CABOT OIL & GAS CORP
Form 10-Q
April 27, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
For the quarterly period ended March 31, 2018
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.
Commission file number 1-10447

CABOT OIL & GAS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	04-3072771
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Three Memorial City Plaza
840 Gessner Road, Suite 1400, Houston, Texas 77024
(Address of principal executive offices including ZIP code)
(281) 589-4600
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o
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 ý No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o	Smaller reporting company o
(Do not check if a smaller reporting company)	Emerging growth company o

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. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ý
As of April 25, 2018, there were 451,487,754 shares of Common Stock, Par Value $0.10 Per Share, outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

CABOT OIL & GAS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited)

(In thousands, except share amounts)	March 31, 2018	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$964,928	$480,047
Accounts receivable, net	170,000	216,004
Income taxes receivable	81,420	56,666
Inventories	12,448	8,006
Derivative instruments	5,551	—
Current assets held for sale	—	1,440
Other current assets	1,771	2,794
Total current assets	1,236,118	764,957
Properties and equipment, net (Successful efforts method)	3,146,252	3,072,204
Equity method investments	120,501	86,077
Assets held for sale	6,807	778,855
Derivative instruments	5,762	2,239
Other assets	22,961	23,012
	$4,538,401	$4,727,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$174,662	$238,045
Current portion of long-term debt	304,000	304,000
Accrued liabilities	11,570	27,441
Interest payable	12,257	27,575
Derivative instruments	8,002	30,637
Current liabilities held for sale	—	2,352
Total current liabilities	510,491	630,050
Long-term debt, net	1,218,231	1,217,891
Deferred income taxes	291,280	227,030
Asset retirement obligations	45,507	43,601
Liabilities held for sale	1,867	15,748
Postretirement benefits	29,722	29,396
Other liabilities	34,787	39,723
Total liabilities	2,131,885	2,203,439
Commitments and contingencies		
Stockholders' equity		
Common stock:		
Authorized — 960,000,000 shares of $0.10 par value in 2018 and 2017, respectively		
Issued — 476,081,339 shares and 475,547,419 shares in 2018 and 2017, respectively	47,608	47,555
Additional paid-in capital	1,742,668	1,742,419
Retained earnings	1,251,568	1,162,430
Accumulated other comprehensive income (loss)	2,383	2,077
Less treasury stock, at cost:		
23,263,707 shares and 14,935,926 shares in 2018 and 2017, respectively	(637,711)	(430,576)
Total stockholders' equity	2,406,516	2,523,905

	$4,538,401	$4,727,344

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

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CABOT OIL & GAS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
(In thousands, except per share amounts)	2018	2017
OPERATING REVENUES		
Natural gas	$412,108	$433,442
Crude oil and condensate	48,722	42,990
Gain on derivative instruments	5,577	33,384
Brokered natural gas	4,950	4,695
Other	1,870	3,332
	473,227	517,843
OPERATING EXPENSES		
Direct operations	20,070	24,641
Transportation and gathering	112,125	123,474
Brokered natural gas	4,950	4,046
Taxes other than income	7,190	9,058
Exploration	3,617	6,198
Depreciation, depletion and amortization	82,128	135,100
General and administrative	24,060	23,700
	254,140	326,217
Loss on equity method investments	(994)	(1,283)
Loss on sale of assets	(41,049)	(223)
INCOME FROM OPERATIONS	177,044	190,120
Interest expense, net	20,058	20,771
Other expense	114	424
Income before income taxes	156,872	168,925
Income tax expense	39,641	63,205
NET INCOME	$117,231	$105,720
Earnings per share		
Basic	$0.26	$0.23
Diluted	$0.25	$0.23
Weighted-average common shares outstanding		
Basic	459,715	465,348
Diluted	461,549	466,888
Dividends per common share	$0.06	$0.02

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

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CABOT OIL & GAS CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

	Three Months Ended March 31,	
(In thousands)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$117,231	$105,720
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	82,128	135,100
Deferred income tax expense	64,287	53,289
Loss on sale of assets	41,049	223
Exploratory dry hole cost	(60)	2,842
Gain on derivative instruments	(5,577)	(33,384)
Net cash paid in settlement of derivative instruments	(26,131)	(1,524)
Loss on equity method investments	994	1,283
Amortization of debt issuance costs	1,195	1,189
Stock-based compensation and other	5,184	8,283
Changes in assets and liabilities:		
Accounts receivable, net	50,216	(1,738)
Income taxes	(24,646)	10,534
Inventories	(4,309)	1,209
Other current assets	1,023	1,170
Accounts payable and accrued liabilities	(14,169)	151
Interest payable	(15,318)	(15,388)
Other assets and liabilities	(337)	419
Net cash provided by operating activities	272,760	269,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(156,257)	(208,384)
Proceeds from sale of assets	646,545	374
Investment in equity method investments	(35,418)	(7,742)
Net cash provided by (used in) investing activities	454,870	(215,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury stock repurchases	(207,134)	—
Dividends paid	(27,647)	(9,306)
Tax withholdings on vesting of stock awards	(7,968)	(5,414)
Other	—	37
Net cash used in financing activities	(242,749)	(14,683)
Net increase in cash and cash equivalents	484,881	38,943
Cash and cash equivalents, beginning of period	480,047	498,542
Cash and cash equivalents, end of period	$964,928	$537,485

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

CABOT OIL & GAS CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Financial Statement Presentation

During interim periods, Cabot Oil & Gas Corporation (the Company) follows the same accounting policies disclosed in its Annual Report on Form 10-K/A for the year ended December 31, 2017 (Form 10-K/A) filed with the Securities and Exchange Commission (SEC). The interim financial statements should be read in conjunction with the notes to the consolidated financial statements and information presented in the Form 10-K/A. In management's opinion, the accompanying interim condensed consolidated financial statements contain all material adjustments, consisting only of normal recurring adjustments, necessary for a fair statement. The results for any interim period are not necessarily indicative of the expected results for the entire year.

Certain reclassifications have been made to prior year statements to conform with the current year presentation. These reclassifications had no impact on previously reported stockholders' equity, net income or cash flows.

Recently Adopted Accounting Pronouncements

Revenue Recognition. In May 2014, the Financial Accounting Standards Boards (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (Accounting Standards Codification (ASC) 606, as subsequently amended). ASC 606 supersedes the revenue recognition requirements in Topic 605 Revenue Recognition (ASC 605), and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective transition method.

The adoption of ASC 606 also included the adoption and modification of other guidance, particularly the creation of ASC 340-40 on costs to obtain or fulfill contracts with customers and ASC 610-20 on gains or losses on derecognition of nonfinancial assets. ASC 340-40 provides additional capitalization, amortization and impairment guidance for certain costs associated with obtaining or fulfilling contracts subject to ASC 606. ASC 610-20 provides guidance on the measurement and recognition of gains and losses for disposals of assets that are not the outputs of ordinary activities, such as sales of fixed assets, when they are not businesses or deconsolidation of subsidiaries. The guidance in ASC 610-20 largely aligns with the guidance in ASC 606. It also supersedes most guidance on real estate sales that was contained in ASC 360-20; however, it does not apply to conveyances of oil and gas interests, which continue to be governed by guidance in ASC 932 for oil and gas extractive activities.

There was no material effect from the adoption of ASC 340-40 or ASC 610-20 separate from those discussed from the adoption of ASC 606.

Financial Instruments. In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall, as an amendment to ASC Subtopic 825-10. The amendments in this update address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Among other items, this update will simplify the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value. This impairment assessment reduces the complexity of the other-than-temporary impairment guidance that entities follow currently. The Company adopted ASU 2016-01 as of January 1, 2018. The adoption of this guidance did not have a material effect on the Company's financial position, results of operation or cash flows.

Statement of Cash Flows. In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance addresses eight specific cash flow issues for which current accounting guidance is either unclear or does not include specific guidance. The Company adopted this guidance effective January 1, 2018. In conjunction with the adoption, the Company made an accounting policy election to classify distributions it receives from its equity method investees based on the nature of distributions approach in which distributions received are classified on the basis of the nature of the activity that generated the distribution as either a return on investment (cash inflows from operating activities) or a return of investment (cash inflows from investing activities). The adoption of this guidance did not have a material effect on the Company's financial position, results of operation or cash flows.

Recently Issued Accounting Pronouncements

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new lease guidance supersedes Topic 840. The core principle of the guidance is that entities should recognize the assets and liabilities that arise from leases.

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This ASU does not apply to leases to explore for or use minerals, oil, natural gas and similar nonregenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. The guidance is effective for interim and annual periods beginning after December 15, 2018. This ASU is to be adopted using a modified retrospective approach. The Company plans to adopt this guidance effective January 1, 2019 and is currently evaluating the effect that adopting this guidance will have on its financial position, results of operations or cash flows.

Additionally, in January 2018, the FASB issued ASU No. 2018-01, Leases (Topic 842): Practical Expedient for Transition. The amendments in this update provide an optional transition to not evaluate existing or expired land easements that were not previously accounted for under current leases guidance in Topic 840. An entity that elects this practical expedient should evaluate new or modified land easements beginning at the date of adoption. An entity that does not elect this practical expedient should evaluate all existing or expired land easements in connection with the adoption of the new lease requirements in Topic 842 to assess whether they meet the definition of a lease. The Company is currently evaluating this guidance to determine whether or not to make use of this practical expedient.

Revenue Recognition

On January 1, 2018, the Company adopted ASC 606, Revenue from Contracts with Customers, and the related guidance in ASC 340-40 (the new revenue standard), and related guidance on gains and losses on derecognition of nonfinancial assets ASC 610-20, using the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Under the modified retrospective method, the Company recognizes the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings; however, no significant adjustment was required as a result of adopting the new revenue standard. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue standard. The comparative information has not been restated and continues to be reported under the historic accounting standards in effect for those periods. The impact of the adoption of the new revenue standard is expected to be immaterial to the Company's net income on an ongoing basis.

The Company's revenue is typically generated from contracts to sell natural gas, crude oil or NGLs produced from interests in oil and gas properties owned by the Company. Contracts for the sale of natural gas and crude oil are evidenced by (1) base contracts for the sale and purchase of natural gas or crude oil, which document the general terms and conditions for the sale, and (2) transaction confirmations, which document the terms of each specific sale. These contracts generally require the Company to deliver a specific amount of a commodity per day for a specified number of days at a price that is either fixed or variable. The transaction confirmations specify a delivery point which represents the point at which control of the product is transferred to the customer. These contracts frequently meet the definition of a derivative under ASC 815, and are accounted for as derivatives unless the Company elects to treat them as normal sales as permitted under that guidance. The Company typically elects to treat contracts to sell oil and gas production as normal sales, which are then accounted for as contracts with customers. The Company has determined that these contracts represent multiple performance obligations which are satisfied when control of the commodity transfers to the customer, typically through the delivery of the specified commodity to a designated delivery point.

Revenue is measured based on consideration specified in the contract with the customer, and excludes any amounts collected on behalf of third parties. The Company recognizes revenue in the amount that reflects the consideration it expects to be entitled to in exchange for transferring control of those goods to the customer. The contract consideration in the Company's variable price contracts are typically allocated to specific performance obligations in the contract according to the price stated in the contract. Amounts allocated in the Company's fixed price contracts are based on the standalone selling price of those products in the context of long-term, fixed price contracts, which generally approximates the contract price. Payment is generally received one or two months after the sale has occurred.

Gain or loss on derivative instruments is outside the scope of ASC 606 and is not considered revenue from contracts with customers subject to ASC 606. The Company may use financial or physical contracts accounted for as derivatives as economic hedges to manage price risk associated with normal sales, or in limited cases may use them for contracts the Company intends to physically settle but do not meet all of the criteria to be treated as normal sales.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, and that are collected by the Company from a customer, are excluded from revenue.
Producer Gas Imbalances. The Company applies the sales method of accounting for natural gas revenue. Under this method, revenues are recognized based on the actual volume of natural gas sold to purchasers. Natural gas production operations may include joint owners who take more or less than the production volumes entitled to them on certain properties. Production volume is monitored to minimize these natural gas imbalances. Under this method, a natural gas imbalance liability is recorded if the Company's excess takes of natural gas exceed its estimated remaining proved developed reserves for these properties at the actual price realized upon the gas sale. A receivable is recognized only to the extent an imbalance cannot be

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recouped from the reserves in the underlying properties. The Company's aggregate imbalance positions at March 31, 2018 and December 31, 2017 were not material.

Brokered Natural Gas. Revenues and expenses related to brokered natural gas are reported gross as part of operating revenues and operating expenses in accordance with applicable accounting standards. The Company buys and sells natural gas utilizing separate purchase and sale transactions, typically with separate counterparties, whereby the Company and/or the counterparty obtains control of the natural gas purchased or sold.

Disaggregation of Revenue. The following table presents revenues disaggregated by product:

	Three Months Ended March 31,	
(In thousands)	2018	2017[(1)]
OPERATING REVENUES		
Natural gas	$412,108	$433,442
Crude oil and condensate	48,722	42,990
Brokered natural gas	4,950	4,695
Other	1,870	3,332
Total revenues from contracts with customers	467,650	484,459
Gain on derivative instruments	5,577	33,384
Total operating revenues	$473,227	$517,843

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(1) As noted above, prior period amounts have not been adjusted under the modified retrospective method.

All of the Company's revenues from contracts with customers represent products transferred at a point in time as control is transferred to the customer and are generated in the United States.

Transaction Price Allocated to Remaining Performance Obligations. A significant number of the Company's product sales are short-term in nature with a contract term of one year or less. For those contracts, the Company has utilized the practical expedient exempting the Company from disclosure of 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.

As of March 31, 2018, the Company has $15.3 million of unsatisfied performance obligations related to natural gas sales that have a fixed pricing component and a contract term greater than one year. The Company expects to recognize these obligations over the next five years.

Contract Balances. Receivables from contracts with customers are recorded when the right to consideration becomes unconditional, generally when control of the product has been transferred to the customer. Receivables from contracts with customers were $161.1 million and $215.5 million as of March 31, 2018 and December 31, 2017, respectively, and are reported in accounts receivable, net on the Condensed Consolidated Balance Sheet. The Company currently has no assets or liabilities related to its revenue contracts, including no upfront or rights to deficiency payments.

Practical Expedients. The Company has made use of certain practical expedients in adopting the new revenue standard, including the value of unsatisfied performance obligations are not disclosed for (i) contracts with an original expected length of one year or less, (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice, (iii) variable consideration which is allocated entirely to a wholly unsatisfied performance obligation and meets the variable allocation criteria in the standard and (iv) only contracts that are not completed at transition.

The Company has not adjusted the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.

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2. Properties and Equipment, Net

Properties and equipment, net are comprised of the following:

(In thousands)	March 31, 2018	December 31, 2017
Proved oil and gas properties	$5,082,995	$4,932,512
Unproved oil and gas properties	194,003	190,474
Gathering and pipeline systems	1,569	1,569
Land, building and other equipment	81,957	82,670
	5,360,524	5,207,225
Accumulated depreciation, depletion and amortization	(2,214,272)	(2,135,021)
	$3,146,252	$3,072,204

At March 31, 2018, the Company did not have any projects that had exploratory well costs capitalized for a period of greater than one year after drilling.

Divestitures

In February 2018, the Company sold its operated and non-operated Eagle Ford Shale assets for $765.0 million. During the fourth quarter of 2017, the Company classified these assets as held for sale and recorded an impairment charge of $414.3 million associated with the proposed sale of these properties. Upon closing the sale in the first quarter of 2018, the Company recognized a loss on sale of oil and gas properties of $44.8 million.

3. Equity Method Investments

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

	Constitution		Meade		Total	
	Three Months Ended March 31,					
(In thousands)	2018	2017	2018	2017	2018	2017
Balance at beginning of period	$732	$96,850	$85,345	$32,674	$86,077	$129,524
Contributions	250	1,125	35,168	6,617	35,418	7,742
Loss on equity method investments	(982)	(1,282)	(12)	(1)	(994)	(1,283)
Balance at end of period	$—	$96,693	$120,501	$39,290	$120,501	$135,983

During 2018, the Company expects to contribute approximately $60.0 million to its equity method investments. For further information regarding the Company’s equity method investments, refer to Note 4 of the Notes to the Consolidated Financial Statements in the Form 10-K/A.

Constitution

As of March 31, 2018, the Company’s carrying value of its investment in Constitution is less than its proportionate share of Constitution’s net assets by $95.9 million. This basis difference is due to the Company’s impairment recorded in the fourth quarter of 2017 and relates entirely to the pipeline assets of Constitution. The Company expects to amortize this basis difference once the related assets of Constitution are placed in service, which may or may not occur, depending on the outcome of the legal and regulatory process related to certain permitting matters.

The Company remains committed to funding the project in an amount proportionate to its ownership interest for the development and construction of the new pipeline.

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4. Debt and Credit Agreements

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

(In thousands)	March 31, 2018	December 31, 2017
Total debt		
6.51% weighted-average senior notes [1]	$361,000	$361,000
9.78% senior notes [2]	67,000	67,000
5.58% weighted-average senior notes	175,000	175,000
3.65% weighted-average senior notes	925,000	925,000
Revolving credit facility	—	—
Unamortized debt issuance costs	(5,769)	(6,109)
	$1,522,231	$1,521,891

(1) Includes $237.0 million of current portion of long-term debt at March 31, 2018 and December 31, 2017, respectively.

(2) Includes $67.0 million of current portion of long-term debt at March 31, 2018 and December 31, 2017, respectively.

The borrowing base under the terms of the Company's revolving credit facility is redetermined annually in April. In addition, either the Company or the banks may request an interim redetermination twice a year or in connection with certain acquisitions or divestitures of oil and gas properties. Effective April 18, 2018, the borrowing base and available commitments were reaffirmed at $3.2 billion and $1.7 billion, respectively.

At March 31, 2018, the Company was in compliance with all restrictive financial covenants for both its revolving credit facility and senior notes.

At March 31, 2018, the Company had no borrowings outstanding under its revolving credit facility and had unused commitments of $1.7 billion.

5. Derivative Instruments and Hedging Activities

As of March 31, 2018, the Company had the following outstanding financial commodity derivatives:

Type of Contract	Volume	Contract Period	Swaps Weighted-Average	Basis Swaps Weighted-Average
Financial contracts				
Natural gas (Leidy)	26.7 Bcf	Apr. 2018 - Dec. 2018		$ (0.69)
Natural gas (Transco)	18.7 Bcf	Apr. 2018 - Dec. 2019		$ 0.42
Natural gas (NYMEX)	69.5 Bcf	Apr. 2018 - Dec. 2018	$ 2.93	
Natural gas (NYMEX)	10.4 Bcf	Apr. 2018 - Oct. 2018	$ 3.10	

As of March 31, 2018, the Company had the following outstanding physical commodity derivatives:

Type of Contract	Volume	Contract Period	Weighted-Average Fixed Price
Physical contracts			
Natural gas purchase	10.4 Bcf	Apr. 2018 - Oct. 2018	$ 3.67

In the tables above, natural gas prices are stated per Mcf.

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Effect of Derivative Instruments on the Condensed Consolidated Balance Sheet

(In thousands)	Balance Sheet Location	Derivative Assets March 31, 2018	Derivative Assets December 31, 2017	Derivative Liabilities March 31, 2018	Derivative Liabilities December 31, 2017
Commodity contracts	Derivative instruments (current)	$ 5,551	$ —	$ 8,002	$ 30,637
Commodity contracts	Derivative instruments (non-current)	5,762	2,239	—	—
		$ 11,313	$ 2,239	$ 8,002	$ 30,637

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

(In thousands)	March 31, 2018	December 31, 2017
Derivative assets		
Gross amounts of recognized assets	$ 11,950	$ 2,239
Gross amounts offset in the statement of financial position	(637)	—
Net amounts of assets presented in the statement of financial position	11,313	2,239
Gross amounts of financial instruments not offset in the statement of financial position	4,728	—
Net amount	$ 16,041	$ 2,239
Derivative liabilities		
Gross amounts of recognized liabilities	$ 8,639	$ 30,637
Gross amounts offset in the statement of financial position	(637)	—
Net amounts of liabilities presented in the statement of financial position	8,002	30,637
Gross amounts of financial instruments not offset in the statement of financial position	5,534	241
Net amount	$ 13,536	$ 30,878

Effect of Derivative Instruments on the Condensed Consolidated Statement of Operations

(In thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash received (paid) on settlement of derivative instruments		
Gain (loss) on derivative instruments	$ (26,131)	$ (1,524)
Non-cash gain (loss) on derivative instruments		
Gain (loss) on derivative instruments	31,708	34,908
	$ 5,577	$ 33,384

6. Fair Value Measurements

The Company follows the authoritative guidance for measuring fair value of assets and liabilities in its financial statements. For further information regarding the fair value hierarchy, refer to Note 1 of the Notes to the Consolidated Financial Statements in the Form 10-K/A.

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Financial Assets and Liabilities

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

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2018
Assets				
Deferred compensation plan	$ 15,717	$ —	$ —	$15,717
Derivative instruments	—	3,326	7,987	11,313
Total assets	$ 15,717	$ 3,326	$ 7,987	$27,030
Liabilities				
Deferred compensation plan	$ 27,605	$ —	$ —	$27,605
Derivative instruments	—	—	8,002	8,002
Total liabilities	$ 27,605	$ —	$ 8,002	$35,607

(In thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Assets				