ANTERO RESOURCES Corp
Form 10-Q
April 25, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2018

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: 001-36120

ANTERO RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction of incorporation or organization) | 80-0162034<br>(IRS Employer Identification No.) |
| 1615 Wynkoop Street<br>Denver, Colorado<br>(Address of principal executive offices) | 80202<br>(Zip Code) |

(303) 357-7310

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Emerging growth company

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

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

The registrant had 317,050,077 shares of common stock outstanding as of April 20, 2018.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this Quarterly Report on Form 10-Q may contain forward-looking statements. Forward-looking statements give our current expectations, contain projections of results of operations or of financial condition, or forecasts of future events. Words such as “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “potential,” or “continue,” and similar expressions ar identify forward-looking statements. They can be affected by assumptions used or by known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed. When considering these forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this Quarterly Report on Form 10-Q. Actual results may vary materially. 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. Factors that could cause our actual results to differ materially from the results contemplated by such forward-looking statements include:

- business strategy;
- reserves;
- financial strategy, liquidity, and capital required for our development program;
- natural gas, natural gas liquids (“NGLs”), and oil prices;
- timing and amount of future production of natural gas, NGLs, and oil;
- hedging strategy and results;
- costs and outcomes associated with the ongoing review of potential transactions by the special committee of our board of directors as described herein;
- ability to meet minimum volume commitments and to utilize or monetize our firm transportation commitments;
- future drilling plans;
- competition and government regulations;
- pending legal or environmental matters;
- marketing of natural gas, NGLs, and oil;
- leasehold or business acquisitions;
- costs of developing our properties;
- operations of Antero Midstream Partners LP (“Antero Midstream”), including the operations of its unconsolidated affiliates;
- general economic conditions;
- credit markets;
- uncertainty regarding our future operating results; and
- plans, objectives, expectations, and intentions.

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, incidental to our business. These risks include, but are not limited to, commodity price volatility, inflation, availability of drilling and production equipment and services, environmental risks, drilling and completion and other operating risks, marketing and transportation risks, regulatory changes, the uncertainty inherent in estimating natural gas, NGLs, and oil reserves and in projecting future rates of production, cash flows and access to capital, the timing of

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development expenditures, conflicts of interest among our stockholders, and the other risks described under the heading "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K") on file with the Securities and Exchange Commission ("SEC").

Reserve engineering is a process of estimating underground accumulations of natural gas, NGLs, and oil that cannot be measured in an exact manner. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data, and the price and cost assumptions made by reservoir engineers. In addition, the results of drilling, testing, and production activities, or changes in commodity prices, may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of natural gas, NGLs, and oil that are ultimately recovered.

Should one or more of the risks or uncertainties described in this 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 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 on Form 10-Q.

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PART I—FINANCIAL INFORMATION

ANTERO RESOURCES CORPORATION

Condensed Consolidated Balance Sheets

December 31, 2017 and March 31, 2018

(Unaudited)

(In thousands, except per share amounts)

| | December 31, 2017 | March 31, 2018 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 28,441 | 23,153 |
| Accounts receivable, net of allowance for doubtful accounts of $1,320 at December 31, 2017 and $1,195 at March 31, 2018, respectively | 34,896 | 26,692 |
| Accrued revenue | 300,122 | 279,923 |
| Derivative instruments | 460,685 | 459,892 |
| Other current assets | 8,943 | 10,374 |
| Total current assets | 833,087 | 800,034 |
| Property and equipment: | | |
| Natural gas properties, at cost (successful efforts method): | | |
| Unproved properties | 2,266,673 | 2,265,727 |
| Proved properties | 11,096,462 | 11,471,428 |
| Water handling and treatment systems | 946,670 | 974,389 |
| Gathering systems and facilities | 2,050,490 | 2,132,803 |
| Other property and equipment | 57,429 | 59,499 |
| | 16,417,724 | 16,903,846 |
| Less accumulated depletion, depreciation, and amortization | (3,182,171) | (3,410,098) |
| Property and equipment, net | 13,235,553 | 13,493,748 |
| Derivative instruments | 841,257 | 760,562 |
| Investments in unconsolidated affiliates | 303,302 | 321,468 |
| Other assets | 48,291 | 47,037 |
| Total assets | $ 15,261,490 | 15,422,849 |
| | | |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 62,982 | 73,221 |
| Accrued liabilities | 443,225 | 422,617 |
| Revenue distributions payable | 209,617 | 237,907 |
| Derivative instruments | 28,476 | 41,907 |
| Other current liabilities | 17,796 | 14,201 |
| Total current liabilities | 762,096 | 789,853 |
| Long-term liabilities: | | |
| Long-term debt | 4,800,090 | 4,876,706 |

| | | |
|---|---|---|
| Deferred income tax liability | 779,645 | 788,765 |
| Derivative instruments | 207 | — |
| Other liabilities | 43,316 | 46,427 |
| Total liabilities | 6,385,354 | 6,501,751 |
| Commitments and contingencies (notes 12 and 13) | | |
| Equity: | | |
| Stockholders' equity: | | |
| Preferred stock, $0.01 par value; authorized - 50,000 shares; none issued | — | — |
| Common stock, $0.01 par value; authorized - 1,000,000 shares; 316,379 shares and 316,524 shares issued and outstanding at December 31, 2017 and March 31, 2018, respectively | 3,164 | 3,165 |
| Additional paid-in capital | 6,570,952 | 6,588,082 |
| Accumulated earnings | 1,575,065 | 1,589,898 |
| Total stockholders' equity | 8,149,181 | 8,181,145 |
| Noncontrolling interests in consolidated subsidiary | 726,955 | 739,953 |
| Total equity | 8,876,136 | 8,921,098 |
| Total liabilities and equity | $ 15,261,490 | 15,422,849 |

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Operations and Comprehensive Income

Three Months Ended March 31, 2017 and 2018

(Unaudited)

(In thousands, except per share amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2018 |
| Revenue and other: | | |
| Natural gas sales | $ 466,664 | 497,663 |
| Natural gas liquids sales | 194,652 | 234,170 |
| Oil sales | 26,960 | 30,273 |
| Commodity derivative gains | 438,775 | 22,437 |
| Gathering, compression, water handling and treatment | 2,604 | 4,935 |
| Marketing | 65,924 | 144,389 |
| Marketing derivative gains | — | 94,234 |
| Total revenue and other | 1,195,579 | 1,028,101 |
| Operating expenses: | | |
| Lease operating | 15,551 | 26,722 |
| Gathering, compression, processing, and transportation | 266,829 | 291,938 |
| Production and ad valorem taxes | 24,793 | 25,823 |
| Marketing | 89,993 | 195,739 |
| Exploration | 2,107 | 1,885 |
| Impairment of unproved properties | 26,899 | 50,536 |
| Depletion, depreciation, and amortization | 202,729 | 228,244 |
| Accretion of asset retirement obligations | 637 | 690 |
| General and administrative (including equity-based compensation expense of $25,503 and $21,156 in 2017 and 2018, respectively) | 64,698 | 60,030 |
| Total operating expenses | 694,236 | 881,607 |
| Operating income | 501,343 | 146,494 |
| Other income (expenses): | | |
| Equity in earnings of unconsolidated affiliates | 2,231 | 7,862 |
| Interest | (66,670) | (64,426) |
| Total other expenses | (64,439) | (56,564) |
| Income before income taxes | 436,904 | 89,930 |
| Provision for income tax expense | (131,346) | (9,120) |
| Net income and comprehensive income including noncontrolling interests | 305,558 | 80,810 |
| Net income and comprehensive income attributable to noncontrolling interests | 37,162 | 65,977 |
| Net income and comprehensive income attributable to Antero Resources Corporation | $ 268,396 | 14,833 |
| | | |
| Earnings per common share—basic | $ 0.85 | 0.05 |

| | | |
|---|---|---|
| Earnings per common share—assuming dilution | $ 0.85 | 0.05 |
| Weighted average number of shares outstanding: | | |
| Basic | 314,954 | 316,471 |
| Diluted | 315,769 | 316,911 |

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Equity

Three Months Ended March 31, 2018

(Unaudited)

(In thousands)

| | Common Stock | | Additional paid-in capital | Accumulated earnings | Noncontrolling interests | Total equity |
|---|---|---|---|---|---|---|
| | Shares | Amount | | | | |
| Balances, December 31, 2017 | 316,379 | $ 3,164 | 6,570,952 | 1,575,065 | 726,955 | 8,876,136 |
| Issuance of common stock upon vesting of equity-based compensation awards, net of shares withheld for income taxes | 145 | 1 | (1,067) | — | — | (1,066) |
| Issuance of common units in Antero Midstream Partners LP upon vesting of equity-based compensation awards, net of units withheld for income taxes | — | — | (50) | — | 32 | (18) |
| Equity-based compensation | — | — | 18,802 | — | 2,354 | 21,156 |
| Net income and comprehensive income | — | — | — | 14,833 | 65,977 | 80,810 |
| Effects of changes in ownership interests in consolidated subsidiaries | — | — | (555) | — | 555 | — |
| Distributions to noncontrolling interests | — | — | — | — | (55,915) | (55,915) |
| Other | — | — | — | — | (5) | (5) |
| Balances, March 31, 2018 | 316,524 | $ 3,165 | 6,588,082 | 1,589,898 | 739,953 | 8,921,098 |

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Condensed Consolidated Statements of Cash Flows

Three Months Ended March 31, 2017 and 2018

(Unaudited)

(In thousands)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2018 |
| Cash flows provided by (used in) operating activities: | | |
| Net income including noncontrolling interests | $ 305,558 | 80,810 |
| Adjustment to reconcile net income to net cash provided by operating activities: | | |
| Depletion, depreciation, amortization, and accretion | 203,366 | 228,934 |
| Impairment of unproved properties | 26,899 | 50,536 |
| Commodity derivative gains | (438,775) | (22,437) |
| Gains on settled commodity derivatives | 44,849 | 101,341 |
| Marketing derivative gains | — | (94,234) |
| Gains on settled marketing derivatives | — | 110,042 |
| Deferred income tax expense | 131,346 | 9,120 |
| Equity-based compensation expense | 25,503 | 21,156 |
| Equity in earnings of unconsolidated affiliates | (2,231) | (7,862) |
| Distributions of earnings from unconsolidated affiliates | — | 7,085 |
| Other | 87 | 969 |
| Changes in current assets and liabilities: | | |
| Accounts receivable | (7,192) | 8,204 |
| Accrued revenue | 41,901 | 20,199 |
| Other current assets | (3,366) | (1,431) |
| Accounts payable | 12,545 | (8,042) |
| Accrued liabilities | 19,339 | 10,359 |
| Revenue distributions payable | 34,786 | 28,290 |
| Other current liabilities | (676) | (1,490) |
| Net cash provided by operating activities | 393,939 | 541,549 |
| Cash flows used in investing activities: | | |
| Additions to proved properties | (49,664) | — |
| Additions to unproved properties | (55,542) | (49,569) |
| Drilling and completion costs | (306,925) | (359,868) |
| Additions to water handling and treatment systems | (36,954) | (40,285) |
| Additions to gathering systems and facilities | (66,559) | (93,670) |
| Additions to other property and equipment | (590) | (2,571) |
| Investments in unconsolidated affiliates | (159,889) | (17,389) |
| Change in other assets | (12,350) | (217) |
| Net cash used in investing activities | (688,473) | (563,569) |
| Cash flows provided by (used in) financing activities: | | |
| Issuance of common units by Antero Midstream Partners LP | 223,119 | — |

| | | |
|---|---|---|
| Borrowings on bank credit facilities, net | 70,000 | 75,000 |
| Distributions to noncontrolling interests in consolidated subsidiary | (27,149) | (55,915) |
| Employee tax withholding for settlement of equity compensation awards | (1,657) | (1,084) |
| Other | (1,389) | (1,269) |
| Net cash provided by financing activities | 262,924 | 16,732 |
| Net decrease in cash and cash equivalents | (31,610) | (5,288) |
| Cash and cash equivalents, beginning of period | 31,610 | 28,441 |
| Cash and cash equivalents, end of period | $ — | 23,153 |
| | | |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest | $ 35,770 | 42,010 |
| Supplemental disclosure of noncash investing activities: | | |
| Decrease in accounts payable and accrued liabilities for additions to property and equipment | $ 10,020 | 12,691 |

See accompanying notes to condensed consolidated financial statements.

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2017 and March 31, 2018

## (1)Organization

Antero Resources Corporation (individually referred to as "Antero" or the "Parent") and its consolidated subsidiaries (collectively referred to as the "Company") are engaged in the exploration, development, and acquisition of natural gas, NGLs, and oil properties in the Appalachian Basin in West Virginia and Ohio. The Company targets large, repeatable resource plays where horizontal drilling and advanced fracture stimulation technologies provide the means to economically develop and produce natural gas, NGLs, and oil from unconventional formations. Through its consolidated subsidiary, Antero Midstream Partners LP, a publicly-traded limited partnership ("Antero Midstream"), the Company has gathering and compression, as well as water handling and treatment operations in the Appalachian Basin. The Company's corporate headquarters are located in Denver, Colorado.

## (2)Summary of Significant Accounting Policies

### (a)Basis of Presentation

These condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC applicable to interim financial information and should be read in the context of the December 31, 2017 consolidated financial statements and notes thereto for a more complete understanding of the Company's operations, financial position, and accounting policies. The December 31, 2017 consolidated financial statements have been filed with the Securities and Exchange Commission ("SEC") in the Company's 2017 Form 10-K.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, and, accordingly, do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments (consisting of normal and recurring accruals) considered necessary to present fairly the Company's financial position as of December 31, 2017 and March 31, 2018, the results of its operations for the three months ended March 31, 2017 and 2018, and its cash flows for the three months ended March 31, 2017 and 2018. The Company has no items of other comprehensive income or loss; therefore, its net income or loss is equal to its comprehensive income or loss. Operating results for the period ended March 31, 2018 are not necessarily indicative of the results that may be expected for the full year because of the impact of fluctuations in prices received for natural gas, NGLs, and oil, natural production declines, the uncertainty of exploration and development drilling results, fluctuations in the fair value of derivative instruments, and other factors.

The Company's exploration and production activities are accounted for under the successful efforts method.

As of the date these financial statements were filed with the SEC, the Company completed its evaluation of potential subsequent events for disclosure and no items requiring disclosure were identified.

(b)Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Antero, its wholly-owned subsidiaries, any entities in which the Company owns a controlling interest, and variable interest entities ("VIEs") for which the Company is the primary beneficiary.

We have determined that Antero Midstream is a VIE for which Antero is the primary beneficiary. Therefore, Antero Midstream's accounts are included in the Company's condensed consolidated financial statements. Antero is the primary beneficiary of Antero Midstream based on its power to direct the activities that most significantly impact Antero Midstream's economic performance, and its obligation to absorb losses of, or right to receive benefits from, Antero Midstream that could be significant to Antero Midstream. In reaching the determination that Antero is the primary beneficiary of Antero Midstream, the Company considered the following:

- Antero Midstream was formed to own, operate, and develop midstream energy assets to service Antero's production and completion activities under long-term service contracts.
- Antero owned 52.9% of the outstanding limited partner interests in Antero Midstream at March 31, 2018.

ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2017 and March 31, 2018

- Antero Midstream GP LP ("AMGP") indirectly controls the general partnership interest in Antero Midstream and directly controls Antero IDR Holdings LLC ("IDR LLC"), which owns the incentive distribution rights in Antero Midstream. However, AMGP has not provided, and is not expected to provide, financial support to Antero Midstream. Antero does not control AMGP and does not have any investment in AMGP.
- Antero's officers and management group also act as management of Antero Midstream and AMGP.
- Antero and Antero Midstream have contracts with 20-year initial terms and automatic renewal provisions, whereby Antero has dedicated the rights for gathering and compression, and water delivery and treatment services to Antero Midstream. Such dedications cover a substantial portion of Antero's current acreage and future acquired acreage, in each case, except for acreage that was already dedicated to other parties prior to entering into the service contracts or that was acquired subject to a pre-existing dedication. The contracts call for Antero to present, in advance, its drilling and completion plans in order for Antero Midstream to develop gathering and compression and water delivery and handling assets to service Antero's operations. Consequently, the drilling and completion capital investment decisions made by Antero control the development and operation of all of Antero Midstream's assets. Because of these contractual obligations and the capital requirements related to these obligations, Antero Midstream has and, for the foreseeable future, will devote substantially all of its resources to servicing Antero's operations.
- Revenues from Antero provide substantially all of Antero Midstream's financial support and, therefore, its ability to finance its operations.
- As a result of the long-term contractual commitment to support Antero's substantial growth plans, Antero Midstream will be practically and physically constrained from providing any substantive amount of services to third-parties.

All significant intercompany accounts and transactions have been eliminated in the Company's condensed consolidated financial statements. Noncontrolling interest in the Company's condensed consolidated financial statements represents the interests in Antero Midstream which are owned by the public and the incentive distribution rights in Antero Midstream. Noncontrolling interests in consolidated subsidiaries is included as a component of equity in the Company's condensed consolidated balance sheets.

Investments in entities for which the Company exercises significant influence, but not control, are accounted for under the equity method. Such investments are included in Investments in unconsolidated affiliates on the Company's condensed consolidated balance sheets. Income from investees that are accounted for under the equity method is included in Equity in earnings of unconsolidated affiliates on the Company's condensed consolidated statements of operations and cash flows.

(c)Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions which affect revenues, expenses, assets, and liabilities, as well as the disclosure of contingent assets and liabilities. Changes in facts and circumstances or discovery of new information may result in revised estimates, and actual results could differ from those estimates.

The Company's condensed consolidated financial statements are based on a number of significant estimates including estimates of natural gas, NGLs, and oil reserve quantities, which are the basis for the calculation of depletion and impairment of oil and gas properties. Reserve estimates, by their nature, are inherently imprecise. Other items in the Company's condensed consolidated financial statements which involve the use of significant estimates include

derivative assets and liabilities, accrued revenue, deferred income taxes, equity-based compensation, asset retirement obligations, depreciation, amortization, and commitments and contingencies.

(d)Risks and Uncertainties

The markets for natural gas, NGLs, and oil have, and continue to, experience significant price fluctuations. Price fluctuations can result from variations in weather, levels of production, availability of transportation capacity to other regions of the country, the level of imports to and exports from the United States, and various other factors. Increases or decreases in the prices the Company receives for its production could have a significant impact on the Company's future results of operations and reserve quantities.

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2017 and March 31, 2018

(e)Cash and Cash Equivalents

The Company considers all liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments. From time to time, the Company may be in the position of a "book overdraft" in which outstanding checks exceed cash and cash equivalents. The Company classifies book overdrafts within accounts payable within its condensed consolidated balance sheets, and classifies the change in accounts payable associated with book overdrafts as an operating activity within its condensed consolidated statements of cash flows.

(f)Derivative Financial Instruments

In order to manage its exposure to natural gas, NGLs, and oil price volatility, the Company enters into derivative transactions from time to time, which may include commodity swap agreements, basis swap agreements, collar agreements, and other similar agreements related to the price risk associated with the Company's production. To the extent legal right of offset exists with a counterparty, the Company reports derivative assets and liabilities on a net basis. The Company has exposure to credit risk to the extent that the counterparty is unable to satisfy its settlement obligations. The Company actively monitors the creditworthiness of counterparties and assesses the impact, if any, on its derivative positions.

The Company records derivative instruments on the condensed consolidated balance sheets as either assets or liabilities measured at fair value and records changes in the fair value of derivatives in current earnings as they occur. Changes in the fair value of commodity derivatives, including gains or losses on settled derivatives, are classified as revenues on the Company's condensed consolidated statements of operations. The Company's derivatives have not been designated as hedges for accounting purposes.

(g)Asset Retirement Obligations

The Company is obligated to dispose of certain long lived assets upon their abandonment. The Company's asset retirement obligations ("ARO") relate primarily to its obligation to plug and abandon oil and gas wells at the end of their lives, as well as Antero Midstream's future closure and postclosure costs associated with the landfill at its wastewater treatment facility. An ARO is recorded at its estimated fair value, measured by reference to the expected future cash outflows required to satisfy the retirement obligation, which is then discounted at the Company's credit adjusted, risk free interest rate. Revisions to estimated AROs often result from changes in retirement cost estimates or changes in the estimated timing of abandonment. The fair value of the liability is added to the carrying amount of the associated asset, and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If an obligation is settled for an amount other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement.

(h)Income Taxes

For the three months ended March 31, 2017, the Company's overall effective tax rate was different than the statutory rate of 35% primarily due to the effects of noncontrolling interest income, state tax rates, and permanent differences on vested equity compensation awards. For the three months ended March 31, 2018, the Company's overall effective

tax rate was different than the statutory rate of 21% primarily due to the effects of noncontrolling interest income, state tax rates, and permanent differences on vested equity compensation awards.

(i)Industry Segments and Geographic Information

Management has evaluated how the Company is organized and managed and has identified the following segments: (1) the exploration, development, and production of natural gas, NGLs, and oil; (2) gathering and processing; (3) water handling and treatment; and (4) marketing and utilization of excess firm transportation capacity.

All of the Company’s assets are located in the United States and substantially all of its production revenues are attributable to customers located in the United States; however, some of the Company’s production revenues are attributable to customers who resell the Company’s production to third parties located in foreign countries.



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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2017 and March 31, 2018

(j)Earnings per Common Share

Earnings per common share—basic for each period is computed by dividing net income attributable to Antero by the basic weighted average number of shares outstanding during the period. Earnings per common share—assuming dilution for each period is computed after giving consideration to the potential dilution from outstanding equity awards, calculated using the treasury stock method. The Company includes performance share unit awards in the calculation of diluted weighted average shares outstanding based on the number of common shares that would be issuable if the end of the period was also the end of the performance period required for the vesting of the awards. During periods in which the Company incurs a net loss, diluted weighted average shares outstanding are equal to basic weighted average shares outstanding because the effect of all equity awards is antidilutive. The following is a reconciliation of the Company's basic weighted average shares outstanding to diluted weighted average shares outstanding during the periods presented (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2018 |
| Basic weighted average number of shares outstanding | 314,954 | 316,471 |
| Add: Dilutive effect of restricted stock units | 770 | 401 |
| Add: Dilutive effect of outstanding stock options | — | — |
| Add: Dilutive effect of performance stock units | 45 | 39 |
| Diluted weighted average number of shares outstanding | 315,769 | 316,911 |
| Weighted average number of outstanding equity awards excluded from calculation of diluted earnings per common share(1): | | |
| Restricted stock units | 1,509 | 421 |
| Outstanding stock options | 683 | 653 |
| Performance stock units | 660 | 1,189 |

(1) The potential dilutive effects of these awards were excluded from the computation of earnings per common share—assuming dilution because the inclusion of these awards would have been anti-dilutive.

(k)Adoption of New Accounting Principle

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU replaced most existing revenue recognition guidance in GAAP when it became effective and was incorporated into GAAP as Accounting Standards Codification ("ASC") Topic 606. The new standard became effective for the Company on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. The Company elected the cumulative effect transition method. The adoption of this standard had no impact on the Company's consolidated financial statements. See Note 4 to the condensed consolidated financial statements for the Company's disclosures under ASC 606.

(l)Recently Issued Accounting Standard

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases, which requires lessees to present nearly all leasing arrangements on the balance sheet as liabilities along with a corresponding right-of-use asset. The ASU will replace most existing lease guidance in GAAP when it becomes effective. The new standard becomes effective for the Company on January 1, 2019. Although early application is permitted, the Company does not plan to early adopt the ASU. The standard requires the use of the modified retrospective transition method. The Company is evaluating the effect that ASU 2016-02 will have on its consolidated financial statements and related disclosures. Currently, the Company is evaluating the standard's applicability to its various contractual arrangements. The Company believes that adoption of the standard will result in increases to its assets and liabilities on its consolidated balance sheet as well as changes to the presentation of certain operating expenses on its consolidated statement of operations, including the accelerated recognition of expenses attributable to certain of is leasing arrangements. However, the Company has not yet determined the extent of the adjustments that will be required upon implementation of the standard. The Company continues to monitor relevant industry guidance regarding the implementation of ASU 2016-02 and will adjust its implementation strategies as necessary. The Company does not believe that adoption of the standard will impact its operational strategies, growth prospects, or cash flows.

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(3)Antero Midstream Partners LP

In 2014, the Company formed Antero Midstream to own, operate, and develop midstream energy assets that service Antero's production. Antero Midstream's assets consist of gathering systems and facilities, water handling and treatment facilities, and interests in processing and fractionation plants, through which it provides services to Antero under long-term, fixed-fee contracts. AMGP indirectly owns the general partnership interest in Antero Midstream and directly owns capital interests in IDR LLC, which owns the incentive distribution rights in Antero Midstream. Antero Midstream is an unrestricted subsidiary as defined by Antero's senior secured revolving bank credit facility (the "Credit Facility"). As an unrestricted subsidiary, Antero Midstream and its subsidiaries are not guarantors of Antero's obligations, and Antero is not a guarantor of Antero Midstream's obligations (see Note 16).

In connection with Antero's contribution of its water handling and treatment assets to Antero Midstream in September 2015, Antero Midstream agreed to pay Antero (a) $125 million in cash if Antero Midstream delivers 176,295,000 barrels or more of fresh water during the period between January 1, 2017 and December 31, 2019 and (b) an additional $125 million in cash if Antero Midstream delivers 219,200,000 barrels or more of fresh water during the period between January 1, 2018 and December 31, 2020.

Antero Midstream has an Equity Distribution Agreement (the "Distribution Agreement") pursuant to which Antero Midstream may sell, from time to time through brokers acting as its sales agents, common units representing limited partner interests having an aggregate offering price of up to $250 million. Sales of the common units are made by means of ordinary brokers' transactions on the New York Stock Exchange, at market prices, in block transactions, or as otherwise agreed to between Antero Midstream and the sales agents. Proceeds are used for general partnership purposes, which may include repayment of indebtedness and funding working capital or capital expenditures. Antero Midstream is under no obligation to offer and sell common units under the Distribution Agreement.

During the three months ended March 31, 2018, Antero Midstream did not sell any common units under the Distribution Agreement. As of March 31, 2018, Antero Midstream had the capacity to issue additional common units under the Distribution Agreement up to an aggregate sales price of $157.3 million.

On February 6, 2017, Antero Midstream formed a joint venture (the "Joint Venture") to develop processing assets in Appalachia with MarkWest Energy Partners, L.P. ("MarkWest"), a wholly owned subsidiary of MPLX, L.P. (see note 3). In conjunction with the formation of the Joint Venture, on February 10, 2017, Antero Midstream issued 6,900,000 common units, including common units issued pursuant to the underwriters' option to purchase additional common units, generating net proceeds of approximately $223 million. Antero Midstream used the net proceeds to fund the initial contribution to the Joint Venture, repay outstanding borrowings under its credit facility, and for general partnership purposes.

Antero owned approximately 52.9% of the limited partner interests of Antero Midstream at December 31, 2017 and March 31, 2018.

(4)Revenue

(a) Revenue from Contracts with Customers

Product revenue

Our revenues are primarily derived from the sale of natural gas and oil production, as well as the sale of NGLs that are extracted from our natural gas. Sales of natural gas, NGLs, and oil are recognized when we satisfy a performance obligation by transferring control of a product to a customer. Payment is generally received one month after the sale has occurred.

Under our natural gas sales contracts, we deliver natural gas to the purchaser at an agreed upon delivery point. Natural gas is transported from our wellheads to delivery points specified under sales contracts. To deliver natural gas to these points, Antero Midstream or third parties gather, compress, process and transport our natural gas. We maintain control of the natural gas during gathering, compression, processing, and transportation. Our sales contracts provide that we receive a specific index price adjusted for pricing differentials. We transfer control of the product at the delivery point and recognize revenue based on the contract price. The costs to gather, compress, process and transport the natural gas are recorded as Gathering, compression, processing and transportation expenses.

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NGLs, which are extracted from natural gas through processing, are either sold by us directly or by the processor under processing contracts. For NGLs sold by us directly, our sales contracts provide that we deliver the product to the purchaser at an agreed upon delivery point and that we receive a specific index price adjusted for pricing differentials. We transfer control of the product to the purchaser at the delivery point and recognize revenue based on the contract price. The costs to further process and transport NGLs are recorded as Gathering, compression, processing, and transportation expenses. For NGLs sold by the processor, our processing contracts provide that we transfer control to the processor at the tailgate of the processing plant and we recognize revenue based on the price received from the processor.

Under our oil sales contracts, we generally sell oil to the purchaser from storage tanks near the wellhead and collect a contractually agreed upon index price, net of pricing differentials. We transfer control of the product from the storage tanks to the purchaser and recognize revenue based on the contract price.

Gathering, compression, water handling and treatment revenue

Substantially all revenues from our gathering, compression, water handling and treatment operations are derived from intersegment transactions for services Antero Midstream provides to our exploration and production operations. The portion of such fees shown in our consolidated financial statements represent amounts charged to interest owners in Antero-operated wells, as well as fees charged to other third parties for water handling and treatment services provided by Antero Midstream or usage of Antero Midstream’s gathering and compression systems. For gathering and compression revenue, Antero Midstream satisfies its performance obligations and recognizes revenue when low pressure volumes are delivered to a compressor station, high pressure volumes are delivered to a processing plant or transmission pipeline, and compression volumes are delivered to a high pressure line. Revenue is recognized based on the per Mcf gathering or compression fee charged by Antero Midstream in accordance with the gathering and compression agreement. For water handling and treatment revenue, Antero Midstream satisfies its performance obligations and recognizes revenue when the fresh water volumes have been delivered to the hydration unit of a specified well pad and the wastewater volumes have been delivered to its wastewater treatment facility. For services contracted through third party providers, Antero Midstream’s performance obligation is satisfied when the service performed by the third party provider has been completed. Revenue is recognized based on the per barrel fresh water delivery or wastewater treatment fee charged by Antero Midstream in accordance with the water services agreement.

Marketing revenue

Marketing revenues are derived from activities to purchase and sell third-party natural gas and NGLs and to market excess firm transportation capacity to third parties. We retain control of the purchased natural gas and NGLs prior to delivery to the purchaser. The Company has concluded that we are the principal in these arrangements and therefore we recognize revenue on a gross basis, with costs to purchase and transport natural gas and NGLs presented as marketing expenses. Contracts to sell third party gas and NGLs are generally subject to similar terms as contracts to sell our produced natural gas and NGLs. We satisfy performance obligations to the purchaser by transferring control of the product at the delivery point and recognize revenue based on the price received from the purchaser.

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(b) Disaggregation of Revenue

In the following table, revenue is disaggregated by type (in thousands). The table also identifies the reportable segment to which the disaggregated revenues relate. For more information on reportable segments, see Note 15—Reportable Segments.

| | Three Months Ended March 31, 2017 | 2018 | Segment to which revenues relate |
|---|---|---|---|
| Revenues from contracts with customers: | | | |
| Natural gas sales | $ 466,664 | $ 497,663 | Exploration and production |
| Natural gas liquids sales (ethane) | 18,469 | 27,075 | Exploration and production |
| Natural gas liquids sales (C3+ NGLs) | 176,183 | 207,095 | Exploration and production |
| Oil sales | 26,960 | 30,273 | Exploration and production |
| Gathering and compression | 2,539 | 4,145 | Gathering and processing |
| Water handling and treatment | 65 | 790 | Water handling and treatment |
| Marketing | 65,924 | 144,389 | Marketing |
| Total | 756,804 | 911,430 | |
| Revenues from derivatives and other sources | 438,775 | 116,671 | |
| Total revenue and other | $ 1,195,579 | $ 1,028,101 | |

(c) Transaction Price Allocated to Remaining Performance Obligations

For our product sales that have a contract term greater than one year, we have utilized the practical expedient in ASC 606, which states that a company is not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under our product sales contracts, each unit of product delivered to the customer represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required. For our product sales that have a contract term of one year or less, we have utilized the practical expedient in ASC 606, which states that a company is not required to disclose the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

(d) Contract Balances

Under our sales contracts, we invoice customers after our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts do not give rise to contract assets or liabilities under ASC 606. At December 31, 2017 and March 31, 2018, our receivables from contracts with customers were $300 million and $280 million, respectively.

(5)Equity Method Investments

In 2016, Antero Midstream acquired a 15% equity interest in Stonewall Gas Gathering LLC ("Stonewall"), which operates a regional gathering pipeline on which Antero is an anchor shipper.

On February 6, 2017, Antero Midstream formed the Joint Venture to develop gas processing and fractionation assets in Appalachia with MarkWest, a wholly owned subsidiary of MPLX. Antero Midstream and MarkWest each own a 50% equity interest in the Joint Venture and MarkWest operates the Joint Venture assets. The Joint Venture assets consist of processing plants in West Virginia, and a one-third interest in a MarkWest fractionator in Ohio.

The Company's consolidated statements of operations and comprehensive income includes Antero Midstream's proportionate share of the net income of equity method investees. When Antero Midstream records its proportionate share of net income, it increases equity income in the consolidated statements of operations and comprehensive income and the carrying value of that investment on the Company's consolidated balance sheet. When a distribution is received, it is recorded as a reduction to the carrying value of that investment on the consolidated balance sheet. The Company uses the equity method of accounting to account for its investments in Stonewall and the Joint Venture because Antero Midstream exercises significant influence, but not control, over the entities. The Company's judgment regarding the level of influence over its equity investments includes considering key factors such as Antero Midstream's ownership interest, representation on the board of directors, and participation in the policy-making decisions of Stonewall and the Joint Venture.

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The following table is a reconciliation of investments in unconsolidated affiliates for the three months ended March 31, 2018 (in thousands):

| | Stonewall | MarkWest Joint Venture | Total |
|---|---|---|---|
| Balance at December 31, 2017 | $ 67,128 | 236,174 | 303,302 |
| Investments | — | 17,389 | 17,389 |
| Equity in net income of unconsolidated affiliates | 2,738 | 5,124 | 7,862 |
| Distributions from unconsolidated affiliates | (870) | (6,215) | (7,085) |
| Balance at March 31, 2018 | $ 68,996 | 252,472 | 321,468 |

Investments in the Joint Venture during the three months ended March 31, 2018 relate to capital contributions for construction of additional processing facilities.

## (6)Accrued Liabilities

Accrued liabilities as of December 31, 2017 and March 31, 2018 consisted of the following items (in thousands):

| | December 31, 2017 | March 31, 2018 |
|---|---|---|
| Capital expenditures | $ 155,300 | 123,911 |
| Gathering, compression, processing, and transportation expenses | 88,850 | 94,693 |
| Marketing expenses | 59,049 | 61,917 |
| Interest expense | 40,861 | 63,451 |
| Other | 99,165 | 78,645 |
| | $ 443,225 | 422,617 |

## (7)Long-Term Debt

Long-term debt was as follows at December 31, 2017 and March 31, 2018 (in thousands):

| | December 31, 2017 | March 31, 2018 |
|---|---|---|
| Antero Resources: | | |
| Credit Facility(a) | $ 185,000 | 155,000 |
| 5.375% senior notes due 2021(b) | 1,000,000 | 1,000,000 |
| 5.125% senior notes due 2022(c) | 1,100,000 | 1,100,000 |
| 5.625% senior notes due 2023(d) | 750,000 | 750,000 |
| 5.00% senior notes due 2025(e) | 600,000 | 600,000 |
| Net unamortized premium | 1,520 | 1,452 |
| Net unamortized debt issuance costs | (32,430) | (31,026) |
| Antero Midstream: | | |
| Midstream Credit Facility(g) | 555,000 | 660,000 |
| 5.375% senior notes due 2024(h) | 650,000 | 650,000 |
| Net unamortized debt issuance costs | (9,000) | (8,720) |
| | $ 4,800,090 | 4,876,706 |

Antero Resources Corporation

(a)Senior Secured Revolving Credit Facility

Antero's Credit Facility is with a consortium of bank lenders. Borrowings under the Credit Facility are subject to borrowing base limitations based on the collateral value of Antero's assets and are subject to regular annual redeterminations. At March 31, 2018, the borrowing base under the Credit Facility was $4.5 billion and lender commitments were $2.5 billion. The next redetermination of the borrowing base is scheduled to occur by the end of April 2018. The maturity date of the Credit Facility is the

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earlier of (i) October 26, 2022 and (ii) the date that is 91 days prior to the earliest stated redemption date of any series of Antero's senior notes, unless such series of notes is refinanced.

Under the Credit Facility, "Investment Grade Period" is a period that, as long as no event of default has occurred, commences when Antero elects to give notice to the Administrative Agent that Antero has received at least one of (i) a BBB- or better rating from Standard and Poor's and (ii) a Baa3 or better rating from Moody's (an "Investment Grade Rating"). An Investment Grade Period can end at Antero's election.

During any period that is not an Investment Grade Period, the Credit Facility is ratably secured by mortgages on substantially all of Antero's properties and guarantees from Antero's restricted subsidiaries, as applicable. During an Investment Grade Period, the liens securing the obligations under the Credit Facility shall be automatically released (subject to the provisions of the Credit Facility). The Credit Facility contains certain covenants, including restrictions on indebtedness and dividends, and requirements with respect to working capital and interest coverage ratios. During any period that is not an Investment Grade Period, interest is payable at a variable rate based on LIBOR or the prime rate determined by Antero's election at the time of borrowing, plus an applicable rate based on Antero's borrowing base utilization which ranges from 25 basis points to 225 basis points. During an Investment Grade Period, interest is payable at a variable rate based on LIBOR or the prime rate determined by Antero's election at the time of borrowing, plus an applicable rate based on Antero's credit rating which ranges from 12.5 basis points to 175 basis points. Antero was in compliance with all of the financial covenants under the Credit Facility as of December 31, 2017 and March 31, 2018.

As of March 31, 2018, Antero had an outstanding balance under the Credit Facility of $155 million, with a weighted average interest rate of 2.90%, and outstanding letters of credit of $692 million. As of December 31, 2017, Antero had an outstanding balance under the Credit Facility of $185 million, with a weighted average interest rate of 2.96%, and outstanding letters of credit of $705 million. Commitment fees on the unused portion of the Credit Facility are due quarterly at rates ranging from (i) 0.300% to 0.375% (during any period that is not an Investment Grade Period) of the unused portion based on utilization and (ii) 0.150% to 0.300% (during an Investment Grade Period) of the unused portion based on Antero's credit rating.

(b)5.375% Senior Notes Due 2021

On November 5, 2013, Antero issued $1 billion of 5.375% senior notes due November 1, 2021 (the "2021 notes") at par. The 2021 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2021 notes rank pari passu to Antero's other outstanding senior notes. The 2021 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero's wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2021 notes is payable on May 1 and November 1 of each year. Antero may redeem all or part of the 2021 notes at any time at redemption prices ranging from 102.688% currently to 100.00% on or after November 1, 2019. If Antero undergoes a change of control, the holders of the 2021 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2021 notes, plus accrued and unpaid interest.

(c)5.125% Senior Notes Due 2022

On May 6, 2014, Antero issued $600 million of 5.125% senior notes due December 1, 2022 (the “2022 notes”) at par. On September 18, 2014, Antero issued an additional $500 million of the 2022 notes at 100.5% of par. The 2022 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2022 notes rank pari passu to Antero’s other outstanding senior notes. The 2022 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero’s wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2022 notes is payable on June 1 and December 1 of each year. Antero may redeem all or part of the 2022 notes at any time at redemption prices ranging from 103.844% currently to 100.00% on or after June 1, 2020. If Antero undergoes a change of control, the holders of the 2022 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2022 notes, plus accrued and unpaid interest.

(d)5.625% Senior Notes Due 2023

On March 17, 2015, Antero issued $750 million of 5.625% senior notes due June 1, 2023 (the “2023 notes”) at par. The 2023 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2023 notes rank pari passu to Antero’s other outstanding senior notes. The 2023 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero’s wholly-owned subsidiaries and certain of its future

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restricted subsidiaries. Interest on the 2023 notes is payable on June 1 and December 1 of each year. Antero may redeem all or part of the 2023 notes at any time on or after June 1, 2018 at redemption prices ranging from 104.219% on or after June 1, 2018 to 100.00% on or after June 1, 2021. In addition, on or before June 1, 2018, Antero may redeem up to 35% of the aggregate principal amount of the 2023 notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.625% of the principal amount of the 2023 notes, plus accrued and unpaid interest. At any time prior to June 1, 2018, Antero may also redeem the 2023 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2023 notes plus a "make-whole" premium and accrued and unpaid interest. If Antero undergoes a change of control, the holders of the 2023 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2023 notes, plus accrued and unpaid interest.

(e) 5.00% Senior Notes Due 2025

On December 21, 2016, Antero issued $600 million of 5.00% senior notes due March 1, 2025 (the "2025 notes") at par. The 2025 notes are unsecured and effectively subordinated to the Credit Facility to the extent of the value of the collateral securing the Credit Facility. The 2025 notes rank pari passu to Antero's other outstanding senior notes. The 2025 notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero's wholly-owned subsidiaries and certain of its future restricted subsidiaries. Interest on the 2025 notes is payable on March 1 and September 1 of each year. Antero may redeem all or part of the 2025 notes at any time on or after March 1, 2020 at redemption prices ranging from 103.750% on or after March 1, 2020 to 100.00% on or after March 1, 2023. In addition, on or before March 1, 2020, Antero may redeem up to 35% of the aggregate principal amount of the 2025 notes with the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.00% of the principal amount of the 2025 notes, plus accrued and unpaid interest. At any time prior to March 1, 2020, Antero may also redeem the 2025 notes, in whole or in part, at a price equal to 100% of the principal amount of the 2025 notes plus a "make-whole" premium and accrued and unpaid interest. If Antero undergoes a change of control, the holders of the 2025 notes will have the right to require Antero to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2025 notes, plus accrued and unpaid interest.

(f)Treasury Management Facility

Antero has a stand-alone revolving note with a lender which provides for up to $25 million of cash management obligations in order to facilitate Antero's daily treasury management. Borrowings under the revolving note are secured by the collateral for the Credit Facility. Borrowings under the revolving note bear interest at the lender's prime rate plus 1.0%. The note matures on June 1, 2018. At December 31, 2017 and March 31, 2018, there were no outstanding borrowings under this note.

Antero Midstream Partners LP

(g)Senior Secured Revolving Credit Facility – Antero Midstream

Antero Midstream has a secured revolving credit facility (the "Midstream Credit Facility") with a syndicate of bank lenders. At March 31, 2018, lender commitments under the Midstream Credit Facility were $1.5 billion. The maturity date of the Midstream Credit Facility is October 26, 2022.

During any period that is not an Investment Grade Period (as such term is defined in the Midstream Credit Facility), the Midstream Credit Facility is ratably secured by mortgages on substantially all of the properties of Antero Midstream and guarantees from its restricted subsidiaries, as applicable. During an Investment Grade Period under the Midstream Credit Facility, the liens securing the Midstream Credit Facility are automatically released (subject to the provisions of the Midstream Credit Facility). The Midstream Credit Facility contains certain covenants, including restrictions on indebtedness and certain distributions to owners, and requirements with respect to leverage and interest coverage ratios. During any period that is not an Investment Grade Period under the Midstream Credit Facility, interest is payable at a variable rate based on LIBOR or the prime rate determined by Antero Midstream's election at the time of borrowing, plus an applicable rate based on Antero Midstream's borrowing base utilization which ranges from 25 basis points to 225 basis points. During an Investment Grade Period under the Midstream Credit Facility, interest is payable at a variable rate based on LIBOR or the prime rate determined by Antero Midstream's election at the time of borrowing, plus an applicable rate based on Antero Midstream's credit rating which ranges from 12.5 basis points to 200 basis points. Antero Midstream was in compliance with all of the financial covenants under the Midstream Credit Facility as of December 31, 2017 and March 31, 2018.

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As of March 31, 2018, Antero Midstream had an outstanding balance under the Midstream Credit Facility of $660 million with a weighted average interest rate of 2.95%, and no letters of credit outstanding.  As of December 31, 2017, Antero Midstream had an outstanding balance under the Midstream Credit Facility of $555 million with a weighted average interest rate of 2.81%.  Commitment fees on the unused portion of the Midstream Credit Facility are due quarterly at rates ranging from (i) 0.25% to 0.375% of the unused portion (during an period that is not an Investment Grade Period) based on the leverage ratio and (ii) 0.175% to 0.375% of the unused portion (during an Investment Grade Period) based on Antero Midstream's credit rating.

(h)5.375% Senior Notes Due 2024 – Antero Midstream

On September 13, 2016, Antero Midstream and its wholly-owned subsidiary, Antero Midstream Finance Corporation ("Midstream Finance Corp.") as co-issuers, issued $650 million in aggregate principal amount of 5.375% senior notes due September 15, 2024 (the "2024 Midstream notes") at par.  The 2024 Midstream notes are unsecured and effectively subordinated to the Midstream Credit Facility to the extent of the value of the collateral securing the Midstream Credit Facility.  The 2024 Midstream notes are guaranteed on a full and unconditional and joint and several senior unsecured basis by Antero Midstream's wholly-owned subsidiaries, excluding Midstream Finance Corp., and certain of Antero Midstream's future restricted subsidiaries.  Interest on the 2024 Midstream notes is payable on March 15 and September 15 of each year.  Antero Midstream may redeem all or part of the 2024 Midstream notes at any time on or after September 15, 2019 at redemption prices ranging from 104.031% on or after September 15, 2019 to 100.00% on or after September 15, 2022.  In addition, prior to September 15, 2019, Antero Midstream may redeem up to 35% of the aggregate principal amount of the 2024 Midstream notes with an amount of cash not greater than the net cash proceeds of certain equity offerings, if certain conditions are met, at a redemption price of 105.375% of the principal amount of the 2024 Midstream notes, plus accrued and unpaid interest.  At any time prior to September 15, 2019, Antero Midstream may also redeem the 2024 Midstream notes, in whole or in part, at a price equal to 100% of the principal amount of the 2024 Midstream notes plus a "make-whole" premium and accrued and unpaid interest.  If Antero Midstream undergoes a change of control, the holders of the 2024 Midstream notes will have the right to require Antero Midstream to repurchase all or a portion of the notes at a price equal to 101% of the principal amount of the 2024 Midstream notes, plus accrued and unpaid interest.

(8)Asset Retirement Obligations

The following is a reconciliation of the Company's asset retirement obligations for the three months ended March 31, 2018 (in thousands):

| | | |
|---|---|---|
| Asset retirement obligations—December 31, 2017 | $ | 34,610 |
| Obligations incurred | | 3,525 |
| Accretion expense | | 690 |
| Asset retirement obligations—March 31, 2018 | $ | 38,825 |

Asset retirement obligations are included in other liabilities on the Company's condensed consolidated balance sheets.

(9)Equity-Based Compensation

Antero is authorized to grant up to 16,906,500 shares of common stock to employees and directors of the Company under the Antero Resources Corporation Long-Term Incentive Plan (the "Plan"). The Plan allows equity-based compensation awards to be granted in a variety of forms, including stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, dividend equivalent awards, and other types of awards. The terms and conditions of the awards granted are established by the Compensation Committee of Antero's Board of Directors. A total of 8,524,884 shares were available for future grant under the Plan as of March 31, 2018.

Antero Midstream's general partner is authorized to grant up to 10,000,000 common units representing limited partner interests in Antero Midstream under the Antero Midstream Partners LP Long-Term Incentive Plan (the "Midstream Plan") to non-employee directors of its general partner and certain officers, employees, and consultants of Antero Midstream and its affiliates (which include Antero). A total of 7,876,693 common units were available for future grant under the Midstream Plan as of March 31, 2018.



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The Company's equity-based compensation expense, by type of award, was as follows for the three months ended March 31, 2017 and 2018 (in thousands):

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2018 |
| Restricted stock unit awards | $ 18,225 | 13,444 |
| Stock options | 620 | 481 |
| Performance share unit awards | 2,135 | 2,511 |
| Antero Midstream phantom unit awards | 4,043 | 4,218 |
| Equity awards issued to directors | 480 | 502 |
| Total expense | $ 25,503 | 21,156 |

Restricted Stock Unit Awards

Restricted stock unit awards vest subject to the satisfaction of service requirements. Expense related to each restricted stock unit award is recognized on a straight-line basis over the requisite service period of the entire award. Forfeitures are accounted for as they occur by reversing the expense previously recognized for awards that were forfeited during the period. The grant date fair values of these awards are determined based on the closing price of the Company's common stock on the date of the grant.

A summary of restricted stock unit awards activity for the three months ended March 31, 2018 is as follows:

| | Number of shares | Weighted average grant date fair value | Aggregate intrinsic value (in thousands) |
|---|---|---|---|
| Total awarded and unvested—December 31, 2017 | 3,424,084 | $ 28.51 | $ 65,058 |
| Granted | 63,313 | $ 19.87 | |
| Vested | (145,493) | $ 28.42 | |
| Forfeited | (119,599) | $ 30.19 | |
| Total awarded and unvested—March 31, 2018 | 3,222,305 | $ 28.28 | $ 63,963 |

Intrinsic values are based on the closing price of the Company's stock on the referenced dates. As of March 31, 2018, there was $50.5 million of unamortized equity-based compensation expense related to unvested restricted stock units. That expense is expected to be recognized over a weighted average period of approximately 1.7 years.

Stock Options

Stock options granted under the Plan have a maximum contractual life of 10 years. Expense related to stock options is recognized on a straight-line basis over the requisite service period of the entire award. Forfeitures are accounted for as they occur by reversing the expense previously recognized for awards that were forfeited during the period. Stock options were granted with an exercise price equal to or greater than the market price of the Company's common stock on the dates of grant.

A summary of stock option activity for the three months ended March 31, 2018 is as follows:

| | Stock options | Weighted average exercise price | Weighted average remaining contractual life | Intrinsic value (in thousands) |
|---|---|---|---|---|
| Outstanding at December 31, 2017 | 660,512 | $ 50.48 | 7.06 | $ — |
| Granted | — | $ — | | |
| Exercised | — | $ — | | |
| Forfeited | (12,374) | $ 50.00 | | |
| Expired | — | $ — | | |
| Outstanding at March 31, 2018 | 648,138 | $ 50.49 | 6.82 | $ — |
| Vested or expected to vest as of March 31, 2018 | 648,138 | $ 50.49 | 6.82 | $ — |
| Exercisable at March 31, 2018 | 367,065 | $ 50.87 | 6.64 | $ — |

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Intrinsic values are based on the exercise price of the options and the closing price of the Company's stock on the referenced dates. As of March 31, 2018, there was $2.2 million of unamortized equity-based compensation expense related to unvested stock options. That expense is expected to be recognized over a weighted average period of approximately 1.0 year.

Performance Share Unit Awards

Performance Share Unit Awards Based on Price Targets

In 2016, the Company granted performance share unit awards ("PSUs") to certain of its executive officers that are based on price targets. The vesting of these PSUs is conditioned on the closing price of the Company's common stock achieving specific price thresholds over 10-day periods, subject to the following vesting restrictions: no PSUs may vest before the first anniversary of the grant date; no more than one-third of the PSUs may vest before the second anniversary of the grant date; and no more than two-thirds of the PSUs may vest before the third anniversary of the grant date. Any PSUs which have not vested by the fifth anniversary of the grant date will expire. Expense related to these PSUs is recognized on a graded basis over three years.

Performance Share Unit Awards Based on Total Shareholder Return

In 2016 and 2017, the Company also granted PSUs to certain of its employees and executive officers which vest based on the total shareholder return ("TSR") of the Company's common stock relative to the TSR of a peer group of companies over a three-year performance period. The number of common shares which may ultimately be earned ranges from zero to 200% of the PSUs granted. Expense related to these PSUs is recognized on a straight-line basis over three years.

Summary Information for Performance Share Unit Awards

A summary of PSU activity for the three months ended March 31, 2018 is as follows:

| | Number of units | Weighted average grant date fair value |
|---|---|---|
| Total awarded and unvested—December 31, 2017 | 1,283,843 | $ 28.29 |
| Granted | — | $ — |
| Vested | (41,666) | $ 27.38 |
| Forfeited | (12,186) | $ 29.83 |
| Total awarded and unvested—March 31, 2018 | 1,229,991 | $ 28.30 |

As of March 31, 2018, there was $15.1 million of unamortized equity-based compensation expense related to unvested PSUs.  That expense is expected to be recognized over a weighted average period of approximately 1.7 years.

Antero Midstream Partners Phantom Unit Awards

Phantom units granted by Antero Midstream vest subject to the satisfaction of service requirements, upon the completion of which common units in Antero Midstream are delivered to the holder of the phantom units.  Phantom units also contain distribution equivalent rights which entitle the holder of vested common units to receive a “catch up” payment equal to common unit distributions paid by Antero Midstream during the vesting period of the phantom unit award.  These phantom units are treated, for accounting purposes, as if Antero Midstream distributed the units to Antero.  Antero recognizes compensation expense as the units are granted to its employees, and a portion of the expense is allocated to Antero Midstream.  Expense related to each phantom unit award is recognized on a straight-line basis over the requisite service period of the entire award.  Forfeitures are accounted for as they occur by reversing the expense previously recognized for awards that were forfeited during the period.  The grant date fair values of these awards are determined based on the closing price of Antero Midstream’s common units on the date of grant.

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A summary of phantom unit awards activity for the three months ended March 31, 2018 is as follows:

| | Number of units | Weighted average grant date fair value | Aggregate intrinsic value (in thousands) |
|---|---|---|---|
| Total awarded and unvested—December 31, 2017 | 1,042,963 | $ 28.69 | $ 30,288 |
| Granted | 9,449 | $ 31.75 | |
| Vested | (1,491) | $ 33.52 | |
| Forfeited | (24,990) | $ 28.96 | |
| Total awarded and unvested—March 31, 2018 | 1,025,931 | $ 28.71 | $ 26,561 |

Intrinsic values are based on the closing price of Antero Midstream's common units on the referenced dates. As of March 31, 2018, there was $20.3 million of unamortized equity-based compensation expense related to unvested phantom unit awards. That expense is expected to be recognized over a weighted average period of approximately 1.9 years.

(10)Financial Instruments

The carrying values of accounts receivable and accounts payable at December 31, 2017 and March 31, 2018 approximated market values because of their short-term nature. The carrying values of the amounts outstanding under the Credit Facility and Midstream Credit Facility at December 31, 2017 and March 31, 2018 approximated fair value because the variable interest rates are reflective of current market conditions.

Based on Level 2 market data inputs, the fair value of Antero's senior notes was approximately $3.5 billion at December 31, 2017 and March 31, 2018. Based on Level 2 market data inputs, the fair value of Antero Midstream's senior notes was approximately $670 million at December 31, 2017 and $652 million at March 31, 2018.

See Note 11 for information regarding the fair value of derivative financial instruments.

(11)Derivative Instruments

(a)Commodity Derivative Positions

The Company periodically enters into natural gas, NGLs, and oil derivative contracts with counterparties to hedge the price risk associated with its production. These derivatives are not entered into for trading purposes. To the extent that changes occur in the market prices of natural gas, NGLs, and oil, the Company is exposed to market risk on these

open contracts. This market risk exposure is generally offset by the change in market prices of natural gas, NGLs, and oil recognized upon the ultimate sale of the Company's production.

The Company was party to various fixed price commodity swap contracts that settled during the three months ended March 31, 2017 and 2018. The Company enters into these swap contracts when management believes that favorable future sales prices for the Company's production can be secured. Under these swap agreements, when actual commodity prices upon settlement exceed the fixed price provided by the swap contracts, the Company pays the difference to the counterparty. When actual commodity prices upon settlement are less than the contractually provided fixed price, the Company receives the difference from the counterparty.

The Company's derivative swap contracts have not been designated as hedges for accounting purposes; therefore, all gains and losses are recognized in the Company's statements of operations.

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As of March 31, 2018, the Company's fixed price natural gas, NGLs, and oil swap positions from April 1, 2018 through December 31, 2023 were as follows (abbreviations in the table refer to the index to which the swap position is tied, as follows: NYMEX=Henry Hub; Mont Belvieu-Propane=Mont Belvieu Propane; NYMEX-WTI=West Texas Intermediate):

| | Natural gas MMbtu/day | Oil Bbls/day | Natural Gas Liquids Bbls/day | Weighted average index price |
|---|---|---|---|---|
| Three months ending June 30, 2018: | | | | |
| NYMEX ($/MMBtu) | 2,002,500 | — | — | $ 3.42 |
| NYMEX-WTI ($/Bbl) | — | 6,000 | — | $ 56.99 |
| Mont Belvieu-Propane ($/Gallon) | — | — | 26,000 | $ 0.76 |
| Total | 2,002,500 | 6,000 | 26,000 | |
| Three months ending September 30, 2018: | | | | |
| NYMEX ($/MMBtu) | 2,002,500 | — | — | $ 3.45 |
| NYMEX-WTI ($/Bbl) | — | 6,000 | — | $ 56.99 |
| Mont Belvieu-Propane ($/Gallon) | — | — | 26,000 | $ 0.76 |
| Total | 2,002,500 | 6,000 | 26,000 | |
| Three months ending December 31, 2018: | | | | |
| NYMEX ($/MMBtu) | 2,002,500 | — | — | $ 3.53 |
| NYMEX-WTI ($/Bbl) | — | 6,000 | — | $ 56.99 |
| Mont Belvieu-Propane ($/Gallon) | — | — | 26,000 | $ 0.77 |
| Total | 2,002,500 | 6,000 | 26,000 | |
| Year ending December 31, 2019: | | | | |
| NYMEX ($/MMBtu) | 2,330,000 | | | $ 3.50 |
| Year ending December 31, 2020: | | | | |
| NYMEX ($/MMBtu) | 1,417,500 | | | $ 3.25 |
| Year ending December 31, 2021: | | | | |
| NYMEX ($/MMBtu) | 710,000 | | | $ 3.00 |
| Year ending December 31, 2022: | | | | |
| NYMEX ($/MMBtu) | 850,000 | | | $ 3.00 |
| Year ending December 31, 2023: | | | | |
| NYMEX ($/MMBtu) | 90,000 | | | $ 2.91 |

(b)Marketing Derivatives

In 2017, due to delay of the in-service date for a pipeline on which the Company is to be an anchor shipper, the Company realized it would not be able to fulfill its delivery obligations under a natural gas sales contract commencing in January 2018 until late 2018. In order to acquire gas to fulfill its delivery obligations, the Company entered into several natural gas purchase agreements with index-based pricing to purchase gas for resale under this sales contract.

Subsequently, the Company and the counterparty to the sales contract came to an agreement that the Company's delivery obligations under the contract would not begin until the earlier of (1) the in-service date of the pipeline and (2) January 1, 2019. Consequently, in December 2017, the Company entered into natural gas sales agreements with index-based pricing to resell the purchased gas for delivery during the period from February to October 2018. The natural gas that it had purchased for January was sold on the spot market during January. As a result of severe cold weather in the local area in January resulting in wide basis premiums at the index for these contracts, the Company realized a $110 million cash gain during the quarter on these contracts.

The Company determined that these gas purchase and sales agreements should be accounted for as derivatives and measured at fair value at the end of each period. The Company recognized a loss in the fourth quarter of 2017 of $21.4 million. For the three months ended March 31, 2018, the Company recognized a net gain of $94.2 million. The estimated fair value of these contracts of $37.2 million at March 31, 2018 is included in current Derivative liabilities on the Company's condensed consolidated balance sheet and will be settled during 2018.

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(c)Summary

The following table presents a summary of the fair values of the Company's derivative instruments and where such values are recorded in the consolidated balance sheets as of December 31, 2017 and March 31, 2018. None of the Company's derivative instruments are designated as hedges for accounting purposes.

| | December 31, 2017 | | March 31, 2018 | |
|---|---|---|---|---|
| | Balance sheet location | Fair value (In thousands) | Balance sheet location | Fair value (In thousands) |
| Asset derivatives not designated as hedges for accounting purposes: | | | | |
| Commodity derivatives - current | Derivative instruments | $ 460,685 | Derivative instruments | $ 459,892 |
| Commodity derivatives - noncurrent | Derivative instruments | 841,257 | Derivative instruments | 760,562 |
| Total asset derivatives | | 1,301,942 | | 1,220,454 |
| Liability derivatives not designated as hedges for accounting purposes: | | | | |
| Marketing derivatives - current | Derivative instruments | 21,394 | Derivative instruments | 37,202 |
| Commodity derivatives - current | Derivative instruments | 7,082 | Derivative instruments | 4,705 |
| Commodity derivatives - noncurrent | Derivative instruments | 207 | Derivative instruments | — |
| Total liability derivatives | | 28,683 | | 41,907 |
| Net derivatives | | $ 1,273,259 | | $ 1,178,547 |

The following table presents the gross values of recognized derivative assets and liabilities, the amounts offset under master netting arrangements with counterparties, and the resulting net amounts presented in the consolidated balance sheets as of the dates presented, all at fair value (in thousands):

| December 31, 2017 | | | March 31, 2018 | | |
|---|---|---|---|---|---|
| Gross amounts on balance sheet | Gross amounts offset on | Net amounts of assets on balance | Gross amounts on balance sheet | Gross amounts offset on | Net amounts of assets (liabilities) |

| | balance sheet | sheet | | balance sheet | on balance sheet |
|---|---|---|---|---|---|
| Commodity derivative assets | $ 1,367,554 | (65,612) | 1,301,942 | $ 1,265,716 | (45,262) | 1,220,454 |
| Commodity derivative liabilities | $ (72,901) | 65,612 | (7,289) | $ (49,967) | 45,262 | (4,705) |
| Marketing derivative assets | $ 311,083 | (311,083) | — | $ — | — | — |
| Marketing derivative liabilities | $ (332,477) | 311,083 | (21,394) | $ (37,202) | — | (37,202) |

The following is a summary of derivative fair value gains and where such values are recorded in the condensed consolidated statements of operations for the three months ended March 31, 2017 and 2018 (in thousands):

| | Statement of operations location | Three months ended March 31, 2017 | 2018 |
|---|---|---|---|
| Commodity derivative gains | Revenue | $ 438,775 | 22,437 |
| Marketing derivative gains | Revenue | $ — | 94,234 |

The fair value of derivative instruments was determined using Level 2 inputs.

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(12)Commitments

The table below is a schedule of future minimum payments for firm transportation, drilling rig and completion services, processing, gathering and compression, and office and equipment agreements, as well as leases that have remaining lease terms in excess of one year as of March 31, 2018 (in millions).

| (in millions) | Firm transportation (a) | Processing, gathering and compression (b) | Drilling rigs and completion services (c) | Office and equipment (d) | Total |
|---|---|---|---|---|---|
| Remainder of 2018 | $ 653 | 338 | 54 | 11 | 1,056 |
| 2019 | 1,086 | 365 | 43 | 11 | 1,505 |
| 2020 | 1,106 | 383 | — | 10 | 1,499 |
| 2021 | 1,085 | 367 | — | 9 | 1,461 |
| 2022 | 1,033 | 364 | — | 8 | 1,405 |
| 2023 | 1,021 | 355 | — | 7 | 1,383 |
| Thereafter | 8,588 | 1,568 | — | 49 | 10,205 |
| Total | $ 14,572 | 3,740 | 97 | 105 | 18,514 |

(a) Firm Transportation

The Company has entered into firm transportation agreements with various pipelines in order to facilitate the delivery of its production to market. These contracts commit the Company to transport minimum daily natural gas or NGLs volumes at negotiated rates, or pay for any deficiencies at specified reservation fee rates. The amounts in this table are based on the Company's minimum daily volumes at the reservation fee rate. The values in the table represent the gross amounts that the Company is committed to pay; however, the Company will record in the consolidated financial statements its proportionate share of costs based on its working interest.

(b) Processing, Gathering, and Compression Service Commitments

The Company has entered into various long term gas processing agreements for certain of its production that will allow it to realize the value of its NGLs. The minimum payment obligations under the agreements are presented in the table.

The Company has various gathering and compression service agreements with third parties that provide for payments based on volumes gathered or compressed. The minimum payment obligations under these agreements are presented in the table.

The values in the table represent the gross amounts that the Company is committed to pay; however, the Company will record in the consolidated financial statements its proportionate share of costs based on its working interest. The values in the table also include minimum processing fees to be paid to the Joint Venture owned by Antero Midstream and MarkWest, and Antero Midstream's commitments for the construction of its advanced wastewater treatment complex, which is currently undergoing testing and commissioning. The table does not include intracompany commitments. Future capital contributions to unconsolidated affiliates are excluded from the table as neither the amounts nor the timing of the obligations can be determined in advance.

(c) Drilling Rig Service Commitments

The Company has obligations under agreements with service providers to procure drilling rigs and completion services. The values in the table represent the gross amounts that the Company is committed to pay; however, the Company will record in the consolidated financial statements its proportionate share of costs based on its working interest.

(d) Office and Equipment Leases

The Company leases various office space and equipment under capital and operating lease arrangements.

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(13)Contingencies

SJGC

The Company is the plaintiff in two lawsuits against South Jersey Gas Company and South Jersey Resources Group, LLC (collectively, "SJGC") pending in United States District Court in Colorado. In March 2015, the Company filed suit against SJGC seeking relief for breach of contract and damages in the amounts that SJGC had short paid, and continued to short pay, the Company in connection with two nearly identical long term gas contracts. Under those contracts, SJGC are long term purchasers of 80,000 MMBtu/day of the Company's natural gas production. Deliveries under the contracts began in October 2011 and the term of the contracts continues through October 2019. The price for gas was based on specified indices in the contracts. Beginning in October 2014, SJGC began short paying the Company based on price indices unilaterally selected by SJGC and not the applicable index specified in the contracts. SJGC claimed that the index price specified in the contracts, and the index at which SJGC paid for deliveries from 2011 through September 2014, was no longer appropriate under the contracts because a market disruption event (as defined by the contract) had occurred and, as a result, a new index price was required to be determined by the parties. The Company rejected SJGC's contention that a market disruption event occurred. SJGC's actions constituted a breach of the contracts by failing to pay the Company based on the express price terms of the contracts and paying the Company based on unilaterally selected price indices in violation of the contracts' remedial provisions. On May 8, 2017, a jury in the United States District Court in Colorado returned a unanimous verdict finding in favor of Antero's positions in the lawsuit against SJGC. On July 21, 2017, final judgment on the jury's unanimous verdict was entered by the court. On August 18, 2017, SJGC filed post-judgment motions with the court. On March 23, 2018, the court denied SJGC's post-judgment motions. On April 20, 2018, SJGC appealed the final judgment to the United States Court of Appeals for the Tenth Circuit and the appeal remains pending.

Subsequent to the entry of judgment, SJGC has continued to short pay the Company on the basis of unilaterally selected price indices and not the index specified in the contract. Accordingly, on December 21, 2017, Antero filed suit against SJGC to recover for its damages since March of 2017.

Through March 31, 2018, the Company estimates that it is owed approximately $77 million (gross damages, including interest) more than SJGC has paid using the indices unilaterally selected by them. Substantially all of this amount has not been accrued in the Company's financial statements. The Company will vigorously seek recovery from SJGC of all underpayments and damages, including interest, based on the contracted price.

WGL

The Company and Washington Gas Light Company and WGL Midstream, Inc. (collectively, "WGL") were involved in a pricing dispute involving firm gas sales contracts executed June 20, 2014 (the "Contracts") that the Company began delivering gas under in January 2016. From January 2016 through July 2017 and from December 2017 through January 2018, the aggregate daily gas volumes contracted for under the Contracts was 500,000 MMBtu/day, with the aggregate daily contracted volumes having increased to 600,000 MMBtu/day from August through November 2017. The Company invoiced WGL based on the natural gas index price specified in the Contracts and WGL paid the

Company based on that invoice price. However, WGL asserted that the index price was no longer appropriate under the Contracts and claimed that an undefined alternative index was more appropriate for the delivery point of the gas. In July 2016, the matter was referred to arbitration by the Colorado district court. In January 2017, after hearing a week of testimony and evidence, the arbitration panel ruled in the Company's favor. As a result, the index price has remained as specified in the Contracts and there will be no adjustments to the invoices that have been paid by WGL, nor will future invoices to WGL be adjusted based on the same claim rejected by the arbitration panel. The arbitration panel's award was confirmed by the Colorado district court on April 14, 2017.

In March of 2017, WGL filed a second legal proceeding against the Company in Colorado district court alleging breach of contract and seeking damages of more than $30 million. In this lawsuit, WGL claimed that the Company breached its contractual obligations under the Contracts by failing to deliver "TCO pool" gas. In subsequent filings, WGL explained that its claims were based on an alleged obligation that the Company must deliver gas to the Columbia IPP Pool ("IPP Pool"). WGL asserted this exact same issue in the arbitration and it was rejected by the arbitration panel. The arbitration panel specifically found that the Delivery Point under the Contracts was at a specific point in Braxton, West Virginia, not the IPP Pool. On August 24, 2017, the Colorado district court dismissed with prejudice WGL's claims against the Company in its new lawsuit and found that the Company had not breached its Contracts with WGL by allegedly failing to deliver to the IPP Pool. The Court also reaffirmed the arbitration panel's finding that

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the delivery point under the Contracts was not the IPP Pool. WGL has appealed this decision to the Colorado Court of Appeals and that appeal remains pending.

The Company is also actively engaged in pursuing cover damages against WGL based on WGL's failure to take receipt of all of the agreed quantities of gas required under the Contracts. WGL's failure to take the gas volumes specified in the Contracts is directly related to WGL's lack of primary firm transportation rights at the Delivery Point. The failures by WGL to take the full contracted volumes gas began in April 2017 and continued each month through December 2017 in varying quantities. In defense of its conduct, WGL has asserted to the Company that their failure to receive gas is excused by (1) the Company's failure to deliver gas to the IPP Pool or (2) alleged instances of Force Majeure under the Contracts. However, as stated above, the alleged obligation that the Company must deliver gas to the IPP Pool was rejected by the arbitration panel and the Colorado district court. Further, the Contracts expressly prohibit a Force Majeure claim in circumstances in which the gas purchaser does not have primary firm transportation agreements in place to transport the purchased gas. In each instance that WGL has failed to receive the quantity of gas required under the Contracts, the Company has resold the quantities not taken and invoiced WGL for cover damages pursuant to the terms of the Contracts. WGL has refused to pay for the invoiced cover damages as required by the Contracts and has also short paid the Company for, among other things, certain amounts of gas received by WGL. Through March 31, 2018, these damages amounted to approximately $105 million (gross damages, including interest). This amount has not been accrued in the Company's financial statements. The Company is currently pursuing its cover damages in a lawsuit filed in Colorado district court on October 24, 2017. This case is set for trial on September 17, 2018. The Company will continue to vigorously seek recovery of its cover damages and other unpaid amounts, including interest, as part of its claims against WGL.

Effective February 1, 2018, as a result of a recent amendment to its firm gas sales contract with WGL Midstream, Inc. that was executed on December 28, 2017, the total aggregate volumes to be delivered to WGL at the delivery point in Braxton, West Virginia were reduced from 500,000 MMBtu/day to 200,000 MMBtu/day. Upon both (1) the in service of the Dominion Cove Point LNG facility and (2) the earlier of in service of the WB East expansion and January 1, 2019, the aggregate contract volumes to be delivered to WGL will increase by 330,000 MMBtu/day. This increase will be in effect for the remaining term of our gas sale contract with WGL Midstream, which expires in 2038, and these increased volumes will be subject to NYMEX-based pricing. Following the increase of 330,000 MMBtu/day, the aggregate contract volumes to be delivered to WGL will total 530,000 MMBtu/day.

Other

The Company is party to various other legal proceedings and claims in the ordinary course of its business. The Company believes that certain of these matters will be covered by insurance and that the outcome of other matters will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

(14) Related Parties

Certain of the Company's shareholders, including members of its executive management group, own a significant interest in the Company and, either through their representatives or directly, serve as members of the Board of Directors of Antero and the Boards of Directors of the general partners of Antero Midstream and AMGP. These same groups or individuals own limited partner interests in Antero Midstream and common shares and other interests in AMGP, which indirectly owns the incentive distribution rights in Antero Midstream. Antero's executive management group also manages the operations and business affairs of Antero Midstream and AMGP.

Antero Midstream's operations comprise substantially all of the operations of our gathering and processing segment and our water handling and treatment segment. Substantially all of the revenues for those segments in the three months ended March 31, 2017 and 2018 were derived from transactions with Antero. See Note 15 for the operating results of the Company's reportable segments.

## (15)Segment Information

See Note 2(k) for a description of the Company's determination of its reportable segments. Revenues from gathering and processing and water handling and treatment operations are primarily derived from intersegment transactions for services provided to the Company's exploration and production operations. Marketing revenues are primarily derived from activities to purchase and sell third-party natural gas and NGLs and to market excess firm transportation capacity to third parties.

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Operating segments are evaluated based on their contribution to consolidated results, which is primarily determined by the respective operating income of each segment. General and administrative expenses are allocated to the gathering and processing and water handling and treatment segments based on the nature of the expenses and on a combination of the segments' proportionate share of the Company's consolidated property and equipment, capital expenditures, and labor costs, as applicable. General and administrative expenses related to the marketing segment are not allocated because they are immaterial. Other income, income taxes, and interest expense are primarily managed and evaluated on a consolidated basis. Intersegment sales are transacted at prices which approximate market. Accounting policies for each segment are the same as the Company's accounting policies described in Note 2 to the condensed consolidated financial statements.

The operating results and assets of the Company's reportable segments were as follows for the three months ended March 31, 2017 and 2018 (in thousands):

| | Exploration and production | Gathering and processing | Water handling and treatment | Marketing | Elimination of intersegment transactions | Consolidated total |
|---|---|---|---|---|---|---|
| Three months ended March 31, 2017: | | | | | | |
| Sales and revenues: | | | | | | |
| Third-party | $ 1,127,051 | 2,539 | 65 | 65,924 | — | 1,195,579 |
| Intersegment | 4,440 | 89,120 | 83,045 | — | (176,605) | — |
| Total | $ 1,131,491 | 91,659 | 83,110 | 65,924 | (176,605) | 1,195,579 |
| Operating expenses: | | | | | | |
| Lease operating | $ 15,742 | — | 38,622 | — | (38,813) | 15,551 |
| Gathering, compression, processing, and transportation | 347,768 | 8,114 | — | — | (89,053) | 266,829 |
| Depletion, depreciation, and amortization | 174,969 | 19,924 | 7,836 | — | — | 202,729 |
| General and administrative | 51,056 | 10,138 | 4,319 | — | (815) | 64,698 |
| Other | 53,618 | — | 4,344 | 89,993 | (3,526) | 144,429 |
| Total | 643,153 | 38,176 | 55,121 | 89,993 | (132,207) | 694,236 |
| Operating income (loss) | $ 488,338 | 53,483 | 27,989 | (24,069) | (44,398) | 501,343 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Equity in earnings of unconsolidated affiliates | $ — | 2,231 | — | — | — | 2,231 |
| Segment assets | $ 12,989,013 | 1,941,668 | 645,943 | 27,730 | (715,700) | 14,888,654 |
| Capital expenditures for segment assets | $ 457,739 | 66,559 | 36,954 | — | (45,018) | 516,234 |

| | Exploration and production | Gathering and processing | Water handling and treatment | Marketing | Elimination of intersegment transactions | Consolidated total |
|---|---|---|---|---|---|---|
| Three months ended March 31, 2018: | | | | | | |
| Sales and revenues: | | | | | | |
| Third-party | $ 784,543 | 4,145 | 790 | 238,623 | — | 1,028,101 |
| Intersegment | 5,875 | 104,032 | 120,624 | — | (230,531) | — |
| Total | $ 790,418 | 108,177 | 121,414 | 238,623 | (230,531) | 1,028,101 |
| Operating expenses: | | | | | | |
| Lease operating | $ 31,262 | — | 54,872 | — | (59,412) | 26,722 |
| Gathering, compression, processing, and transportation | 384,345 | 11,368 | — | — | (103,775) | 291,938 |
| Depletion, depreciation, and amortization | 195,588 | 23,638 | 9,018 | — | — | 228,244 |
| General and administrative | 46,420 | 10,362 | 4,093 | — | (845) | 60,030 |
| Other | 77,884 | 14 | 4,910 | 195,739 | (3,874) | 274,673 |
| Total | 735,499 | 45,382 | 72,893 | 195,739 | (167,906) | 881,607 |
| Operating income (loss) | $ 54,919 | 62,795 | 48,521 | 42,884 | (62,625) | 146,494 |
| Equity in earnings of unconsolidated affiliates | $ — | 7,862 | — | — | — | 7,862 |
| Segment assets | $ 13,200,108 | 2,217,115 | 933,909 | 41,548 | (969,831) | 15,422,849 |
| Capital expenditures for segment assets | $ 472,767 | 93,670 | 40,285 | — | (60,759) | 545,963 |

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2017 and March 31, 2018

(16)Subsidiary Guarantors

Each of Antero's wholly-owned subsidiaries has fully and unconditionally guaranteed Antero's senior notes. Antero Midstream and its subsidiaries have been designated as unrestricted subsidiaries under the Credit Facility and the indentures governing Antero's senior notes, and do not guarantee any of Antero's obligations (see Note 7). In the event a subsidiary guarantor is sold or disposed of (whether by merger, consolidation, the sale of a sufficient amount of its capital stock so that it no longer qualifies as a "Subsidiary" of the Company (as defined in the indentures governing the notes) or the sale of all or substantially all of its assets (other than by lease))) and whether or not the subsidiary guarantor is the surviving entity in such transaction to a person which is not Antero or a restricted subsidiary of Antero, such subsidiary guarantor will be released from its obligations under its subsidiary guarantee if the sale or other disposition does not violate the covenants set forth in the indentures governing the notes.

In addition, a subsidiary guarantor will be released from its obligations under the indentures and its guarantee, upon the release or discharge of the guarantee of other Indebtedness (as defined in the indentures governing the notes) that resulted in the creation of such guarantee, except a release or discharge by or as a result of payment under such guarantee; if Antero designates such subsidiary as an unrestricted subsidiary and such designation complies with the other applicable provisions of the indentures governing the notes or in connection with any covenant defeasance, legal defeasance or satisfaction and discharge of the notes.

The following Condensed Consolidating Balance Sheets at December 31, 2017 and March 31, 2018, and the related Condensed Consolidating Statements of Operations and Comprehensive Income (Loss) for the three months ended March 31, 2017 and 2018 and Condensed Consolidating Statements of Cash Flows for the three months ended March 31, 2017 and 2018 present financial information for Antero on a stand-alone basis (carrying its investment in subsidiaries using the equity method), financial information for the subsidiary guarantors, financial information for the non-guarantor subsidiaries, and the consolidation and elimination entries necessary to arrive at the information for the Company on a consolidated basis. Antero's wholly-owned subsidiaries are not restricted from making distributions to the Parent.

Distributions received by Antero from Antero Midstream have been reclassified from investing activities to operating activities on the Condensed Consolidating Statement of Cash Flows for the three months ended March 31, 2017. The reclassification is a result of the adoption of ASU No. 2016-05, Classification of Certain Cash Receipts and Cash Payments, which provides for an accounting policy election to account for distributions received from equity method investees under the "nature of distribution" approach.

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ANTERO RESOURCES CORPORATION

Notes to Condensed Consolidated Financial Statements

December 31, 2017 and March 31, 2018

Condensed Consolidating Balance Sheet

December 31, 2017

(In thousands)

| | Parent (Antero) | Guarantor Subsidiaries | Non-Guarantor Subsidiaries (Antero Midstream) | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | $ 20,078 | — | 8,363 | — | 28,441 |
| Accounts receivable, net | 33,726 | — | 1,170 | — | 34,896 |
| Intercompany receivables | 6,459 | — | 110,182 | (116,641) | — |
| Accrued revenue | 300,122 | — | — | — | 300,122 |
| Derivative instruments | 460,685 | — | — | — | 460,685 |
| Other current assets | 8,273 | — | 670 | — | 8,943 |
| Total current assets | 829,343 | — | 120,385 | (116,641) | 833,087 |
| Property and equipment: | | | | | |
| Natural gas properties, at cost (successful efforts method): | | | | | |
| Unproved properties | 2,266,673 | — | — | — | 2,266,673 |
| Proved properties | 11,460,615 | — | — | (364,153) | 11,096,462 |
| Water handling and treatment systems | — | — | 942,361 | 4,309 | 946,670 |
| Gathering systems and facilities | 17,929 | — | 2,032,561 | — | 2,050,490 |
| Other property and equipment | 57,429 | — | — | — | 57,429 |
| | 13,802,646 | — | 2,974,922 | (359,844) | 16,417,724 |
| Less accumulated depletion, depreciation, and amortization | (2,812,851) | — | (369,320) | — | (3,182,171) |
| Property and equipment, net | 10,989,795 | — | 2,605,602 | (359,844) | 13,235,553 |
| Derivative instruments | 841,257 | — | — | — | 841,257 |
| Investments in subsidiaries | (573,926) | — | — | 573,926 | — |
| Contingent acquisition consideration | 208,014 | — | — | (208,014) | — |
| Investments in unconsolidated affiliates | — | — | 303,302 | — | 303,302 |
| Other assets | 35,371 | — | 12,920 | — | 48,291 |
| Total assets | $ 12,329,854 | — | 3,042,209 | (110,573) | 15,261,490 |
| | | | | | |
| Liabilities and Equity | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | $ 54,340 | — | 8,642 | — | 62,982 |

| | | | | | |
|---|---|---|---|---|---|
| Intercompany payable | 110,182 | — | 6,459 | (116,641) | — |
| Accrued liabilities | 338,819 | — | 106,006 | (1,600) | 443,225 |
| Revenue distributions payable | 209,617 | — | — | — | 209,617 |
| Derivative instruments | 28,476 | — | — | — | 28,476 |
| Other current liabilities | 17,587 | — | 209 | — | 17,796 |
| Total current liabilities | 759,021 | — | 121,316 | (118,241) | 762,096 |
| Long-term liabilities: | | | | | |
| Long-term debt | 3,604,090 | — | 1,196,000 | — | 4,800,090 |
| Deferred income tax liability | 779,645 | — | — | — | 779,645 |
| Contingent acquisition consideration | — | — | 208,014 | (208,014) | — |
| Derivative instruments | 207 | — | — | — | 207 |
| Other liabilities | 42,906 | — | 410 | — | 43,316 |
| Total liabilities | 5,185,869 | — | 1,525,740 | (326,255) | 6,385,354 |
| Equity: | | | | | |