

Rosetta Resources Inc.  
Form 10-Q  
November 07, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**For The Quarterly Period Ended September 30, 2012**

OR

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

**ROSETTA RESOURCES INC.**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>43-2083519</b> (I.R.S. Employer Identification No.)
<b>717 Texas, Suite 2800,</b> <b>Houston, TX</b> (Address of principal executive offices)	<b>77002</b> (Zip Code)
<b>(713) 335-4000</b> (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Securities Exchange Act of 1934.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

The number of shares of the registrant's Common Stock, \$.001 par value per share, outstanding as of October 31, 2012 was 52,537,894.

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

	<b>September 30, 2012 (Unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 49,177	\$ 47,050
Accounts receivable, net	87,443	77,374
Derivative instruments	12,526	10,171
Prepaid expenses	3,185	2,962
Deferred income taxes	7,831	11,015
Other current assets	1,857	2,942
<b>Total current assets</b>	<b>162,019</b>	<b>151,514</b>
Oil and natural gas properties using the full cost method of accounting:		
Proved properties	2,717,071	2,297,312
Unproved/unevaluated properties, not subject to amortization	65,559	141,016
Gas gathering systems and compressor stations	91,768	38,580
Other fixed assets	10,000	9,494
	2,884,398	2,486,402
Accumulated depreciation, depletion, and amortization, including impairment	(1,761,098)	(1,657,841)
<b>Total property and equipment, net</b>	<b>1,123,300</b>	<b>828,561</b>
Other assets:		
Deferred loan fees	8,245	8,575
Deferred income taxes	11,953	74,150
Derivative instruments	8,052	1,633
Other long-term assets	263	912
<b>Total other assets</b>	<b>28,513</b>	<b>85,270</b>
<b>Total assets</b>	<b>\$ 1,313,832</b>	<b>\$ 1,065,345</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,112	\$ 2,489
Accrued liabilities	123,801	107,594
Royalties and other payables	55,751	50,689
Derivative instruments		6,788
Current portion of long-term debt		20,000
<b>Total current liabilities</b>	<b>180,664</b>	<b>187,560</b>

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Long-term liabilities:		
Derivative instruments		1,351
Long-term debt	370,000	230,000
Other long-term liabilities	7,640	13,598
<b>Total liabilities</b>	<b>558,304</b>	<b>432,509</b>
Commitments and Contingencies (Note 9)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; authorized 5,000,000 shares; no shares issued in 2012 or 2011		
Common stock, \$0.001 par value; authorized 150,000,000 shares; issued 53,114,831 shares and 52,630,483 shares at September 30, 2012 and December 31, 2011, respectively		
	53	52
Additional paid-in capital	823,950	810,794
Treasury stock, at cost; 578,848 and 450,173 shares at September 30, 2012 and December 31, 2011, respectively	(17,344)	(11,296)
Accumulated other comprehensive income	260	1,632
Accumulated deficit	(51,391)	(168,346)
<b>Total stockholders' equity</b>	<b>755,528</b>	<b>632,836</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,313,832</b>	<b>\$ 1,065,345</b>

See accompanying notes to the consolidated financial statements.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Revenues:</b>				
Oil sales	\$ 92,377	\$ 33,491	\$ 221,574	\$ 101,336
NGL sales	35,179	36,411	114,867	85,741
Natural gas sales	23,019	33,256	62,815	129,493
Derivative instruments	(27,823)	(1,901)	35,935	(6,685)
<b>Total revenues</b>	<b>122,752</b>	<b>101,257</b>	<b>435,191</b>	<b>309,885</b>
<b>Operating costs and expenses:</b>				
Lease operating expense	10,697	4,445	29,434	27,975
Treating and transportation	12,807	5,481	37,330	13,807
Production taxes	5,402	2,107	11,551	6,736
Depreciation, depletion, and amortization	40,432	24,657	107,328	92,041
General and administrative costs	19,972	9,453	48,454	46,830
<b>Total operating costs and expenses</b>	<b>89,310</b>	<b>46,143</b>	<b>234,097</b>	<b>187,389</b>
<b>Operating income</b>	<b>33,442</b>	<b>55,114</b>	<b>201,094</b>	<b>122,496</b>
<b>Other expense (income):</b>				
Interest expense, net of interest capitalized	6,346	5,238	18,316	16,650
Interest income	(2)	(5)	(6)	(38)
Other (income) expense, net	(330)	88	(331)	742
<b>Total other expense</b>	<b>6,014</b>	<b>5,321</b>	<b>17,979</b>	<b>17,354</b>
<b>Income before provision for income taxes</b>	<b>27,428</b>	<b>49,793</b>	<b>183,115</b>	<b>105,142</b>
<b>Income tax expense</b>	<b>9,739</b>	<b>17,845</b>	<b>66,160</b>	<b>36,797</b>
<b>Net income</b>	<b>\$ 17,689</b>	<b>\$ 31,948</b>	<b>\$ 116,955</b>	<b>\$ 68,345</b>
<b>Earnings per share:</b>				
Basic	\$ 0.34	\$ 0.61	\$ 2.23	\$ 1.32
Diluted	\$ 0.33	\$ 0.61	\$ 2.21	\$ 1.30
<b>Weighted average shares outstanding:</b>				
Basic	52,534	52,038	52,478	51,962
Diluted	52,883	52,627	52,863	52,593

See accompanying notes to the consolidated financial statements.

**Table of Contents****Rosetta Resources Inc.****Consolidated Statement of Comprehensive Income****(In thousands)****(Unaudited)**

	<b>Three Months Ended September 30, 2012</b>		<b>Nine Months Ended September 30, 2011</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income	\$ 17,689	\$ 31,948	\$ 116,955	\$ 68,345
Other comprehensive (loss) income:				
Change in fair value of hedging instruments		40,706		24,873
Reclassification of loss (gain) on settled hedging instruments		909		(14,834)
Tax provision related to cash flow derivative instruments	351	(14,914)	784	(3,348)
Amortization of accumulated other comprehensive gain related to de-designated hedges	(967)		(2,156)	&