EQT Corp
Form 10-Q
April 28, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

or

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-3551

EQT CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-0464690
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
625 Liberty Avenue, Suite 1700, Pittsburgh, Pennsylvania	15222
(Address of principal executive offices)	(Zip code)

(412) 553-5700
(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 x 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 x No ¨

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

Large Accelerated Filer	x	Accelerated Filer	¨
Non-Accelerated Filer	¨	Smaller reporting company	¨

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

As of March 31, 2016, 160,594 (in thousands) shares of common stock, no par value, of the registrant were outstanding.

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EQT CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

EQT CORPORATION AND SUBSIDIARIES

Statements of Consolidated Income (Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(Thousands, except per share amounts)	
Revenues:		
Sales of natural gas, oil and NGLs	$ 364,427	$ 586,408
Pipeline and marketing services	71,647	84,815
Gain on derivatives not designated as hedges	108,995	43,592
Total operating revenues	545,069	714,815
Operating expenses:		
Transportation and processing	77,193	65,776
Operation and maintenance	31,483	28,247
Production	26,896	31,356
Exploration	3,123	12,554
Selling, general and administrative	57,942	63,126
Depreciation, depletion and amortization	221,231	194,745
Impairment of long-lived assets	—	4,252
Total operating expenses	417,868	400,056
Operating income	127,201	314,759
Other income	4,840	939
Interest expense	36,180	37,216
Income before income taxes	95,861	278,482
Income tax expense	7,436	57,314
Net income	88,425	221,168
Less: Net income attributable to noncontrolling interests	82,789	47,741
Net income attributable to EQT Corporation	$ 5,636	$ 173,427
Earnings per share of common stock attributable to EQT Corporation:		
Basic:		
Weighted average common stock outstanding	156,720	152,036
Net income	$ 0.04	$ 1.14
Diluted:		
Weighted average common stock outstanding	157,195	152,756
Net income	$ 0.04	$ 1.14
Dividends declared per common share	$ 0.03	$ 0.03

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

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EQT CORPORATION AND SUBSIDIARIES

Statements of Consolidated Comprehensive Income (Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(Thousands)	
Net income	$88,425	$221,168
Other comprehensive (loss) income, net of tax:		
Net change in cash flow hedges:		
Natural gas, net of tax benefit of $(8,339) and $(27,000)	(12,424)	(40,751)
Interest rate, net of tax expense of $25 and $25	36	36
Pension and other post-retirement benefits liability adjustment, net of tax expense of $135 and $128	213	202
Other comprehensive loss	(12,175)	(40,513)
Comprehensive income	76,250	180,655
Less: Comprehensive income attributable to noncontrolling interests	82,789	47,741
Comprehensive (loss) income attributable to EQT Corporation	$(6,539)	$132,914

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

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EQT CORPORATION AND SUBSIDIARIES

Statements of Condensed Consolidated Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(Thousands)	
Cash flows from operating activities:		
Net income	$88,425	$221,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income tax expense (benefit)	7,073	(31,070)
Depreciation, depletion and amortization	221,231	194,745
Asset and lease impairments	1,832	18,995
Provision for (recoveries of) losses on accounts receivable	100	(524)
Other income	(4,840)	(939)
Stock-based compensation expense	12,777	15,441
Gain on derivatives not designated as hedges	(108,995)	(43,592)
Cash settlements received on derivatives not designated as hedges	109,132	7,742
Changes in other assets and liabilities:		
Accounts receivable	27,340	69,542
Accounts payable	(38,555)	(39,326)
Other items, net	(30,603)	40,934
Net cash provided by operating activities	284,917	453,116
Cash flows from investing activities:		
Capital expenditures	(397,791)	(627,700)
Capital contributions to Mountain Valley Pipeline, LLC	(11,430)	(54,229)
Sales of interests in Mountain Valley Pipeline, LLC	12,533	—
Net cash used in investing activities	(396,688)	(681,929)
Cash flows from financing activities:		
Proceeds from the issuance of common shares of EQT Corporation, net of issuance costs	430,420	—
Proceeds from the issuance of common units of EQT Midstream Partners, LP, net of issuance costs	—	696,681
Increase in borrowings on EQT Midstream Partners, LP credit facility	71,000	390,000
Decrease in borrowings on EQT Midstream Partners, LP credit facility	(361,000)	(91,000)
Dividends paid	(4,586)	(4,562)
Distributions to noncontrolling interests	(42,780)	(22,845)
Repayments and retirements of long-term debt	—	(3,093)
Proceeds and excess tax benefits from awards under employee compensation plans	—	9,558
Cash paid for taxes related to net settlement of share-based incentive awards	(26,018)	(39,837)
Repurchase of common stock	(10)	—
Net cash provided by financing activities	67,026	934,902
Net change in cash and cash equivalents	(44,745)	706,089
Cash and cash equivalents at beginning of period	1,601,232	1,077,429
Cash and cash equivalents at end of period	$1,556,487	$1,783,518

Cash paid (received) during the period for:		
Interest, net of amount capitalized	$16,528	$14,160
Income taxes, net	$674	$(110)
Non-cash activity during the period for:		
Increase in Mountain Valley Pipeline, LLC investment/payable for capital contributions	$13,864	$—

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

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EQT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2016	December 31, 2015
	(Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$1,556,487	$1,601,232
Accounts receivable (less accumulated provision for doubtful accounts: $3,177 at March 31, 2016 and $3,018 at December 31, 2015)	149,517	176,957
Derivative instruments, at fair value	400,700	417,397
Prepaid expenses and other	49,654	55,433
Total current assets	2,156,358	2,251,019
Property, plant and equipment	16,004,602	15,635,549
Less: accumulated depreciation and depletion	4,379,182	4,163,528
Net property, plant and equipment	11,625,420	11,472,021
Other assets	267,847	253,132
Total assets	$14,049,625	$13,976,172

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

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EQT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

	March 31, 2016	December 31, 2015
	(Thousands)	
Liabilities and Stockholders' Equity		
Current liabilities:		
Credit facility borrowings	$ 9,000	$ 299,000
Accounts payable	223,307	291,550
Derivative instruments, at fair value	27,638	23,434
Other current liabilities	161,403	181,835
Total current liabilities	421,348	795,819
Long-term debt	2,794,481	2,793,343
Deferred income taxes	1,971,682	1,972,170
Other liabilities and credits	380,543	386,798
Total liabilities	5,568,054	5,948,130
Equity:		
Stockholders' equity:		
Common stock, no par value, authorized 320,000 shares, shares issued: 165,822 at March 31, 2016 and 158,347 at December 31, 2015	2,567,568	2,153,280
Treasury stock, shares at cost: 5,228 at March 31, 2016 (including 330 held in rabbi trust) and 5,793 at December 31, 2015 (including 292 held in rabbi trust)	(93,878)	(104,079)
Retained earnings	2,983,262	2,982,212
Accumulated other comprehensive income	34,203	46,378
Total common stockholders' equity	5,491,155	5,077,791
Noncontrolling interests in consolidated	2,990,416	2,950,251

subsidiaries				
Total equity	8,481,571		8,028,042	
Total liabilities and equity	$	14,049,625	$	13,976,172

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

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EQT CORPORATION AND SUBSIDIARIES

Statements of Condensed Consolidated Equity (Unaudited)

	Common Stock					
	Shares Outstanding	No Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	(Thousands)					
Balance, January 1, 2015	151,596	$1,466,192	$2,917,129	$ 199,494	$ 1,790,248	$6,373,063
Comprehensive income (net of tax):						
Net income			173,427		47,741	221,168
Net change in cash flow hedges:						
Natural gas, net of tax benefit of $(27,000)				(40,751)		(40,751)
Interest rate, net of tax expense of $25				36		36
Pension and other post-retirement benefits liability adjustment, net of tax expense of $128				202		202
Dividends ($0.03 per share)			(4,562)			(4,562)
Stock-based compensation plans, net	750	(10,241)			368	(9,873)
Distributions to noncontrolling interests ($0.58 per EQT Midstream Partners, LP common unit)					(22,845)	(22,845)
Issuance of common units of EQT Midstream Partners, LP					696,681	696,681
Changes in ownership of consolidated subsidiary, net		122,833			(195,787)	(72,954)
Balance, March 31, 2015	152,346	$1,578,784	$3,085,994	$ 158,981	$ 2,316,406	$7,140,165
Balance, January 1, 2016	152,554	$2,049,201	$2,982,212	$ 46,378	$ 2,950,251	$8,028,042
Comprehensive income (net of tax):						
Net income			5,636		82,789	88,425
Net change in cash flow hedges:						
Natural gas, net of tax benefit of $(8,339)				(12,424)		(12,424)
Interest rate, net of tax expense of $25				36		36
Pension and other post-retirement benefits liability adjustment, net of tax expense of $135				213		213
Dividends ($0.03 per share)			(4,586)			(4,586)
Stock-based compensation plans, net	566	(5,921)			156	(5,765)
Distributions to noncontrolling interests ($0.71 and $0.122 per common unit from EQT Midstream					(42,780)	(42,780)

Partners, LP and EQT GP Holdings, LP, respectively)						
Issuance of common shares of EQT Corporation	7,475	430,420				430,420
Repurchase of common stock	(1)	(10)				(10)
Balance, March 31, 2016	160,594	$2,473,690	$2,983,262	$ 34,203	$ 2,990,416	$8,481,571

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

A. Financial Statements

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by United States GAAP for complete financial statements. In the opinion of management, these statements include all adjustments (consisting of only normal recurring accruals, unless otherwise disclosed in this Form 10-Q) necessary for a fair presentation of the financial position of EQT Corporation and subsidiaries as of March 31, 2016 and December 31, 2015, the results of its operations for the three month periods ended March 31, 2016 and 2015 and its cash flows for the three month periods ended March 31, 2016 and 2015. In this Quarterly Report on Form 10-Q, references to "we," "us," "our," "EQT," "EQT Corporation," and the "Company" refer collectively to E Corporation and its consolidated subsidiaries.

Certain previously reported amounts have been reclassified to conform to the current year presentation. The impact of these reclassifications was not material to any of the previously issued financial statements.

The balance sheet at December 31, 2015 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by United States GAAP for complete financial statements.

On February 19, 2016, the Company entered into an Underwriting Agreement with Goldman, Sachs & Co. (the Underwriter) providing for the offer and sale by the Company (Offering), and the purchase by the Underwriter, of 6,500,000 shares of the Company's common stock, no par value (Common Stock), at a price to the public of $58.50 per share. Pursuant to the Underwriting Agreement, the Company also granted the Underwriter an option for a period of 30 days to purchase up to 975,000 additional shares of Common Stock (Option Shares) on the same terms. On February 22, 2016, the Underwriter exercised in full its option to purchase the Option Shares. The Offering closed on February 24, 2016, and the Company received net proceeds from the sale of Common Stock in the Offering (including exercise of the Underwriter's option to purchase the Option Shares in full) of approximately $430.4 million, after deducting underwriting discounts and commissions and estimated offering expenses. The Company intends to use the net proceeds from the Offering for general corporate purposes, which may include, among other things, repayment of a portion of its outstanding indebtedness.

On March 2, 2016, the Internal Revenue Service issued a favorable determination letter for the termination of the EQT Corporation Retirement Plan for Employees (Retirement Plan). The Company expects to liquidate the remaining pension obligation by purchasing annuities during 2016. At that time, the Company will reclassify all actuarial loss remaining in accumulated other comprehensive loss, totaling approximately $16 million (on a pre-tax basis), to earnings. The Company expects to make cash payments of approximately $6 million to fully fund the Retirement Plan upon liquidation.

As a result of declining production volumes in the Company's non-core Huron play and the depressed commodity price environment, the Company consolidated its Huron operations in Kentucky, Virginia, and southern West Virginia during the first quarter of 2016. The consolidation is expected to improve the Company's cost structure for its Huron operations. The Company recorded restructuring charges of $3.8 million related to the Huron operations consolidation for the three months ended March 31, 2016.

For further information, refer to the consolidated financial statements and footnotes thereto included in EQT Corporation's Annual Report on Form 10-K for the year ended December 31, 2015 as well as "Management's

Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 21 of this Quarterly Report on Form 10-Q.

B. EQT GP Holdings, LP

In January 2015, the Company formed EQT GP Holdings, LP (EQGP) (NYSE: EQGP), a Delaware limited partnership, to own the Company's partnership interests in EQT Midstream Partners, LP (EQM) (NYSE: EQM). EQGP owned the following EQM partnership interests as of March 31, 2016, which represent EQGP’s only cash-generating assets: 21,811,643 EQM common units, representing a 27.6% limited partner interest in EQM; 1,443,015 EQM general partner units, representing a 1.8% general partner interest in EQM; and all of EQM’s incentive distribution rights, or IDRs, which entitle EQGP to receive up to 48.0% of all incremental cash distributed in a quarter after $0.5250 has been distributed in respect of each common unit and general partner unit of EQM for that quarter. The Company is the ultimate parent company of EQGP and EQM.

On May 15, 2015, EQGP completed an underwritten initial public offering (IPO) of 26,450,000 common units representing limited partner interests in EQGP, which represented 9.9% of EQGP's outstanding limited partner interests. The Company retained 239,715,000 common units, which represented a 90.1% limited partner interest, and a non-economic general partner interest, in EQGP. EQT Gathering Holdings, LLC, an indirect wholly owned subsidiary of the Company, was the selling unitholder and sold all of the EQGP common units in the offering. The IPO resulted in net proceeds to the Company of approximately $674.0 million after deducting the underwriters' discount of approximately $37.5 million and structuring fees of approximately $2.7 million. EQGP did not receive any of the proceeds from, or incur any expenses in connection with the IPO.

The Company continues to consolidate the results of EQGP, but records an income tax provision only as to its ownership percentage. The Company records the noncontrolling interest of the EQGP public limited partners in its financial statements.

On April 26, 2016, the Board of Directors of EQGP's general partner declared a cash distribution to EQGP's unitholders for the first quarter of 2016 of $0.134 per common unit, or approximately $35.7 million. The distribution will be paid on May 23, 2016 to unitholders of record, including the Company, at the close of business on May 6, 2016.

Net income attributable to noncontrolling interests (i.e., to the EQGP limited partner interests not owned by the Company and the EQM limited partner interests not owned by EQGP) was $82.8 million for the three months ended March 31, 2016. Net income attributable to noncontrolling interests (i.e., to the EQM limited partner interests not owned by the Company) was $47.7 million for the three months ended March 31, 2015.

C. EQT Midstream Partners, LP

In January 2012, the Company formed EQM to own, operate, acquire and develop midstream assets in the Appalachian Basin. EQM provides midstream services to the Company and other third parties. EQM is consolidated in the Company's consolidated financial statements. The Company records the noncontrolling interest of the EQM public limited partners in its financial statements.

On March 30, 2015, the Company assigned 100% of the membership interest in MVP Holdco, LLC (MVP Holdco), an indirect wholly owned subsidiary of the Company that as of March 31, 2016 owned a 45.5% interest (the MVP Interest) in Mountain Valley Pipeline, LLC (MVP Joint Venture), to EQM for $54.2 million, which represented EQM's reimbursement to the Company for 100% of the capital contributions made by the Company to the MVP Joint Venture as of March 30, 2015. The MVP Joint Venture plans to construct the Mountain Valley Pipeline (MVP), an estimated 300-mile natural gas interstate pipeline spanning from northern West Virginia to southern Virginia. The MVP Joint Venture has secured a total of 2.0 Bcf per day of 20-year firm capacity commitments, including an approximately 1.29 Bcf per day firm capacity commitment by the Company. The MVP project is subject to Federal Energy Regulatory Commission (FERC) approval. The MVP Joint Venture submitted the MVP certificate application to the FERC in October 2015, is currently in the regulatory review process with the FERC and anticipates receiving the certificate in the fourth quarter of 2016. Subject to FERC approval, construction is scheduled to begin shortly thereafter and the pipeline is expected to be in-service during the fourth quarter of 2018.

On April 26, 2016, the Board of Directors of EQM's general partner declared a cash distribution to EQM's unitholders for the first quarter of 2016 of $0.745 per common unit. The cash distribution will be paid on May 13, 2016 to unitholders of record, including EQGP, at the close of business on May 6, 2016. Based on the 77,632,449 EQM common units outstanding on April 27, 2016, the aggregate cash distributions by EQM to EQGP would be approximately $36.5 million consisting of: $16.3 million in respect of its limited partner interest, $1.4 million in respect of its general partner interest and $18.8 million in respect of its IDRs. The distributions to EQGP in respect of its general partner interest and IDRs in EQM are subject to change if EQM issues additional common units on or prior to the record date for the first quarter 2016 distribution.

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Notes to Condensed Consolidated Financial Statements (Unaudited)

D. Equity in Nonconsolidated Investments

The Company, through its ownership interest in EQM, has an ownership interest in the MVP Joint Venture, a nonconsolidated investment that is accounted for under the equity method of accounting. The following table summarizes the Company's equity in the nonconsolidated investment:

Investee	Location	Interest Type	Ownership % as of March 31, 2016	Equity as of March 31, 2016	Equity as of December 31, 2015
				(Thousands)	
MVP Joint Venture	USA	Joint	45.5%	$91,678	$ 77,025

The Company's ownership share of the earnings for the three months ended March 31, 2016 and 2015 related to the total investments accounted for under the equity method was $1.6 million and $0.2 million, respectively, reported in other income on the Statements of Consolidated Income.

The MVP Joint Venture has been determined to be a variable interest entity because the MVP Joint Venture has insufficient equity to finance activities during the construction stage of the project. EQM is not the primary beneficiary because it does not have the power to direct the activities of the MVP Joint Venture that most significantly impact its economic performance. Certain business decisions, including, but not limited to, decisions with respect to operating and construction budgets, project construction schedule, material contracts or precedent agreements, indebtedness, significant acquisitions or dispositions, material regulatory filings and strategic decisions require the approval of owners holding a super majority percentage in the MVP Joint Venture and no one member individually owns such super majority interest. Beginning on the date it was assumed from the Company, EQM accounted for its interest in the MVP Joint Venture as an equity method investment as EQM has the ability to exercise significant influence over operating and financial policies of the MVP Joint Venture. As of March 31, 2016, the Company's interest in the MVP Joint Venture was recorded in other assets on the Condensed Consolidated Balance Sheets.

On January 21, 2016, affiliates of Consolidated Edison, Inc. (ConEd) acquired a 12.5% interest in the MVP Joint Venture and entered into 20-year firm capacity commitments for approximately 0.25 Bcf per day on both the MVP and EQM's transmission system (ConEd Transaction). As a result of the ConEd Transaction, EQM's interest in the MVP Joint Venture decreased by 8.5% to 45.5%, and during the first quarter of 2016, ConEd reimbursed EQM $12.5 million related to the proportionate reduction in EQM's interest in the joint venture. ConEd has the right to terminate its purchase of the interest in the MVP Joint Venture and be reimbursed for the purchase price and all capital contributions made to the MVP Joint Venture for a period ending no later than December 31, 2016.

As of March 31, 2016, EQM had issued a $91 million performance guarantee in favor of the MVP Joint Venture to provide performance assurances for MVP Holdco's obligations to fund its proportionate share of the construction budget for the MVP. Upon the FERC's initial release to begin construction of the MVP, EQM's guarantee will terminate; EQM will then be obligated to issue a new guarantee in an amount equal to 33% of MVP Holdco's remaining obligations to make capital contributions to the MVP Joint Venture in connection with the then remaining construction budget, less, subject to certain limits, any credit assurances issued by any affiliate of EQM under such affiliate's precedent agreement with the MVP Joint Venture.

As of March 31, 2016, EQM's maximum financial statement exposure related to the MVP Joint Venture was approximately $183 million, which included the investment balance of $92 million on the Consolidated Balance Sheet as of March 31, 2016 and amounts which could have become due under the performance guarantee as of that date.

E. Consolidated Variable Interest Entities

EQT adopted Accounting Standard Update (ASU) No. 2015-02, Consolidation in the first quarter of 2016 and, as a result, EQT determined EQGP and EQM to be variable interest entities. Through EQT's ownership and control of EQGP's general partner and control of EQM's general partner, EQT has the power to direct the activities that most significantly impact their economic performance. In addition, through EQT's general partner interest and limited partner interest in EQGP and EQGP's general partner interest, limited partner interest and incentive distribution rights in EQM, EQT has the obligation to absorb the losses of EQGP and EQM and the right to receive benefits from EQGP and EQM, in accordance with such interests. Therefore, EQT has a controlling financial interest in EQGP and EQM, is the primary beneficiary of EQGP and EQM and consolidates EQGP and EQM.

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EQT Corporation and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

The risks associated with the operations of EQGP and EQM are discussed in their respective Annual Reports on Form 10-K for the year ended December 31, 2015. See further discussion of the impact that EQT's involvement in EQGP and EQM have on EQT's financial position, results of operations and cash flows included in EQT's Annual Report on Form 10-K for the year ended December 31, 2015, including in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein. See Notes B and C for further discussion of EQGP and EQM.

The following table presents amounts included in EQT's Consolidated Balance Sheets that were for the use or obligation of EQGP and EQM as of March 31, 2016 and December 31, 2015.

Classification	March 31, 2016	December 31, 2015
	(Thousands)	
Assets:		
Cash and cash equivalents	$375	$350,815
Accounts receivable	17,724	17,131
Prepaid expenses and other	3,077	2,111
Property, plant and equipment, net	2,088,063	1,969,993
Other assets	106,130	91,975
Liabilities:		
Accounts payable	$46,367	$35,909
Credit facility borrowings	9,000	299,000
Other current liabilities	23,946	15,722
Long-term debt	493,594	493,401
Other liabilities and credits	8,730	7,834

The following table summarizes the EQGP Statements of Consolidated Operations and Cash Flows for the three months ended March 31, 2016 and 2015, inclusive of affiliate amounts.

	Three Months Ended March 31,	
	2016	2015
	(Thousands)	
Operating revenues	$180,601	$154,811
Operating expenses	49,372	42,059
Other expenses	3,120	31,077
Net income	$128,109	$81,675
Net cash provided by operating activities	$117,571	$114,659
Net cash used in investing activities	(103,674)	(532,435)
Net cash (used in) provided by financing activities	$(364,337)	$458,101

F. Financial Information by Business Segment

Operating segments are revenue-producing components of the enterprise for which separate financial information is produced internally and which are subject to evaluation by the Company's chief operating decision maker in deciding how to allocate resources.

The Company reports its operations in two segments, which reflect its lines of business. The EQT Production segment includes the Company's exploration for, development and production of and sales of, natural gas and natural gas liquids (NGLs) in the Appalachian and Permian Basins. The EQT Midstream segment's operations include the natural gas gathering, transmission and storage activities of the Company, including ownership and operation of EQGP and EQM. EQT Midstream also provides marketing services for the benefit of EQT Production.

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Notes to the Condensed Consolidated Financial Statements (Unaudited)

Operating segments are evaluated on their contribution to the Company's consolidated results based on operating income. Other income, interest and income taxes are managed on a consolidated basis. Headquarters' costs are billed to the operating segments based upon an allocation of the headquarters' annual operating budget. Differences between budget and actual headquarters' expenses are not allocated to the operating segments.

Substantially all of the Company's operating revenues, income from operations and assets are generated or located in the United States.

Three Months Ended March 31, 2016	EQT Production	EQT Midstream	Intersegment Eliminations	EQT Corporation
Revenues:				
Sales of natural gas, oil and NGLs	$ 364,427	$ —	$ —	$ 364,427
Pipeline and marketing services	4,586	224,729	(157,668)	71,647
Gain on derivatives not designated as hedges	108,995	—	—	108,995
Total operating revenues	$ 478,008	$ 224,729	$ (157,668)	$ 545,069

Three Months Ended March 31, 2015	EQT Production (a)	EQT Midstream	Intersegment Eliminations (a)	EQT Corporation
Revenues:				
Sales of natural gas, oil and NGLs	$ 586,408	$ —	$ —	$ 586,408
Pipeline and marketing services	13,137	208,881	(137,203)	84,815
Gain (loss) on derivatives not designated as hedges	44,246	(654)	—	43,592
Total operating revenues	$ 643,791	$ 208,227	$ (137,203)	$ 714,815

(a) For the three months ended March 31, 2016, EQT Production presented affiliated gathering and transmission costs as operating expenses for consistency with the presentation of third party costs. Historically, these affiliated costs have been presented as revenue deductions. Certain previously reported amounts have been reclassified to conform with current year presentation.

	Three Months Ended March 31,	
	2016	2015
	(Thousands)	
Operating income (loss):		
EQT Production	$ (11,254)	$ 185,843
EQT Midstream	141,859	129,741
Unallocated expenses (b)	(3,404)	(825)
Total operating income	$ 127,201	$ 314,759

(b) Unallocated expenses consist primarily of incentive compensation expense and administrative costs.

Reconciliation of operating income to net income:		
Total operating income	$ 127,201	$ 314,759
Other income	4,840	939
Interest expense	36,180	37,216
Income tax expense	7,436	57,314
Net income	$ 88,425	$ 221,168

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EQT Corporation and Subsidiaries
Notes to the Condensed Consolidated Financial Statements (Unaudited)

	As of March 31, 2016	As of December 31, 2015
	(Thousands)	
Segment assets:		
EQT Production	$8,991,202	$8,995,853
EQT Midstream	3,343,923	3,226,138
Total operating segments	12,335,125	12,221,991
Headquarters assets, including cash and short-term investments	1,714,500	1,754,181
Total assets	$14,049,625	$13,976,172

	Three Months Ended March 31,	
	2016	2015
	(Thousands)	
Depreciation, depletion and amortization:		
EQT Production	$194,836	$171,463
EQT Midstream	26,333	23,195
Other	62	87
Total	$221,231	$194,745
Expenditures for segment assets (c):		
EQT Production (d)	$231,613	$481,974
EQT Midstream	140,920	72,575
Other	1,013	893
Total	$	