "position," "predict," "strategy," "expect," "int "estimate," "anticipate," "believe," "project," "budget," "potential," or "continue," and similar expressions are intended to iden 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" included in our Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Annual Report") on file with the Securities and Exchange Commission (the "SEC").

Forward-looking statements may include statements about:

- our business strategy;
- our reserves;
- our financial strategy, liquidity and capital required for our development program;
- realized natural gas, natural gas liquid ("NGL") and oil prices;
- timing and amount of future production of natural gas, NGLs and oil;
- our hedging strategy and results;
- our future drilling plans;
- competition and government regulations;
- pending legal or environmental matters;
- our marketing of natural gas, NGLs and oil;
- our leasehold or business acquisitions;
- costs of developing our properties and conducting our gathering and other midstream operations;
- operations of Rice Midstream Partners LP;
- monetization transactions, including asset sales to 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; risks relating to joint venture operations; and the other risks described under the heading "Item 1A. Risk Factors" in our 2015 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;
- “Rice Drilling B” refers to Rice Drilling B LLC, a wholly-owned subsidiary of Rice Energy;
- the “Partnership” refers 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 subsidiary of Rice Energy; and
- “GP Holdings” refers to Rice Midstream GP Holdings LP, a subsidiary of Rice Energy.

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

(in thousands)	June 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash	$565,514	$151,901
Accounts receivable	175,523	154,814
Prepaid expenses and other	7,348	5,488
Derivative assets	31,720	186,960
Total current assets	780,105	499,163
Gas collateral account	4,107	4,077
Property, plant and equipment, net	3,514,759	3,243,131
Deferred financing costs, net	8,114	8,811
Goodwill	39,142	39,142
Intangible assets, net	45,349	46,159
Derivative assets	13,334	105,945
Other non-current assets	1,969	2,670
Total assets	$4,406,879	$3,949,098
Liabilities, mezzanine equity and stockholders' equity		
Current liabilities:		
Accounts payable	$19,470	$83,553
Royalties payable	41,186	40,572
Accrued capital expenditures	79,362	79,747
Accrued interest	14,248	14,337
Leasehold payable	8,295	17,338
Other accrued liabilities	70,964	64,794
Total current liabilities	233,525	300,341
Long-term liabilities:		
Long-term debt	1,302,684	1,435,790
Leasehold payable	2,803	6,289
Deferred tax liabilities	145,117	271,988
Derivative instruments	24,327	16,344
Other long-term liabilities	20,583	13,878
Total liabilities	1,729,039	2,044,630
Mezzanine equity:		
Redeemable noncontrolling interest, net (Note 8)	372,861	—
Stockholders' equity:		
Common stock, $0.01 par value; authorized - 650,000,000 shares; issued and outstanding - 156,565,557 shares and 136,387,194 shares, respectively	1,566	1,364
Preferred stock, $0.01 par value; authorized - 50,000,000 shares; none issued	—	—

Additional paid in capital	1,760,277	1,416,523
Accumulated deficit	(312,264)	(137,990)
Stockholders' equity before noncontrolling interest	1,449,579	1,279,897
Noncontrolling interests in consolidated subsidiaries	855,400	624,571
Total liabilities, mezzanine equity and stockholders' equity	$4,406,879	$3,949,098

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

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

(in thousands, except share data)	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Operating revenues:				
Natural gas, oil and natural gas liquids sales	$122,312	$100,890	$234,754	$197,802
Gathering, compression and water distribution	23,728	11,566	48,280	21,367
Other revenue	9,958	438	12,906	3,264
Total operating revenues	155,998	112,894	295,940	222,433
Operating expenses:				
Lease operating [1]	9,038	11,090	20,109	22,681
Gathering, compression and transportation	27,169	16,842	55,301	31,262
Production taxes and impact fees	2,659	1,694	4,310	3,148
Exploration	5,548	356	6,538	1,095
Midstream operation and maintenance	4,555	2,801	14,177	6,132
Incentive unit expense	14,840	23,099	38,982	46,557
Acquisition expense	84	—	556	—
Impairment of fixed assets	—	—	2,595	—
General and administrative [1]	29,272	24,637	54,145	45,381
Depreciation, depletion and amortization	84,752	76,140	163,937	138,721
Amortization of intangible assets	403	408	811	816
Other expense	11,457	1,998	15,648	3,889
Total operating expenses	189,777	159,065	377,109	299,682
Operating loss	(33,779)	(46,171)	(81,169)	(77,249)
Interest expense	(24,802)	(23,359)	(49,323)	(39,488)
Other income	2,549	1,035	2,762	1,196
(Loss) gain on derivative instruments	(201,555)	(3,710)	(131,376)	57,657
Amortization of deferred financing costs	(1,618)	(1,306)	(3,169)	(2,409)
Loss before income taxes	(259,205)	(73,511)	(262,275)	(60,293)
Income tax benefit	120,496	9,992	126,871	1,462
Net loss	(138,709)	(63,519)	(135,404)	(58,831)
Less: Net income attributable to noncontrolling interests	(17,977)	(6,164)	(38,870)	(10,699)
Net loss attributable to Rice Energy Inc.	(156,686)	(69,683)	(174,274)	(69,530)
Less: Preferred dividends and accretion on redeemable noncontrolling interests	(7,944)	—	(11,402)	—
Net loss attributable to Rice Energy Inc. common stockholders	$(164,630)	$(69,683)	$(185,676)	$(69,530)
Weighted average number of shares of common stock—basic	153,203,901	136,315,882	144,811,902	136,303,914
Weighted average number of shares of common stock—diluted	153,203,901	136,315,882	144,811,902	136,303,914
Loss per share—basic	$(1.07)	$(0.51)	$(1.28)	$(0.51)
Loss per share—diluted	$(1.07)	$(0.51)	$(1.28)	$(0.51)

(1) Stock-based compensation expense of $0.1 million and $6.1 million is included in lease operating and general and administrative expense, respectively, for the three months ended June 30, 2016, and $4.2 million is included general and administrative expense for the three months ended June 30, 2015. Stock-based compensation expense of $0.2 million and $10.8 million is included in lease operating and general and administrative expense, respectively, for the six months ended June 30, 2016, and $7.5 million is included general and administrative expense for the six months ended June 30, 2015. See Note 12 for additional information.

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

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

(in thousands)	Six Months Ended June 30, 2016	2015
Cash flows from operating activities:		
Net loss	$(135,404)	$(58,831)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	163,937	138,721
Amortization of deferred financing costs	3,169	2,409
Amortization of intangibles	811	816
Exploration	6,538	1,095
Incentive unit expense	38,982	46,557
Stock compensation expense	10,789	7,467
Impairment of fixed assets	2,595	—
Derivative instruments fair value loss (gain)	131,376	(57,657)
Cash receipts for settled derivatives	133,205	69,870
Deferred income benefit	(126,871)	(1,462)
Changes in operating assets and liabilities:		
Increase in accounts receivable	(21,995)	(45,531)
Increase in prepaid expenses and other assets	(530)	(2,912)
Decrease in accounts payable	(4,894)	(19,171)
Increase in accrued liabilities and other	572	8,114
Increase in royalties payable	614	15,448
Net cash provided by operating activities	202,894	104,933
Cash flows from investing activities:		
Capital expenditures for property and equipment	(484,529)	(622,797)
Acquisition of midstream assets	(7,744)	—
Proceeds from sale of interest in gas properties	—	10,201
Net cash used in investing activities	(492,273)	(612,596)
Cash flows from financing activities:		
Proceeds from borrowings	120,000	538,932
Repayments of debt obligations	(255,690)	(16,091)
Shares of common stock issued in April 2016 offering, net of offering costs	311,764	—
Common units issued in the Partnership’s June 2016 offering, net of offering costs	164,150	—
Common units issued in the Partnership’s ATM program, net of offering costs	15,782	—
Debt issuance costs	(669)	(8,526)
Offering costs related to the Partnership’s IPO	—	(129)
Distributions to the Partnership’s public unitholders	(17,636)	(5,977)
Proceeds from issuance of redeemable noncontrolling interests, net of offering costs	368,767	—
Preferred dividends to redeemable noncontrolling interest holders	(3,576)	—
Proceeds from conversion of warrants	100	—
Net cash provided by financing activities	702,992	508,209

Net increase in cash	413,613	546
Cash at the beginning of the year	151,901	256,130
Cash at the end of the period	$565,514	$256,676

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	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 (loss)	—	—	(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
Balance, January 1, 2016	$ 1,364	$ 1,416,523	$ (137,990)	$ 1,279,897	$ 624,571	$ 1,904,468
Incentive unit compensation	—	38,982	—	38,982	—	38,982
Stock compensation	—	9,151	—	9,151	2,070	11,221
Issuance of common stock upon vesting of stock compensation awards, net of tax withholdings	2	(1,459)	—	(1,457)	—	(1,457)
Issuance of phantom units upon vesting of equity-based compensation, net of tax withholdings	—	(3,182)	—	(3,182)	2,063	(1,119)
Shares of common stock issued in April 2016 offering, net of offering costs	200	311,564	—	311,764	—	311,764
Conversion of warrants into shares of common stock	—	100	—	100	—	100
Preferred dividends on redeemable noncontrolling interest	—	(10,719)	—	(10,719)	—	(10,719)
Accretion of redeemable noncontrolling interest	—	(683)	—	(683)	—	(683)
Common units issued pursuant to the Partnership in June 2016 offering, net of offering costs	—	—	—	—	164,150	164,150
Common units issued pursuant to the Partnership's ATM program, net of offering costs	—	—	—	—	15,782	15,782
Contribution from noncontrolling interest	—	—	—	—	25,530	25,530
Distributions to the Partnership's public unitholders	—	—	—	—	(17,636)	(17,636)
Consolidated net (loss) income	—	—	(174,274)	(174,274)	38,870	(135,404)
Balance, June 30, 2016	$ 1,566	$ 1,760,277	$ (312,264)	$ 1,449,579	$ 855,400	$ 2,304,979

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 and Principles of Consolidation

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 (the “Securities Act”), 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, 2016 and December 31, 2015 and its condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015 and of cash flows for the six months ended June 30, 2016 and 2015.

The accompanying condensed consolidated financial statements include the financial results of the Company, its wholly-owned subsidiaries and certain variable interest entities in which the Company is the primary beneficiary. See Note 11 for additional discussion of variable interest entities.

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, 2015, as filed with the Securities and Exchange Commission (“SEC”) by the Company in its Annual Report on Form 10-K (the “2015 Annual Report”). Certain prior period financial statement amounts have been reclassified to conform to current period presentation. All intercompany transactions have been eliminated in consolidation.

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, 2016 and December 31, 2015 are detailed below.

(in thousands)	June 30, 2016	December 31, 2015
Joint interest	$90,563	$ 76,985
Natural gas sales	72,825	71,512
Other	12,135	6,317
Total accounts receivable	$175,523	$ 154,814

3. Long-Term Debt

Long-term debt consists of the following as of June 30, 2016 and December 31, 2015:

(in thousands)	June 30, 2016	December 31, 2015
Long-term Debt		
Senior Notes Due 2022, net of deferred finance costs of $13,150 and $14,316, respectively [a]	$886,850	$ 885,684
Senior Notes Due 2023, net of deferred finance costs of $6,578 and $7,117, respectively [b]	390,834	390,106
Senior Secured Revolving Credit Facility [c]	—	—
Midstream Holdings Revolving Credit Facility [d]	25,000	17,000
RMP Revolving Credit Facility [e]	—	143,000
Total long-term debt	$1,302,684	$ 1,435,790

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, 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 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, 2016, the Company recorded $0.1 million and $0.2 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 completed an exchange of the 2023 Notes for registered notes that have substantially identical terms as the 2023 Notes.

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 Company's Guarantors.

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. In April 2014, the Company, as borrower, and Rice Drilling B LLC ("Rice Drilling B"), as predecessor borrower, amended and restated the credit agreement governing the Senior Secured Revolving Credit Facility (the "Amended Credit Agreement") to, among other things, assign all of the rights and obligations of Rice Drilling B as borrower under the Senior Secured Revolving Credit Facility to the Company.

On May 16, 2016, following a semi-annual redetermination of the Senior Secured Revolving Credit Facility's borrowing base, the Company entered into an amendment to the Senior Secured Revolving Credit Facility to increase the borrowing base from $750.0 million to $875.0 million (the "Eighth Amendment"). The Eighth Amendment also established aggregate elected commitment amounts, which were $750.0 million as of the Eighth Amendment effective date. The next redetermination of the borrowing base is expected to occur in October 2016.

As of June 30, 2016, the borrowing base was $875.0 million (with a $750.0 million lender commitment amount) and the sublimit for letters of credit was $250.0 million. The Company had zero borrowings outstanding and $214.4 million in letters of credit outstanding under the Amended Credit Agreement as of June 30, 2016, resulting in availability of $535.6 million. 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 also contains certain financial covenants and customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Amended Credit Agreement to be immediately due and payable. The Company was in compliance with its covenants and ratios effective as of June 30, 2016.

Midstream Holdings Revolving Credit Facility (d)

On December 22, 2014, Rice Midstream Holdings LLC ("Midstream Holdings") 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, 2016, Midstream Holdings had $25.0 million of borrowings outstanding and no letters of credit under this facility. The average daily outstanding balance of the credit facility was approximately $20.8 million, and interest was incurred on the facility at a weighted average interest rate of 2.8% through June 30, 2016. The credit facility is available to fund working capital requirements and capital expenditures and to purchase assets. The maturity date of the Midstream Holdings Revolving Credit Facility is 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 Midstream Holdings Revolving Credit

Facility, 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. 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 also contains certain financial covenants and customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Midstream Holdings Revolving Credit Facility to be immediately due and payable. Midstream Holdings was in compliance with its covenants and ratios effective as of June 30, 2016.

RMP Revolving Credit Facility (e)

On December 22, 2014, Rice Midstream OpCo LLC (“Rice Midstream OpCo”), a wholly-owned subsidiary of Rice Midstream Partners LP (the “Partnership”), 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, 2016, Rice Midstream OpCo had no borrowings outstanding and no letters of credit under this facility. The average daily outstanding balance of the credit facility was approximately $144.7 million and interest was incurred on the facility at a weighted average interest rate of 2.2% through June 30, 2016. 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. The maturity date of the RMP Revolving Credit Facility is 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 RMP Revolving Credit Facility, the Partnership 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 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 also contains certain financial covenants and customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the RMP Revolving Credit Facility to be immediately due and payable. The Partnership was in compliance with its covenants and ratios effective as of June 30, 2016.

Expected Aggregate Maturities

Expected aggregate maturities of the notes payable as of June 30, 2016 are as follows (in thousands):

Remainder of Year Ending December 31, 2016	$—
Year Ending December 31, 2017	—
Year Ending December 31, 2018	—
Year Ending December 31, 2019	25,000
Year Ending December 31, 2020 and Beyond	1,277,684
Total	$1,302,684

Interest paid in cash was approximately $46.6 million and $49.1 million for the three and six months ended June 30, 2016, respectively, and $28.4 million and $28.5 million for the three and six months ended June 30, 2015, respectively.

4. Derivative Instruments

The Company uses derivative commodity instruments that are placed with major financial institutions whose creditworthiness is regularly monitored. Substantially all of the Company’s derivative counterparties share in the Amended Credit Agreement collateral. The Company has entered into various derivative contracts to manage price risk and to achieve more predictable cash flows. As a result of the Company’s hedging activities, the Company may realize prices that are greater or less than the market prices that it would have received otherwise.

As of June 30, 2016, the Company has entered into derivative instruments with various financial institutions, fixing the price it receives for a portion of its future sales of produced natural gas. The Company's fixed price derivatives primarily include swap and collar contracts that are tied to the commodity prices on NYMEX. As of June 30, 2016, the Company has entered into NYMEX hedging contracts through December 31, 2020, hedging a total of approximately 684 Bcf of its projected natural gas production at a weighted average price of $3.12 per MMBtu. Additionally, the Company has entered into basis swap contracts to hedge the difference between the NYMEX index price and various local index prices. The fixed price and basis hedging contracts the Company has entered into through December 31, 2020 at other various sales points cover a total of approximately 679 Bcf.

The Company recognizes all derivative instruments as either assets or liabilities at fair value per the FASB ASC 815. The Company's derivative commodity instruments have not been designated as hedges for accounting purposes; therefore, all gains and losses are recognized currently in earnings. 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 consolidated balance sheets for the periods presented, all at fair value:

	As of June 30, 2016		
(in thousands)	Derivative instruments, gross	Derivative instruments subject to master netting arrangements	Derivative instruments, recorded in the Condensed Consolidated Balance Sheet, net
Derivative assets	$182,380	$ (137,326)	$ 45,054
Derivative liabilities	$64,265	$ (32,442)	$ 31,823

	As of December 31, 2015		
(in thousands)	Derivative instruments, gross	Derivative instruments subject to master netting arrangements	Derivative instruments, recorded in the Condensed Consolidated Balance Sheet, net
Derivative assets	$372,414	$ (79,509)	$ 292,905
Derivative liabilities	$21,043	$ (4,200)	$ 16,843

5. Fair Value of Financial Instruments

The Company determines fair value on a recurring basis for its derivative instruments as these instruments are required to be recorded at fair value for each reporting amount. Certain amounts in the Company's financial statements were measured at fair value on a nonrecurring basis, including discounts associated with long-term debt. 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, 2016				
		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	$45,054	$45,054	$ —	$ 45,054	$ —
Total assets	$45,054	$45,054	$ —	$ 45,054	$ —
Liabilities:					
Derivative instruments, at fair value	$31,823	$31,823	$ —	$ 31,823	$ —
Total liabilities	$31,823	$31,823	$ —	$ 31,823	$ —

	As of December 31, 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	$292,905	$292,905	$ —	$ 292,905	$ —
Total assets	$292,905	$292,905	$ —	$ 292,905	$ —
Liabilities:					
Derivative instruments, at fair value	$16,843	$16,843	$ —	$ 16,843	$ —
Total liabilities	$16,843	$16,843	$ —	$ 16,843	$ —

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 business combination 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, 2016 and December 31, 2015 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. The carrying value of the revolving credit facilities approximates fair value as of as of June 30, 2016.

	As of June 30, 2016		As of December 31, 2015	
Long-Term Debt (in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Senior Notes Due 2022	$900,000	$895,500	$900,000	$650,250
Senior Notes Due 2023	397,410	408,000	397,222	294,000
Midstream Holdings Revolving Credit Facility	25,000	25,000	17,000	17,000
RMP Revolving Credit Facility	—	—	143,000	143,000
Total	$1,322,410	$1,328,500	$1,457,222	$1,104,250

6. Financial Information by Business Segment

As a result of changes to the Company's operations in the first quarter of 2016, management has evaluated how the Company is organized and operates and has identified the Exploration and Production segment, the Rice Midstream Holdings segment and the Rice Midstream Partners segment as separate operating segments. As a result of the changes to the Company's operating segments, all prior period information has been revised to reflect the new operating segment structure. Operating segments are evaluated on their contribution to the Company's consolidated results based on operating income. 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, 2015 contained in its 2015 Annual Report.

The operating results of the Company's reportable segments were as follows for the three months ended June 30, 2016:

(in thousands)	Exploration and Production	Rice Midstream Holdings	Rice Midstream Partners	Elimination of Intersegment Transactions	Consolidated Total
Total operating revenues	$ 132,270	$ 11,873	$ 46,547	$ (34,692)	$ 155,998
Total operating expenses	191,718	7,872	17,547	(27,360)	189,777
Operating (loss) income	$ (59,448)	$ 4,001	$ 29,000	$ (7,332)	$ (33,779)
Capital expenditures for segment assets	$ 150,646	$ 15,894	$ 38,776	$ (10,506)	$ 194,810
Depreciation, depletion and amortization	$ 79,515	$ 1,556	$ 6,855	$ (3,174)	$ 84,752

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

(in thousands)	Exploration and Production	Rice Midstream Holdings	Rice Midstream Partners	Elimination of Intersegment Transactions	Consolidated Total
Operating revenues:					
Total operating revenues	$ 101,328	$ 6,252	$ 28,560	$ (23,246)	$ 112,894
Total operating expenses	161,343	2,309	11,794	(16,381)	159,065
Operating (loss) income	$ (60,015)	$ 3,943	$ 16,766	$ (6,865)	$ (46,171)
Capital expenditures for segment assets	$ 211,925	$ 34,246	$ 59,084	$ (6,866)	$ 298,389
Depreciation, depletion and amortization	$ 73,342	$ 377	$ 2,953	$ (532)	$ 76,140

The operating results of the Company's reportable segments were as follows for the six months ended June 30, 2016:

(in thousands)	Exploration and Production	Rice Midstream Holdings	Rice Midstream Partners	Elimination of Intersegment Transactions	Consolidated Total
Total operating revenues	$ 247,660	$ 22,524	$ 101,090	$ (75,334)	$ 295,940
Total operating expenses	374,898	15,397	36,473	(49,659)	377,109
Operating (loss) income	$ (127,238)	$ 7,127	$ 64,617	$ (25,675)	$ (81,169)
Capital expenditures for segment assets	$ 386,320	$ 54,267	$ 75,019	$ (31,077)	$ 484,529
Depreciation, depletion and amortization	$ 154,471	$ 2,645	$ 12,225	$ (5,404)	$ 163,937

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

(in thousands)	Exploration and Production	Rice Midstream Holdings	Rice Midstream Partners	Elimination of Intersegment Transactions	Consolidated Total
Operating revenues:					
Total operating revenues	$201,066	$ 9,188	$ 55,071	$ (42,892)	$ 222,433
Total operating expenses	301,625	4,875	22,819	(29,637)	299,682
Operating (loss) income	$(100,559)	$ 4,313	$ 32,252	$ (13,255)	$ (77,249)
Capital expenditures for segment assets	$452,642	$ 74,142	$ 109,800	$ (13,787)	$ 622,797
Depreciation, depletion and amortization	$132,256	$ 959	$ 6,038	$ (532)	$ 138,721

The assets of the Company's reportable segments were as follows as of June 30, 2016:

(in thousands)	Exploration and Production	Rice Midstream Holdings	Rice Midstream Partners	Elimination of Intersegment Transactions	Consolidated Total
Segment assets	$3,309,646	$ 398,357	$ 748,927	$ (50,051)	$ 4,406,879
Goodwill	$—	$ —	$ 39,142	$ —	$ 39,142

The assets of the Company's reportable segments were as follows as of December 31, 2015:

(in thousands)	Exploration and Production	Rice Midstream Holdings	Rice Midstream Partners	Elimination of Intersegment Transactions	Consolidated Total
Segment assets	$2,982,793	$ 300,148	$ 689,790	$ (23,633)	$ 3,949,098
Goodwill	$—	$ —	$ 39,142	$ —	$ 39,142

7. Commitments and Contingencies

On October 14, 2013, the Company entered into a Development Agreement and Area of Mutual Interest 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 majority of 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, 2016 totaled $4.8 billion (remainder of 2016 - $61.0 million, 2017 - $137.7 million, 2018 - $197.7 million, 2019 - $222.6 million, 2020 - $222.4 million, 2021 - $222.0 million and thereafter - $3.7 billion).

The Company has two horizontal rigs under contract, both of which expire in 2017. The Company also has one tophole drilling rig under contract, which expires in 2018. Future payments under these contracts as of June 30, 2016 totaled $27.8 million (remainder of 2016 - $13.4 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, the costs of which 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. Mezzanine Equity

On February 17, 2016, the Company, Midstream Holdings and Rice Midstream GP Holdings LP, a Delaware limited partnership ("GP Holdings") and subsidiary of Midstream Holdings, entered into a securities purchase agreement (the "Securities Purchase Agreement") with EIG Energy Fund XVI, L.P., EIG Energy Fund XVI-E, L.P., and EIG Holdings (RICE) Partners, LP (collectively, the "Investors") pursuant to which (i) Midstream Holdings agreed to issue and sell 375,000 Series B Units ("Series B Units") with an aggregate liquidation preference of $375.0 million and (ii) GP Holdings agreed to issue and sell common units representing an 8.25% limited partner interest in GP Holdings ("GP Holdings Common Units") for aggregate consideration of $375.0 million in a private placement (the "Midstream Holdings Investment") exempt from the registration requirements under the Securities Act. In conjunction with the Securities Purchase Agreement, Midstream Holdings issued 1,000 Series A Units to Rice Energy Appalachia LLC, a wholly-owned subsidiary of the Company ("REA"). The Midstream Holdings Investment closed on February 22, 2016 (the "Closing Date").

In connection with the closing, on February 22, 2016, (i) REA and the Investors entered into the Amended and Restated Limited Liability Company Agreement of Midstream Holdings, which defines the preferences, rights, powers and duties of holders of the Series B Units (the "LLC Agreement") and (ii) Rice Midstream GP Management LLC ("GP Management"), as general partner of GP Holdings, and Midstream Holdings and the Investors, as limited partners, entered into the Amended and Restated Agreement of Limited Partnership of GP Holdings, which defines the preferences, rights, powers and duties of holders of the GP Holdings Common Units (the "GP Holdings A&R LPA").

In connection with the Midstream Holdings Investment, Midstream Holdings received gross proceeds of $375.0 million less transaction fees and expenses of approximately $6.2 million. Midstream Holdings used approximately $69.0 million of the proceeds to reduce outstanding borrowings under the Midstream Holdings Revolving Credit Facility and $300.0 million was distributed to the Company.

Series B Units

Pursuant to the LLC Agreement, the Series B Units rank senior to all other equity interests in Midstream Holdings with respect to the payment of distributions and distribution of assets upon liquidation, dissolution and winding up.
The Series B Units will pay quarterly distributions at a rate of 8% per annum, payable in cash or "in-kind" through the issuance of additional Series B Units, subject to certain exceptions, at Midstream Holdings' option for the first two years, and in cash thereafter. Distributions are payable on January 1, April 1, July 1 and October 1 of each year that the Series B Units remain outstanding. For purposes of the April 1, 2016 quarterly distribution, the Company elected to distribute approximately 3,197 Series B Units to the Investors pursuant to the "in-kind" election option for its pro rata distribution in respect of the period from the Closing Date through March 31, 2016, in lieu of cash distributions of $3.2 million. For purposes of the July 1, 2016 quarterly distribution, the Company paid $3.6 million in cash in June 2016 and elected to distribute approximately 3,947 Series B Units in lieu of cash distributions of $3.9 million.
The Investors holding Series B Units have the option to require Midstream Holdings to redeem the Series B Units on or after the tenth anniversary of the Closing Date at an amount equal to $1,000 per Series B Unit plus any accrued and unpaid distributions (the "Liquidation Preference"). The Series B Units are subject to an optional cash redemption by Midstream Holdings after the third anniversary of the Closing Date, at an amount equal to the Liquidation Preference.
If any of the Company, the Partnership or Midstream Holdings undergoes a Change in Control (as defined in the Securities Purchase Agreement), the Investors have the right to require Midstream Holdings to repurchase any or all of the Series B Units for cash, and Midstream Holdings has the right to repurchase any or all of the Series B Units for cash. The holders of the Series B units do not have the power to vote or dispose of the equity interest in the Partnership held by GP Holdings.
In relation to the Series B Units, the occurrence of certain events or violations of certain financial and non-financial restrictions will constitute "Triggering Events" that may result in various consequences, including additional restrictions

on the activities of Midstream Holdings, including the termination of the Investor’s additional commitment, increases in the distribution rate, additional governance rights for the Investors and other measures depending on the applicable Triggering Event. As of June 30, 2016, the Company views the likelihood of the occurrence of a Triggering Event to be remote.
In the event that Midstream Holdings or GP Holdings pursues an initial public offering, Midstream Holdings may redeem the Series B Units at a redemption price equal to the Liquidation Preference on the date of the closing of the applicable

initial public offering plus all additional distributions that would have otherwise been paid through the third anniversary of the Closing Date. Midstream Holdings may satisfy this redemption price in cash or common equity interests of the entity that completes an initial public offering. In the event of any liquidation and winding up of Midstream Holdings, profits and losses will be allocated to the holders of the Series B Units so that, to the maximum extent possible, the capital accounts of the Series B unitholders will equal the aggregate Liquidation Preference.

GP Holdings Common Units

Pursuant to the GP Holdings A&R LPA, the holders of the GP Holdings Common Units are entitled to distributions of GP Holdings in proportion to their pro rata share of the outstanding GP Holdings Common Units. Distributions will occur upon GP Holdings receipt of any distributions of cash from the Issuer in respect of the equity interests in the Partnership held by GP Holdings.

The Investors holding GP Holdings Common Units have tag-along rights in connection with a sale of the common equity interests in GP Holdings to a third-party. The holders of GP Holdings Common Units will have drag-along rights in connection with a sale of the majority of the common equity interests in GP Holdings to a third-party, subject to the achievement of an agreed-upon minimum return. If a qualifying initial public offering of GP Holdings is not consummated prior to the fifth anniversary of the Closing Date, the holders of the GP Holdings Common Units shall have the right to require GP Holdings to repurchase all of their GP Holdings Common Units for cash in an aggregate purchase price of $125.0 million. In the event of a Change in Control or a GP Change in Control (as each term is defined in the GP Holdings A&R LPA) of the Company, Midstream Holdings or GP Holdings, the Purchasers shall have the right to require GP Holdings to repurchase all of their GP Holdings Common Units for an aggregate purchase price of $125.0 million. The holders of the GP Holdings Common Units do not have the power to vote or dispose of the Partnership's units held by GP Holdings.

In the event GP Holdings sells any of its assets, subject to certain exceptions, GP Holdings may only make distributions of such proceeds to the extent that GP Holdings meets certain requirements, including the requirement to retain a certain amount of cash or cash equivalents following the sale of such assets. In the event of any liquidation and winding up of GP Holdings, GP Management, in its capacity as general partner, will appoint a liquidator to wind up the affairs and make final distributions as provided for in the GP Holdings A&R LPA.

From September 30, 2016 until the eighteen-month anniversary of the closing of the Midstream Holdings Investment, upon the satisfaction of certain financial and operational metrics, Midstream Holdings has the right to require the Investors to purchase additional Series B Units and GP Holdings Common Units. Midstream Holdings may require the Investors to purchase at least $25.0 million of additional units on up to three occasions, up to a total aggregate amount of $125.0 million. Pursuant to the Securities Purchase Agreement, Midstream Holdings is required to pay the Investors a quarterly cash commitment fee of 2% per annum on any undrawn amounts of the additional $125.0 million commitment. The commitment fee paid in cash was approximately $0.9 million for the three months ended June 30, 2016. No additional units have been purchased by the Investors since the closing of the Midstream Holdings Investment.

As the Investors have an option to redeem the Series B Units and GP Holdings Common Units for cash at a future date, the proceeds from the redeemable noncontrolling interest (net of accretion and issuances costs and fees) are not considered to be a component of stockholder's equity on the condensed consolidated balance sheet, and such Series B Units and GP Holdings Common Units are reported as mezzanine equity on the condensed consolidated balance sheet. The following table represents the value allocated to the Series B Units and GP Holdings Common Units at inception.

(in thousands)	At Inception
Noncontrolling interest in Series B Units	$341,661
Noncontrolling interest in GP Holdings Common Units	33,339
Less: issuance costs and fees	(6,233)
Carrying amount of redeemable noncontrolling interest at inception	$368,767

While the Series B Units are not currently redeemable, the initial value allocated to them will be accreted to their full redemption value through February 22, 2026 using the effective interest rate method, as it is considered probable that they will become redeemable. The following table represents detail of the balance of redeemable noncontrolling interest, net on the condensed consolidated balance sheet as of June 30, 2016.

(in thousands)	
	As of June 30, 2016
Face amount of Series B Units	$375,000
Plus: distributions paid in kind	3,197
Less: un-accreted discount	(32,656)
Carrying amount of noncontrolling interest in Series B Units	345,541
Plus: Noncontrolling interest in GP Holdings Common Units	33,339
Less: unamortized issuance costs and fees	(6,019)
Redeemable noncontrolling interest, net	$372,861

9. Stockholders' Equity

The Company's Board of Directors did not declare or pay a dividend for the three months or six months ended June 30, 2016. On May 12, 2016, a cash distribution of $0.2100 per common and subordinated unit was paid by the Partnership to the Partnership's unitholders related to the first quarter of 2016. On July 22, 2016, the Board of Directors of the Partnership's general partner declared a cash distribution to the Partnership's unitholders for the second quarter of 2016 of $0.2235 per common and subordinated unit. The cash distribution will be paid on August 11, 2016 to unitholders of record at the close of business on August 2, 2016. Also on August 11, 2016, a cash distribution of $0.1 million will be made to GP Holdings related to its incentive distribution rights in the Partnership based upon the achievement of the second target distribution in accordance with the partnership agreement.

On April 15, 2016, the Company issued and completed a public offering (the "April 2016 Equity Offering") of an aggregate of 29,858,891 shares of common stock at $16.35 per share, which included 20,000,000 shares sold by the Company and 9,858,891 shares sold by NGP Holdings. On April 21, 2016, NGP Holdings sold an additional 4,478,834 shares of common stock pursuant to the exercise of the underwriter's option to purchase additional shares. After deducting underwriting discounts and commissions of $15.0 million and transaction costs, the Company received net proceeds of $311.8 million. The Company received no proceeds from the sale of shares by NGP Holdings. The previously contemplated acquisition of the Marcellus and Utica assets in central Greene County, Pennsylvania from a subsidiary of Alpha Natural Resources, Inc. for $200.0 million, which was to be funded by the net proceeds, was not consummated, and, as a result, the Company intends to use the net proceeds of the April 2016 Equity Offering for general corporate purposes, which may include funding a portion of its 2017 capital budget.

10. Incentive Units

In connection with the Company's initial public offering ("IPO") and the related corporate reorganization, the REA incentive unit holders contributed their REA incentive units to NGP Holdings and Rice Energy Holdings LLC ("Rice Holdings") in return for (i) incentive units in such entities that, in the aggregate, were substantially similar to the REA incentive units they previously held and (ii) shares of common stock in the amount of $3.4 million related to the extinguishment of the incentive burden attributable to Mr. Daniel J. Rice III. No payments were made in respect of incentive units prior to the completion of the Company's IPO. As a result of the IPO, the payment likelihood related to the NGP Holdings and Rice Holdings incentive units was deemed probable, requiring the Company to recognize compensation expense. The compensation expense related to these interests is treated as additional paid in capital from NGP Holdings and Rice Holdings in the Company's 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, the incentive units are not dilutive to Rice Energy Inc.

NGP Holdings

The NGP Holdings incentive units are considered a liability-based award and are adjusted to fair market value on a quarterly basis until all payments have been made. As a result of NGP's sale of its remaining shares of the Company's common stock in connection with the Company's April 2016 Equity Offering, NGP Holdings paid approximately $47.5 million to holders of certain classes of NGP Holdings incentive units which resulted in the settlement of the remaining NGP Holdings incentive unit obligation. As such, the total life-to-date expense attributable to the NGP

Holdings incentive units was adjusted to equal the cumulative cash payments made by NGP Holdings to NGP Holdings incentive unit holders. Therefore, the Company recognized

$9.0 million and $27.3 million of compensation expense for the three and six months ended June 30, 2016, respectively, as compared to $(10.6) million and $(0.8) million of non-cash compensation expense for the three and six months ended June 30, 2015, respectively. No future expense will be recognized related to the NGP Holdings incentive units as a result of the April 2016 settlement of the remaining NGP Holdings incentive unit obligation.

Rice Holdings

The Rice Holdings incentive units are considered an equity-based award with the fair value of the award determined at the grant date and amortized over the service period of the award using the straight-line method. Compensation expense relative to the Rice Holdings incentive units was $5.9 million and $11.7 million for the three and six months ended June 30, 2016, respectively, and $7.0 million (including $1.9 million related to changes in certain service condition assumptions) and $20.7 million (including $11.1 million related to changes in certain service condition assumptions) for the three and six months ended June 30, 2015, respectively. The Company will recognize approximately $27.5 million of additional compensation expense over the remaining expected service period related to the Rice Holdings incentive units.

In August 2014, the triggering event for the Rice Holdings incentive units was achieved. As a result, in September 2014 and September 2015, Rice Holdings distributed one quarter and one third, 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. In addition, in September 2016 and 2017, Rice Holdings will distribute 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 the members of Rice Holdings.

Combined

Total combined compensation expense attributable to the incentive units was $14.8 million and $39.0 million for the three and six months ended June 30, 2016, respectively, and $23.1 million and $46.6 million for the three and six months ended June 30, 2015, respectively.

Three tranches of the incentive units have a time vesting feature. A roll forward of those units from December 31, 2015 to June 30, 2016 is included below.

Vested Units Balance, December 31, 2015	2,828,199
Vested During Period	1,171,801
Forfeited During Period	—
Granted During Period	—
Canceled During Period	—
Vested Units Balance, June 30, 2016	4,000,000

Two 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 vested as of June 30, 2016.

11. Variable Interest Entities

Pursuant to an evaluation performed upon adoption of Accounting Standards Update ("ASU") 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," the Company has concluded that the Partnership, GP Holdings and Strike Force Midstream LLC, a subsidiary of Midstream Holdings and Gulfport Midstream Holdings, LLC ("Strike Force Midstream"), each meet the criteria for variable interest entity ("VIE") classification, as described in further detail below.

Rice Midstream Partners LP

The Company evaluated the Partnership for consolidation and determined the Partnership to be a VIE. The Company determined that the primary beneficiary of the Partnership is GP Holdings. Midstream Holdings holds a significant indirect interest in the Partnership through its ownership of a 91.75% limited liability partnership interest in GP Holdings, which owns an approximate 33% limited partner interest in the Partnership, and through ownership of its wholly-owned subsidiary Rice Midstream Management LLC (the "GP"), which holds all of the substantive voting and participating rights in the Partnership. As a result, the related party group of GP Holdings and the GP collectively hold the power to direct the activities of the Partnership that most significantly impact the Partnership's economic performance and the obligation to absorb losses or the right to receive benefits from the Partnership that could potentially be significant to the Partnership.

As of June 30, 2016, the Company consolidates the Partnership, recording noncontrolling interest related to the net income of the Partnership attributable to its public unitholders. The following table presents summary information of assets and liabilities of the Partnership that is included in the Company's condensed consolidated balance sheets that are for the use or obligation of the Partnership.

(in thousands)	June 30, 2016	December 31, 2015
Assets (liabilities):		
Cash	$15,323	$ 7,597
Accounts receivable	11,148	9,926
Other current assets	146	192
Property and equipment, net	622,551	578,026
Goodwill and intangible assets, net	84,491	85,301
Deferred financing costs, net	2,021	2,310
Accounts payable	(3,221)	(13,484)
Accrued capital expenditures	(6,684)	(15,277)
Other current liabilities	(9,387)	(3,067)
Long-term debt	—	(143,000)
Other long-term liabilities	(3,346)	(3,128)

The following table presents summary information of the Partnership's financial performance included in the condensed consolidated statements of operations for the three and six months ended June 30, 2016 and 2015 and cash flows for the six months ended June 30, 2016 and 2015, inclusive of affiliate amounts.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2016	2015	2016	2015
Operating revenues	$46,547	$28,560	$101,090	$55,071
Operating expenses	17,547	11,794	36,473	22,819
Net income	27,936	13,790	62,362	26,714
Net cash provided by operating activities			$74,664	$47,870
Net cash used in investing activities			(75,019)	(109,800)
Net cash provided by financing activities			8,081	35,438

The following table presents the Company's change in limited partner ownership of the Partnership for the periods presented.

As of:	Partnership units owned by GP Holdings (Common and Subordinated)	Total Partnership Units Outstanding	GP Holdings % Ownership in the Partnership	% Ownership in the Partnership Retained by the Company
January 1, 2015 and June 30, 2015	28,757,246	57,507,246	50 %	50 %
December 31, 2015	28,757,246	70,917,372	41 %	41 %
June 30, 2016	28,757,246	81,170,847	35 %	33 %

Rice Midstream GP Holdings LP

The Company evaluated GP Holdings for consolidation and determined GP Holdings to be a VIE. The Company determined that the primary beneficiary of GP Holdings is Midstream Holdings. Midstream Holdings holds a 91.75% limited partnership interest in GP Holdings and Rice Midstream GP Management LLC ("GP Management"), the general partner of GP Holdings and wholly-owned subsidiary of Midstream Holdings, holds all of the substantive voting and participating rights to direct the activities of GP Holdings. As a result, the related party group of Midstream Holdings and GP Management collectively hold the power to direct the activities of GP Holdings that most significantly impact GP Holdings' economic

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performance and the obligation to absorb losses or the right to receive benefits from GP Holdings that could potentially be significant to GP Holdings.

As of June 30, 2016, the Company consolidates GP Holdings, recording noncontrolling interest related to the ownership interests of GP Holdings attributable to the Investors. GP Holdings has no significant assets, liabilities or operations other than consolidation of the Partnership, detailed in the tables above.

Strike Force Midstream Holdings LLC

On February 1, 2016, Strike Force Midstream Holdings LLC ("Strike Force Holdings"), a wholly-owned subsidiary of Midstream Holdings, and Gulfport Midstream Holdings, LLC ("Gulfport Midstream"), a wholly-owned subsidiary of Gulfport, entered into an Amended and Restated Limited Liability Company Agreement (the "Strike Force LLC Agreement") of Strike Force Midstream to engage in the natural gas midstream business in approximately 319,000 acres in Belmont and Monroe Counties, Ohio. Under the terms of the Strike Force LLC Agreement, Strike Force Holdings made an initial contribution to Strike Force Midstream of certain pipelines, facilities and rights of way and cash in the amount of $41.0 million in exchange for a 75% membership interest in Strike Force Midstream. Gulfport Midstream made an initial contribution of a gathering system and related assets in exchange for a 25% membership interest in Strike Force Midstream. The assets contributed by Gulfport Midstream have a preliminary fair value of $22.5 million which was determined using Level 3 valuation inputs included in the discounted cash flow method within the income approach. The income approach includes estimates and assumptions related to future throughput volumes, operating costs, capital spending and changes in working capital. Estimating the fair value of these assets required judgment and determining the fair value is sensitive to changes in assumptions. Additionally, on February 1, 2016, Strike Force Midstream and Strike Force Holdings entered into a services agreement whereby Strike Force Holdings will provide all of the services necessary to operate, manage and maintain Strike Force Midstream.

The Company evaluated Strike Force Midstream for consolidation and determined Strike Force Midstream to be a VIE. Strike Force Holdings was determined to be the primary beneficiary as a result of its power to direct the activities of Strike Force Midstream that most significantly impact Strike Force Midstream's economic performance and the obligation to absorb losses or the right to receive benefits through its 75% membership interest in Strike Force Midstream.

As of June 30, 2016, the Company consolidates Strike Force Midstream, recording noncontrolling interest related to the ownership interests of Strike Force Midstream attributable to Gulfport Midstream. The following table presents summary information of assets and liabilities of Strike Force Midstream that is included in the Company's condensed consolidated balance sheet that are for the use or obligation of Strike Force Midstream.

(in thousands)	June 30, 2016
Assets (liabilities):	
Cash	$34,133
Accounts receivable	314
Property and equipment, net	77,291
Accounts payable	(1,935)
Accrued capital expenditures	(7,434)
Other current liabilities	(1,079)

The following table presents summary information for Strike Force Midstream's financial performance included in the condensed consolidated statement of operations for the three and six months ended June 30, 2016 and cash flows for the six months ended June 30, 2016, inclusive of affiliate amounts.

(in thousands)	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Operating revenues	$ 2,264	$ 2,883
Operating expenses	1,527	2,415
Net loss	737	468
Net cash used in operating activities		$ (791)
Net cash used in investing activities		(18,076)
Net cash provided by financing activities		53,000

12. Stock-Based Compensation

From time to time, the Company grants stock-based compensation awards to certain non-employee directors and employees under the Company's long-term incentive plan (the "LTIP"). Pursuant to the LTIP, the aggregate maximum number of shares of the Company's common stock issued under the LTIP may not exceed 17,500,000 shares. The Company has granted both restricted stock units, which vest upon the passage of time, and performance stock units, which vest based upon attainment of specified Company performance criteria. During the three and six months ended June 30, 2016, the Company granted approximately 0.2 million and 1.3 million restricted stock units, respectively, which are expected to vest ratably over approximately one to three years. During the six months ended June 30, 2016, the Company granted approximately 1.0 million of performance stock units, which are expected to cliff vest over approximately three years. Stock-based compensation cost related to awards under the LTIP was $5.2 million and $9.2 million for the three and six months ended June 30, 2016, respectively, and $3.2 million and $5.5 million for the three and six months ended June 30, 2015, respectively. As of June 30, 2016, the Company has unrecognized compensation cost related to LTIP awards of $34.8 million which will be recognized over a period of one to three years.

Additionally, from time to time, phantom unit awards are granted under the Rice Midstream Partners LP 2014 Long Term Incentive Plan to certain non-employee directors of the Partnership and executive officers and employees of the Company that provide services to the Partnership under an omnibus agreement. No such awards were granted during the three and six months ended June 30, 2016. The Partnership recorded $1.1 million and $2.2 million of equity-based compensation cost related to previously issued awards in the three and six months ended June 30, 2016, respectively, and $1.0 million and $2.0 million for the three and six months ended June 30, 2015, respectively. As of June 30, 2016, the Partnership has unrecognized compensation cost related to these awards of $1.5 million which will be recognized over a period of one year.

Further information on stock-based compensation recorded in the condensed consolidated financial statements is detailed below.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	2016	2015	2016	2015
General and administrative expense	$ 6,149	$ 4,212	$ 10,789	$ 7,467
Lease operating and midstream operation and maintenance expense	83	—	253	—
Property, plant and equipment, net	63	—	263	—
Total cost of stock-based compensation plans	$ 6,295	$ 4,212	$ 11,305	$ 7,467

13. 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, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except share data)	2016	2015	2016	2015
Income (numerator):				
Net loss attributable to Rice Energy Inc.	$(156,686)	$(69,683)	$(174,274)	$(69,530)
Less: Preferred dividends on redeemable noncontrolling interest	(7,587)	—	(10,719)	—
Less: Accretion of redeemable noncontrolling interest	(357)	—	(683)	—
Net loss available to common stockholders	$(164,630)	$(69,683)	$(185,676)	$(69,530)
Weighted-average number of shares of common stock (denominator):				
Basic	153,203,901	136,315,882	144,811,902	136,303,914
Diluted	153,203,901	136,315,882	144,811,902	136,303,914
Loss per share:				
Basic	$(1.07)	$(0.51)	$(1.28)	$(0.51)
Diluted	$(1.07)	$(0.51)	$(1.28)	$(0.51)

For the three and six months ended June 30, 2016, 1,528,234 and 807,511 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 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.

14. Income Taxes

The Company is a corporation under the Internal Revenue Code 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 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.

Tax benefit for the three and six months ended June 30, 2016 was $120.5 million and $126.9 million, respectively, resulting in an effective tax rate of approximately 46% and 48%, respectively. 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. The effective tax rate for the three and six months ended June 30, 2016 and 2015 differs from the statutory rate due principally to nondeductible incentive unit expense 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, 2016.

The assignment of the common and subordinated units in the Midstream Holdings Investment resulted in the sale or exchange of more than 50 percent of its capital and profits interests of the Partnership within 12 months. Accordingly, the Partnership is considered to have "technically terminated" as a partnership for U.S. federal income tax purposes. The technical termination will not affect the Partnership's consolidated financial statements, nor will it affect the Partnership's classification as a partnership or the nature or extent of its "qualifying income" for U.S. federal income tax purposes. The taxable year for all unitholders ended on February 22, 2016 and will result in a deferral of depreciation deductions that were otherwise allowable in computing the taxable income of the Partnership's unitholders for the period from January 1, 2016 through February 22, 2016.

15. New Accounting Pronouncements

In May 2014, the FASB issued 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 which an entity must consider in recognizing revenue, as this update will replace multiple locations for guidance. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers (Topic 606) - Identifying Performance Obligations and Licensing." In May 2016, the FASB issued ASU 2016-11, "Revenue from Contracts with Customers (Topic 606) and Derivatives and Hedging (Topic 815) – Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting" and ASU 2016-12, "Revenue from Contracts with Customers (Topic 606) – Narrow Scope Improvements and Practical Expedients." These updates do not change the core principle of the guidance in Topic 606 (as amended by ASU 2014-09), but rather provide further guidance with respect to the implementation of ASU 2014-09. The effective date for ASU 2016-10, 2016-11, 2016-12 and ASU 2014-09, as amended by ASU 2015-14, is for annual reporting periods beginning after December 15, 2017, including interim periods within those years. 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 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. In August 2015, the FASB issued ASU 2015-15, "Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." ASU 2015-15 clarifies the guidance in ASU 2015-03 regarding presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The SEC staff announced they would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The Company adopted ASU 2015-03 in the first quarter of 2016 and presents debt issuance costs associated with its Notes as a deduction from the carrying amount of the Notes. The Company also adopted ASU

2015-15 in the first quarter and presents debt issuance costs associated with the Company's revolving credit facilities as deferred financing costs, net in its unaudited condensed consolidated balance sheets. The Company has retrospectively applied the guidance in ASU 2015-03 and ASU 2015-15, which resulted in the reclassification of $19.7 million of deferred financing costs related to the Notes from deferred financing costs, net, to long-term debt on the condensed consolidated balance sheet at December 31, 2015.

In February 2016, the FASB issued ASU, 2016-02, "Leases (Topic 842)" ASU 2016-02 which requires, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2018. The amendments should be applied at the beginning of the earliest period presented using a modified retrospective approach with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting.” ASU 2016-09 affects entities that issue share-based payment awards to their employees. ASU 2016-09 is designed to simplify several aspects of accounting for share-based payment award transactions, including: (a) income tax consequences, (b) classification of awards as either equity or liabilities, (c) classification on the statement of cash flows and (d) forfeiture rate calculations. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

16. 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 4. The Company’s subsidiaries that constitute its Rice Midstream Holdings segment and Rice Midstream Partners segment 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, 2016

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash	$440,038	$72,129	$ 53,347	$—	$ 565,514
Accounts receivable	57	160,692	14,774	—	175,523
Receivable from affiliates	18,476	—	13,557	(30,741)	1,292
Prepaid expenses and other assets	4,488	1,321	247	—	6,056
Derivative assets	1,816	29,904	—	—	31,720
Total current assets	464,875	264,046	81,925	(30,741)	780,105
Investments in (advances from) subsidiaries	2,220,008	(210,947)	—	(2,009,061)	—
Gas collateral account	—	3,995	112	—	4,107
Property, plant and equipment, net	34,040	2,554,321	975,914	(49,516)	3,514,759
Deferred financing costs, net	3,272	—	4,842	—	8,114
Goodwill	—	—	39,142	—	39,142
Intangible assets, net	—	—	45,349	—	45,349
Other non-current assets	2,811	12,491	1	—	15,303
Total assets	$2,725,006	$2,623,906	$ 1,147,285	$(2,089,318)	$ 4,406,879
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$1,565	$9,947	$ 7,958	$—	$ 19,470
Royalties payables	—	41,186	—	—	41,186
Accrued capital expenditures	—	60,141	19,221	—	79,362
Accrued interest	14,208	—	40	—	14,248
Leasehold payables	—	8,295	—	—	8,295
Payable to affiliate	—	30,741	—	(30,741)	—
Other accrued liabilities	24,356	32,030	14,578	—	70,964
Total current liabilities	40,129	182,340	41,797	(30,741)	233,525
Long-term liabilities:					
Long-term debt	1,277,684	—	25,000	—	1,302,684
Leasehold payable	—	2,803	—	—	2,803
Deferred tax (benefit) liabilities	(125,174)	210,463	59,828	—	145,117
Other long-term liabilities	33,272	8,292	3,346	—	44,910
Total liabilities	1,225,911	403,898	129,971	(30,741)	1,729,039
Mezzanine equity:					
Redeemable noncontrolling interest	—	—	372,861	—	372,861
Stockholders' equity before noncontrolling interest	1,499,095	2,220,008	(210,947)	(2,058,577)	1,449,579
Noncontrolling interest	—	—	855,400	—	855,400
Total liabilities and stockholders' equity	$2,725,006	$2,623,906	$ 1,147,285	$(2,089,318)	$ 4,406,879

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Condensed Consolidated Balance Sheet as of December 31, 2015

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash	$78,474	$57,800	$ 15,627	$—	$ 151,901
Accounts receivable	147	140,493	14,174	—	154,814
Receivable from affiliates	27,670	—	4,501	(32,171)	—
Prepaid expenses, deposits and other assets	4,377	817	294	—	5,488
Derivative instruments	47,262	139,698	—	—	186,960
Total current assets	157,930	338,808	34,596	(32,171)	499,163
Investments in subsidiaries	2,378,293	113,268	—	(2,491,561)	—
Gas collateral account	—	3,995	82	—	4,077
Property, plant and equipment, net	21,442	2,382,878	865,043	(26,232)	3,243,131
Deferred financing costs, net	3,896	—	4,915	—	8,811
Goodwill	—	—	39,142	—	39,142
Intangible assets, net	—	—	46,159	—	46,159
Other non-current assets	32,590	76,025	—	—	108,615
Total assets	$2,594,151	$2,914,974	$ 989,937	$(2,549,964)	$ 3,949,098
Liabilities and stockholders' equity					
Current liabilities:					
Accounts payable	$4,178	$48,191	$ 31,184	$—	$ 83,553
Royalties payables	—	40,572	—	—	40,572
Accrued capital expenditures	—	45,240	34,507	—	79,747
Leasehold payables	—	17,338	—	—	17,338
Other accrued liabilities	36,286	71,649	3,367	(32,171)	79,131
Total current liabilities	40,464	222,990	69,058	(32,171)	300,341
Long-term liabilities:					
Long-term debt	1,275,790	—	160,000	—	1,435,790
Leasehold payable	—	6,289	—	—	6,289
Deferred tax liabilities	47,667	299,741	19,911	(95,331)	271,988
Other long-term liabilities	19,432	7,661	3,129	—	30,222
Total liabilities	1,383,353	536,681	252,098	(127,502)	2,044,630
Stockholders' equity before noncontrolling interest	1,210,798	2,378,293	113,268	(2,422,462)	1,279,897
Noncontrolling interest	—	—	624,571	—	624,571
Total liabilities and stockholders' equity	$2,594,151	$2,914,974	$ 989,937	$(2,549,964)	$ 3,949,098

Condensed Consolidated Statement of Operations for the Three Months Ended June 30, 2016

(in thousands)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Operating revenues:					
Natural gas, oil and NGL sales	$ —	$ 122,312	$ —	$ —	$ 122,312
Gathering, compression and water distribution	—	—	58,420	(34,692)	23,728
Other revenue	—	9,958	—	—	9,958
Total operating revenues	—	132,270	58,420	(34,692)	155,998
Operating expenses:					
Lease operating	—	9,038	—	—	9,038
Gathering, compression and transportation	—	51,307	—	(24,138)	27,169
Production taxes and impact fees	—	2,659	—	—	2,659
Exploration	—	5,548	—	—	5,548
Midstream operation and maintenance	—	—	4,602	(47)	4,555
Incentive unit income	—	14,141	699	—	14,840
Acquisition expense	—	—	84	—	84
General and administrative	—	18,413	10,859	—	29,272
Depreciation, depletion and amortization	—	79,516	8,412	(3,176)	84,752
Amortization of intangible assets	—	—	403	—	403
Other expense	—	11,096	361	—	11,457
Total operating expenses	—	191,718	25,420	(27,361)	189,777
Operating (loss) income	—	(59,448)	33,000	(7,331)	(33,779)
Interest expense	(22,853)	(24)	(1,925)	—	(24,802)
Other income	558	1,991	—	—	2,549
Gain on derivative instruments	(75,167)	(126,388)	—	—	(201,555)
Amortization of deferred financing costs	(1,122)	—	(496)	—	(1,618)
Equity income (loss) in affiliate	(198,205)	(50,201)	—	248,406	—
Income (loss) before income taxes	(296,789)	(234,070)	30,579	241,075	(259,205)
Income tax benefit (expense)	120,496	32,689	(52,296)	19,607	120,496
Net income (loss)	(176,293)				