

EQT Corp
Form 10-K
February 18, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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)

25-0464690

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PENNSYLVANIA

(IRS Employer Identification No.)

(State or other jurisdiction of incorporation or organization)

15222

625 Liberty Avenue

(Zip Code)

Pittsburgh, Pennsylvania

(Address of principal executive offices)

Registrant's telephone number, including area code: (412) 553-5700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, no par value

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 Website, 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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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. (Check one):

Large accelerated filer ☒

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 Act).

Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant

as of June 30, 2009: \$4,569,842,302

The number of shares of common stock outstanding

as of January 31, 2010: 130,929,345

DOCUMENTS INCORPORATED BY REFERENCE

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The Company's definitive proxy statement relating to the annual meeting of shareowners (to be held April 21, 2010) will be filed with the Commission within 120 days after the close of the Company's fiscal year ended December 31, 2009 and is incorporated by reference in Part III to the extent described therein.

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Glossary of Commonly Used Terms, Abbreviations and Measurements

Commonly Used Terms

AFUDC Allowance for Funds Used During Construction, carrying costs for the construction of certain long-term assets are capitalized and amortized over the related assets' estimated useful lives, including the cost of financing construction of assets subject to regulation; the capitalized amount for construction of regulated assets includes interest cost and a designated cost of equity for financing the construction of these regulated assets.

Appalachian Basin the area of the United States comprised of those portions of West Virginia, Pennsylvania, Ohio, Maryland, Kentucky and Virginia that lie in the Appalachian Mountains.

basis when referring to natural gas, the difference between the futures price for a commodity and the corresponding sales price at various regional sales points. The differential commonly is related to factors such as product quality, location and contract pricing.

British thermal unit a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

CAP Customer Assistance Program - a payment plan for low-income residential gas customers that sets a fixed payment for natural gas usage based on a percentage of total household income. The cost of the CAP is spread across non-CAP customers.

cash flow hedge a derivative instrument that is used to reduce the exposure to variability in cash flows from the forecasted physical sale of gas production whereby the gains (losses) on the derivative transaction are anticipated to offset the losses (gains) on the forecasted physical sale.

collar a financial arrangement that effectively establishes a price range for the underlying commodity. The producer bears the risk and benefit of fluctuation between the minimum (floor) price and the maximum (ceiling) price.

continuous accumulations natural gas and oil resources that are pervasive throughout large areas, have ill-defined boundaries, and typically lack or are unaffected by hydrocarbon-water contacts near the base of the accumulation.

development well a well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

exploratory well a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well.

farm tap natural gas supply service in which the customer is served directly from a well or a gathering pipeline.

feet of pay - footage penetrated by the drill bit into the target formation.

futures contract an exchange-traded contract to buy or sell a standard quantity and quality of a commodity at a specified future date and price.

gas All references to gas in this report refer to natural gas.

gross Gross natural gas and oil wells or gross acres equal the total number of wells or acres in which the Company has a working interest.

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heating degree days measure used to assess weather's impact on natural gas usage calculated by taking the difference between 65 degrees Fahrenheit and the average temperature of each day in the period (if less than 65 degrees Fahrenheit). Each degree of temperature by which the average temperature falls below 65 degrees Fahrenheit represents one heating degree day. For example, a day with an average temperature of 50 degrees Fahrenheit will have 15 heating degree days.

hedging The use of derivative commodity and interest rate instruments to reduce financial exposure to commodity price and interest rate volatility.

horizontal drilling drilling that ultimately is horizontal or near horizontal to increase the length of the well bore penetrating the target formation.

infill drilling drilling between producing wells in a developed area to increase production.

margin deposits funds or good faith deposits posted during the trading life of a futures contract to guarantee fulfillment of contract obligations.

margin call a demand for additional deposits when forward prices move adversely to a derivative holder's position.

multiple completion well a well producing oil and/or gas from different zones at different depths in the same well bore with separate tubing strings for each zone.

NGL or Natural Gas Liquids, those hydrocarbons in natural gas that are separated from the gas as liquids through the process of absorption, condensation, adsorption, or other methods in gas processing plants. Natural gas liquids include primarily propane, butane, ethane and iso-butane.

net Net gas and oil wells or net acres are determined by summing the fractional ownership working interests the Company has in gross wells or acres.

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net revenue interest the interest retained by the Company in the revenues from a well or property after giving effect to all third party royalty interests (equal to 100% minus all royalties on a well or property).

pipeline looping the building of a pipeline parallel to an existing transmission line utilizing existing right-of-way.

proved reserves quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

proved developed reserves proved reserves which can be expected to be recovered through existing wells with existing equipment and operating methods.

proved undeveloped reserves (PUDs) proved reserves that can be estimated with reasonable certainty to be recovered from new wells on undrilled proved acreage or from existing wells where a relatively major expenditure is required for completion.

reservoir a porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

royalty interest the land owner's share of oil or gas production typically 1/8, 1/6, or 1/4.

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transportation moving gas through pipelines on a contract basis for others.

throughput total volumes of natural gas sold or transported by an entity.

working gas the volume of natural gas in the storage reservoir that can be extracted during the normal operation of the storage facility.

working interest an interest that gives the owner the right to drill, produce and conduct operating activities on a property and receive a share of any production.

Abbreviations

Dominion Dominion Resources, Inc. When used in the context of a discussion relating to the terminated acquisition of Peoples and Hope, references to Dominion are as successor by merger to Consolidated Natural Gas Company, the original counterparty to the terminated acquisition agreement.

ASC - Accounting Standards Codification

CBM Coalbed Methane

FASB Financial Accounting Standards Board

FERC Federal Energy Regulatory Commission

Hope - Hope Gas, Inc.

IRS Internal Revenue Service

LDC Local Distribution Company

NYMEX New York Mercantile Exchange

OTC Over the Counter

PA PUC Pennsylvania Public Utility Commission

Peoples - The Peoples Natural Gas Company

SEC Securities and Exchange Commission

WV PSC West Virginia Public Service Commission

Measurements

Bbl = barrel

Btu = one British thermal unit

BBtu = billion British thermal units

Bcf = billion cubic feet

Bcfe = billion cubic feet of natural gas equivalents

Dth = million British thermal units

Mcf = thousand cubic feet

Mcfe = thousand cubic feet of natural gas equivalents

Mgal = thousand gallons

MBbl = thousand barrels

MMBtu = million British thermal units

MMcf = million cubic feet

MMcfe = million cubic feet of natural gas equivalents

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Cautionary Statements

The Company's finding and development costs are calculated from the production cost and reserve information provided in Footnote 22 to the Consolidated Financial Statements as costs of oil and gas producing activities divided by changes in reserves excluding production. The Company expects that additional costs will be required to bring proved undeveloped reserves to production. The Company provides an estimate of future development costs under the standard measure of discounted cash flows in Footnote 22. The Company believes that finding and development costs is an important analytical measure used within the Company's industry by investors and peers to evaluate, among other things, the profitability of drilling programs. However, there are limitations as to the usefulness of this measure. For instance, this measure may not be calculated consistently across the industry.

Total sales volumes per day at period end is an operational estimate of the daily sales volume on a typical day (excluding curtailments) at the end of the applicable period.

Disclosures in this Annual Report on Form 10-K contain certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Statements that do not relate strictly to historical or current facts are forward-looking and usually identified by the use of words such as anticipate, estimate, forecasts, approximate, expect, project, intend, plan, believe, will, may and other words of similar meaning in connection with any discussion of future operations or financial matters. Without limiting the generality of the foregoing, forward-looking statements contained in this report include the matters discussed in the sections captioned Outlook in Management's Discussion and Analysis of Financial Condition and Results of Operations and the expectations of plans, strategies, objectives and growth and anticipated financial and operational performance of the Company and its subsidiaries, including guidance regarding the Company's drilling and infrastructure programs (including the Equitrans Marcellus Expansion Project) and technology, production and sales volumes, reserves, finding and development costs, unit costs, capital expenditures, financing requirements, hedging strategy and tax position. These statements involve risks and uncertainties that could cause actual results to differ materially from projected results. Accordingly, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company has based these forward-looking statements on current expectations and assumptions about future events. While the company considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond the Company's control. The risks and uncertainties that may affect the operations, performance and results of the Company's business and forward-looking statements include, but are not limited to, those set forth under Item 1A, Risk Factors and elsewhere in this Form 10-K.

Any forward-looking statement applies only as of the date on which such statement is made and the Company does not intend to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

Item 1. Business

General

Cautionary Statements

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EQT Corporation (EQT or the Company) conducts its business through three business segments: EQT Production, EQT Midstream and Distribution. EQT Production is one of the largest natural gas producers in the Appalachian Basin with 4.1 trillion cubic feet of proved reserves across 3.4 million acres as of December 31, 2009. EQT offers energy products (natural gas, NGLs and a limited amount of crude oil) and services to wholesale and retail customers in the United States via EQT Midstream and Distribution.

Overall, EQT's increased production, increased reserves, low cost structure and record results for EQT Midstream and Distribution operations resulted in an outstanding 2009. Some highlights for the year included:

Sales of produced natural gas of 100.1 Bcfe, a 19% increase over 2008;

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A 31% increase in proved reserves to 4.1 Tcfe;

EQT drilled its 800th horizontal Huron/Berea well, and nearly one third of fourth quarter sales were produced from horizontal Huron/Berea wells;

The Company drilled 702 gross wells during 2009 of which 403 were horizontal wells, 347 targeting the Huron/Berea play and 46 targeting the Marcellus play;

The company was successful on more than 99% of the wells drilled in 2009;

Achieved 14% decrease in unit lease operating expense (LOE), excluding production taxes, to \$0.30 per Mcfe. Including production taxes, LOE was \$0.59 per Mcfe, an industry leading result;

Record EQT Midstream throughput and operating income; and

Record Distribution operating income of \$78.9 million, 32% higher than in 2008.

Production

EQT Production has 4.1 Tcfe of proved reserves across three major plays: Huron/Berea, Marcellus and CBM, all located in the Appalachian Basin. The Company's strategy is to maximize value by profitably developing its extensive acreage position enabled by a low cost structure. EQT Production is focused on continuing its significant organic reserve and production growth through its drilling program and believes that it is a technological leader in drilling in low pressure shale. In particular, the use of air in horizontal drilling has proven to be a cost effective technology which the Company has efficiently deployed in its Huron/Berea play.

The Company's well profile is generally low-risk wells with long lives, low development and production costs, high energy content natural gas and close proximity to natural gas markets. Many of these wells have been producing for decades, with several in production since early in the 20th century.

To date, EQT has focused its highly successful horizontal air drilling program in the Huron/Berea play where the Company has approximately 2.7 million acres and 2.8 Tcfe of proved reserves. This technology has been used in fractured horizontal single lateral wells, non-fractured horizontal multilateral wells, stacked horizontal wells and extended lateral wells. EQT is also employing horizontal drilling technology to its 450,000 acres and 1.1 Tcfe of proved reserves in the Marcellus play.

Horizontal wells drilled by the Company over the past five years are as follows:

	For the years ended December 31,							
Gross Horizontal Wells Drilled	2009		2008		2007		2006	2005
Huron/Berea	356		381		88		5	

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Marcellus	46		7						
Other	1		1						
Total Horizontal	403		389		88		5		

EQT's proved reserves increased by 31% in 2009 and by 72% over the past five years while the Company's cost structure remained at an industry leading level. EQT's 2009 3-year finding and development costs are among the lowest in the industry at \$0.94 per Mcfe with 2009 costs at a low of \$0.68 per Mcfe. As of December 31, 2009, the Company's proved reserves, including proved developed and proved undeveloped reserves, and the resource plays to which the reserves relate are as follows:

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(Bcfe)	Huron/Berea*	Marcellus	Coalbed Methane	Total
Proved Developed	1,758	153	162	2,073
Proved Undeveloped	1,033	908	54	1,995
Total Proved Reserves	2,791	1,061	216	4,068

* The Company includes the Lower Huron, Cleveland, Berea sandstone and other Devonian shales, except Marcellus, in its Huron/Berea play. Also included in the Huron/Berea play is 775 Bcfe of reserves from non-shale formations accessed through vertical wells.

Midstream

EQT Midstream provides gathering, processing, transmission and storage services to EQT Production and to independent third parties in the Appalachian Basin. The Company has approximately 10,650 miles of gathering lines and 970 miles of transmission lines. EQT also owns and operates Kentucky Hydrocarbon, a gas processing facility in Langley, Kentucky. Through Equitrans L.P. (Equitrans, EQT's interstate pipeline affiliate), EQT's transmission and storage system interconnects with five major interstate pipelines: Texas Eastern Transmission, Columbia Gas Transmission, National Fuel Gas Supply, Tennessee Gas Pipeline, and Dominion Transmission. EQT Midstream's 14 natural gas storage reservoirs provide approximately 500 MMcf per day of peak delivery capability and 63 Bcf of storage capacity, of which 32 Bcf is working gas. EQT's storage reservoirs are clustered in two geographic areas, with eight in northern West Virginia and six in southwestern Pennsylvania. As of December 31, 2009, EQT Midstream, through Equitrans and EQT Energy, LLC (EQT Energy, EQT's gas marketing affiliate), leased an additional 8.2 Bcf of contractual storage capacity and 118,834 Dth per day of contractual pipeline capacity from third parties. In addition, in 2008, EQT Energy executed a binding precedent agreement with Tennessee Gas Pipeline Company (TGP), a wholly owned subsidiary of El Paso Corporation, for a 15-year term that awarded the Company capacity in TGP's 300-Line expansion project. EQT Energy's capacity in the project is expected to be 350,000 Dth per day, giving EQT access to consumer markets from the Gulf Coast to the Mid-Atlantic and the Northeast.

Distribution

EQT's regulated natural gas distribution subsidiary, Equitable Gas Company, LLC (Equitable Gas, EQT's local distribution affiliate), distributes and sells natural gas to residential, commercial and industrial customers in southwestern Pennsylvania, West Virginia and eastern Kentucky. Equitable Gas also operates a small gathering system in Pennsylvania and provides off-system sales activities which include the purchase and delivery of gas to customers at mutually agreed-upon points on facilities not owned by the Company.

The Distribution segment's business strategy is to earn an appropriate return on its asset base through operational efficiency and innovative regulatory mechanisms. Distribution is focused on enhancing the value of its existing assets by establishing a reputation for excellent customer service, effectively managing capital spending, improving the efficiency of its workforce and continuing to leverage technology throughout its operations. In 2009, Equitable Gas received approval for a base rate increase in Pennsylvania to recover an increased return on assets placed in service since the previous rate case and to fully recover costs associated with customer assistance programs.

Markets and Customers

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Natural Gas Sales: EQT Production's produced natural gas is sold to marketers (including EQT Energy), utilities and industrial customers located mainly in the Appalachian area. No individual customers accounted for more than 10% of revenues in 2009 or 2007. Sales to one marketer accounted for approximately 13% of revenues for EQT Production for the year ended December 31, 2008. Natural gas is a commodity and therefore the Company receives market-based pricing. The market price for natural gas can be volatile as evidenced by the high natural gas prices in early through mid 2008 followed by dramatic decreases later in 2008 and in 2009. The market price for gas located in the Appalachian Basin is generally higher than the price for gas located in the Gulf Coast, largely due

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to the differential in the cost to transport gas to customers in the northeastern United States. The Company hedges a portion of its forecasted natural gas production. The Company's hedging strategy and information regarding its derivative instruments is outlined in Item 7A, Quantitative and Qualitative Disclosures About Market Risk, and in Notes 1 and 3 to the Consolidated Financial Statements.

Natural Gas Gathering: EQT Midstream derives gathering revenues from charges to customers for use of its gathering system in the Appalachian Basin. The gathering system volumes are transported to three major interstate pipelines: Columbia Gas Transmission, East Tennessee Natural Gas Company and Dominion Transmission. The gathering system also maintains interconnects with Equitrans. Maintaining these interconnects provides the Company with access to geographically diverse markets.

Gathering system transportation volumes for 2009 totaled 161,480 BBtu, of which approximately 60% related to gathering for EQT Production, 30% related to third party volumes and 3% related to volumes for other affiliates of the Company. The remainder related to volumes in which interests were sold by the Company but which the Company continued to operate for a fee. Revenues from affiliates accounted for almost 80% of 2009 gathering revenues.

Natural Gas Processing: The Company processes natural gas in order to extract heavier liquid hydrocarbons (propane, iso-butane, normal butane and natural gasoline) from the natural gas stream, primarily from EQT Production's produced gas. NGLs are recovered at EQT's Kentucky Hydrocarbon facility and transported to a fractionation plant owned by a third party for separation into commercial components. The third party markets these components and in exchange retains an agreed-upon percentage of NGLs delivered by the Company. The Company also has contractual processing arrangements whereby the Company sells gas to a third party processor at a weighted average liquids component price.

While natural gas processing produces independent revenues, the Company's primary reason for these activities is to comply with the product quality specifications of the pipelines on which the Company's produced natural gas is transported and sold. As a result, the Company typically engages in gas processing at locations where its produced gas would not satisfy the downstream interstate pipeline's gas quality specifications. Without sufficient processing, the Company's natural gas production could be interrupted as a result of an inability to achieve required interstate pipeline specifications. Thus, as the Company's production continues to grow, access to gas processing capacity must also grow.

Natural Gas Transmission and Storage: Services offered by EQT Energy include commodity procurement, sales, delivery, risk management and other services. These operations are executed using Company owned and operated or contracted transmission and underground storage facilities as well as other contractual capacity arrangements with major pipeline and storage service providers in the eastern United States. EQT Energy uses leased storage capacity and firm transportation capacity, including the Company's Big Sandy Pipeline capacity, to take advantage of price differentials and arbitrage opportunities. EQT Energy also engages in risk management and energy trading activities for the Company. The objective of these activities is to limit the Company's exposure to shifts in market prices and to optimize the use of the Company's assets.

Customers of EQT Midstream's gas transportation, storage, risk management and related services are affiliates and third parties in the northeastern United States, including but not limited to, Dominion Resources, Inc., Keyspan Corporation, NiSource, Inc., PECO Energy Company and UGI Energy Services, Inc. EQT Energy's commodity procurement, sales, delivery, risk management and other services are offered to natural gas producers and energy consumers including large industrial, utility, commercial and institutional end-users.

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Equitrans' firm transportation contracts expire between 2010 and 2018. The Company anticipates that the capacity associated with these expiring contracts will be remarketed or used by affiliates such that the capacity will remain fully subscribed. In 2009, approximately 80% of transportation volumes and approximately 87% of transportation revenues were from affiliates.

Natural Gas Distribution: The Company's Distribution segment provides natural gas distribution services to approximately 275,900 customers, consisting of 257,300 residential customers and 18,600 commercial and

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industrial customers in southwestern Pennsylvania, municipalities in northern West Virginia and field line sales, also referred to as farm tap service, in eastern Kentucky and West Virginia. These service areas have a rather static population and economy.

Equitable Gas purchases gas through contracts with various sources including major and independent producers in the Gulf Coast, local producers in the Appalachian area and gas marketers (including an affiliate). The gas purchase contracts contain various pricing mechanisms, ranging from fixed prices to several different index-related prices.

Because most of its customers use natural gas for heating purposes, Equitable Gas revenues are seasonal, with approximately 74% of calendar year 2009 revenues occurring during the winter heating season (the months of January, February, March, November and December). Significant quantities of purchased natural gas are placed in underground storage inventory during the off-peak season to accommodate higher demand during the winter heating season.

Competition

Natural gas producers compete in the acquisition of properties, the search for and development of reserves, the production and sale of natural gas and the securing of labor and equipment required to conduct operations. Competitors include major oil and gas companies, other independent oil and gas companies and individual producers and operators. Key competitors for new gathering and processing systems include independent gas gatherers and integrated energy companies. Natural gas marketing activities compete with numerous other companies offering the same services. Some of these competitors are affiliates of companies with extensive pipeline systems that are used for transportation from producers to end-users. The Company's distribution operations face competition from other local distribution companies, alternative fuels and reduced usage among customers as a result of conservation.

Regulation

EQT Production's natural gas operations are subject to various federal, state, and local laws and regulations, including regulations related to the location of wells; drilling, stimulating and casing of wells; water withdrawal and disbursement for well stimulation purposes; well production; spill prevention plans; the use, transportation, storage and disposal of fluids and materials incidental to oil and gas operations; surface usage and the reclamation of properties upon which wells or other facilities have been located; the calculation and disbursement of royalty payments and taxes; the plugging and abandoning of wells; and the gathering of production in certain circumstances. These regulations may increase the costs of drilling.

EQT Production's operations are also subject to conservation regulations, including the regulation of the size of drilling and spacing units or field rule units; the number of wells that may be drilled in a unit; and the unitization or pooling of natural gas properties. EQT Production's operating states allow in certain circumstances the forced pooling or integration of tracts to facilitate development and exploration, while in other circumstances it is necessary to rely on voluntary pooling of lands and leases which may make it more difficult to develop natural gas properties. In addition, state conservation laws generally limit the venting or flaring of natural gas. The effect of these regulations is to limit the amounts of natural gas we produce from our wells and to limit the number of wells or the locations at which we drill.

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EQT Midstream has both regulated and non-regulated operations. The regulated activities consist of federally-regulated transmission and storage operations and certain state-regulated gathering operations. The non-regulated activities include certain gathering and transportation operations, processing of NGLs and risk management activities. Equitrans' rates and operations are subject to regulation by the FERC. The 2006 FERC rate case settlement allowed Equitrans, among other things, to institute an annual surcharge for the tracking and recovery of all costs (operations, maintenance and return on invested capital) incurred on and after September 1, 2005, related to Equitrans' Pipeline Safety Program under the Pipeline Safety Improvement Act of 2002. The Company has continued to utilize the surcharge mechanism each year to recover costs incurred in connection with its Pipeline Safety Program. Under the terms of the 2006 settlement, Equitrans was prohibited from seeking new base

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transmission and storage rates prior to June 1, 2009 and is prohibited from seeking new gathering base rates prior to November 1, 2010. In 2008, the Big Sandy Pipeline was placed in service in eastern Kentucky.

Equitable Gas' distribution rates, terms of service and contracts with affiliates are subject to comprehensive regulation by the PA PUC and the WV PSC. In addition, the issuance of securities by Equitable Gas is subject to regulation by the PA PUC. The field line sales rates in Kentucky are subject to rate regulation by the Kentucky Public Service Commission.

Equitable Gas must usually seek the approval of one or more of its regulators prior to changing its rates. Currently, Equitable Gas passes through to its regulated customers the cost of its purchased gas and transportation activities. Equitable Gas is allowed to recover a return in addition to the costs of its distribution and gathering delivery activities. However, Equitable Gas' regulators do not guarantee recovery and may require that certain costs of operation be recovered over an extended term. On February 26, 2009, the PA PUC approved a settlement between Equitable Gas and the active parties to the filing for a base rate case increase in Pennsylvania. The Company implemented the new base rates upon approval of the settlement. On October 29, 2009, Equitable Gas filed a request with the WV PSC to increase the rates it charges its customers for delivery of natural gas in West Virginia. It is the first delivery rate increase that Equitable Gas has requested in West Virginia since 1991. The rate case proceedings are expected to be resolved no later than the third quarter of 2010.

Pennsylvania law requires that local distribution companies develop and implement programs to assist low-income customers with paying their gas bills. The costs of these programs are recovered through rates charged to other residential customers. Equitable Gas has several such programs, including the customer assistance program (CAP). Effective with the approval of the Pennsylvania rate case settlement, the Company received approval to implement an increased CAP surcharge, for recovery of its costs for assisting low-income customers with paying their gas bills and will receive an annual reconciliation of CAP costs to ensure complete recovery of these costs.

Equitable Gas continues to work with regulators to implement alternative cost recovery programs. Equitable Gas' tariffs for commercial and industrial customers allow for negotiated rates in limited circumstances.

Regulators periodically audit the Company's compliance with applicable regulatory requirements. The Company is not aware of any significant non-compliance as a result of any completed audits.

Employees

The Company and its subsidiaries had approximately 1,800 employees at the end of 2009.

Holding Company Reorganization

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On June 30, 2008, the former Equitable Resources, Inc. (Old EQT) entered into and completed an Agreement and Plan of Merger (the Plan) under which Old EQT reorganized into a holding company structure such that a newly formed Pennsylvania corporation, also named Equitable Resources, Inc. (New EQT), became the publicly traded holding company of Old EQT and its subsidiaries. The primary purpose of this reorganization (the Reorganization) was to separate Old EQT's state-regulated distribution operations into a new subsidiary in order to better segregate its regulated and unregulated businesses and improve overall financing flexibility. To effect the Reorganization, Old EQT formed New EQT, a wholly-owned subsidiary, and New EQT, in turn, formed EGC Merger Co., a Pennsylvania corporation owned solely by New EQT (MergerSub). Under the Plan, MergerSub merged with and into Old EQT with Old EQT surviving (the Merger). The Merger resulted in Old EQT becoming a direct, wholly-owned subsidiary of New EQT. New EQT changed its name to EQT Corporation effective February 9, 2009. Throughout this Annual Report, references to EQT, EQT Corporation and the Company refer collectively to New EQT and its consolidated subsidiaries.

Availability of Reports

The Company makes certain filings with the SEC, including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments and exhibits to those reports, available free of charge through its website, <http://www.eqt.com>, as soon as reasonably practicable after the date they are filed with,

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or furnished to, the SEC. The filings are also available at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330. Also, these filings are available on the internet at <http://www.sec.gov>. The Company's annual reports to shareholders, press releases and recent analyst presentations are also available on the Company's website.

Composition of Segment Operating Revenues

Presented below are operating revenues as a percentage of total operating revenues for each class of products and services representing greater than 10% of total operating revenues during the years 2009, 2008 and 2007.

	2009	2008	2007
EQT Production:			
Natural gas equivalents sales	24%	20%	23%
EQT Midstream:			
Gathering revenue	11%	7%	8%
Marketed natural gas sales	5%	12%	18%
Distribution:			
Residential natural gas sales	26%	23%	23%

Financial Information About Segments

In January 2008, the Company announced a change in organizational structure to better align the Company to execute its growth strategy for development and infrastructure expansion in the Appalachian Basin. These changes resulted in changes to the Company's reporting segments effective for fiscal year 2008. The segment disclosures and discussions contained in this report have been reclassified to reflect all periods presented under the current organizational structure.

See Note 2 to the Consolidated Financial Statements for financial information by business segment including, but not limited to, revenues from external customers, operating income, and total assets.

Financial Information About Geographic Areas

Substantially all of the Company's assets and operations are located in the continental United States.

Environmental

See Note 18 to the Consolidated Financial Statements for information regarding environmental matters.

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Item 1A. Risk Factors

Risks Relating to Our Business

In addition to the other information contained in this Form 10-K, the following risk factors should be considered in evaluating our business and future prospects. Please note that additional risks not presently known to us or that are currently considered immaterial may also have a negative impact on our business and operations. If any of the events or circumstances described below actually occurs, our business, financial condition or results of operations could suffer and the trading price of our common stock could decline.

Natural gas price volatility may have an adverse effect on our revenue, profitability, future rate of growth and liquidity.

Our revenue, profitability, future rate of growth and liquidity depend upon the price for natural gas. The markets for natural gas are volatile and fluctuations in prices will affect our financial results. Natural gas prices are affected by a number of factors beyond our control, which include: weather conditions; the supply of and demand for natural gas; national and worldwide economic and political conditions; the price and availability of alternative fuels; the proximity to, and availability of capacity on, transportation facilities; and government regulations, such as regulation of natural gas transportation and price controls.

Lower natural gas prices may result in decreases in the revenue, margin and cash flow for each of our businesses, a reduction in the construction of new transportation capacity and downward adjustments to the value of our estimated proved reserves which may cause us to incur non-cash charges to earnings. A reduction in cash flow will reduce our funds available for capital expenditures and, correspondingly, our opportunities for growth. We are also exposed to the risk of non-performance by our hedge counterparties in the event that changes, positive or negative, in natural gas prices result in derivative contracts with a positive fair value.

Increases in natural gas prices may be accompanied by or result in increased well drilling costs, increased deferral of purchased gas costs for our distribution operations, increased production taxes, increased lease operating expenses, increased exposure to credit losses resulting from potential increases in uncollectible accounts receivable from our distribution customers, increased volatility in seasonal gas price spreads for our storage assets and increased customer conservation or conversion to alternative fuels. Significant price increases subject us to margin calls on our commodity price derivative contracts (hedging arrangements, including futures contracts, swap, collar and option agreements and exchange traded instruments) which would potentially require us to post significant amounts of cash collateral with our hedge counterparties. The cash collateral, which is interest-bearing, provided to our hedge counterparties is returned to us in whole or in part upon a reduction in forward market prices, depending on the amount of such reduction, or in whole upon settlement of the related hedged transaction. In addition, to the extent we have hedged our current production at prices below the current market price, we are unable to benefit fully from an increase in the price of natural gas.

Our need to comply with comprehensive, complex and sometimes unpredictable government regulations may increase our costs and limit our revenue growth, which may result in reduced earnings.

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Our operations are regulated extensively at the federal, state and local levels. Laws, regulations and other legal requirements have increased the cost to plan, design, drill, install, operate and abandon wells, gathering systems, pipelines and distribution systems. Environment, health and safety legal requirements govern discharges of substances into the air and water, the management and disposal of hazardous substances and wastes, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, restoration of drilling properties after drilling is completed, pipeline safety and work practices related to employee health and safety. Compliance with the laws, regulations and other legal requirements applicable to our businesses may be costly. These requirements could subject us to liability for personal injuries, property damage and other damages. Our failure to comply with the laws, regulations and other legal requirements applicable to our businesses, even if as a result of factors beyond our control, may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties and damages.

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The rates charged to customers by our gathering, transportation, storage and distribution businesses are, in many cases, subject to state or federal regulation. The agencies that regulate our rates may prohibit us from realizing a level of return which we believe is appropriate. These restrictions may take the form of imputed revenue credits, cost disallowances (including purchased gas cost recoveries) and/or expense deferrals. Additionally, we may be required to provide additional assistance to low income residential customers to help pay their bills without the ability to recover some or all of the additional assistance in rates.

Laws, regulations and other legal requirements are constantly changing and implementation of compliant processes in response to such changes could be costly and time consuming. For instance, the U.S. Congress and various states have been evaluating climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases, including methane (a primary component of natural gas) and carbon dioxide (a byproduct of burning natural gas). Such restrictions may result in additional compliance obligations with respect to, or taxes on, and the release, capture and use of greenhouse gases that could have an adverse effect on our operations. Changes to well fracturing or waste water regulations or existing legal requirements could also have a significant effect on our costs of operations and competitive position.

The rates of federal, state and local taxes applicable to the industries in which we operate, including production taxes paid by EQT Production, which often fluctuate, could be increased by the various taxing authorities. In addition, the tax laws, rules and regulations that affect our business, such as the imposition of a new severance tax (a tax on the extraction of natural resources) in states in which we produce gas, could change. Any such increase or change could adversely impact our cash flows and profitability.

Strategic determinations regarding the allocation of capital and other resources in the current economic environment are challenging and our failure to appropriately allocate capital and resources among our businesses may adversely affect our financial condition and reduce our growth rate.

In developing our 2010 business plan, we considered allocating capital and other resources to various aspects of our businesses including well-development (primarily drilling), reserve acquisitions, exploratory activity, midstream infrastructure, distribution infrastructure, corporate items and other alternatives. We also considered our likely sources of capital. Notwithstanding the determinations made in the development of our 2010 plan, business opportunities not previously identified periodically come to our attention, including possible acquisitions and dispositions. If we don't optimize our capital investment and capital raising opportunities and the use of our other resources, our financial condition and growth rate may be adversely affected.

Global financial challenges may adversely affect our business and financial condition in ways that we currently cannot predict. Downgrades to our credit ratings could increase our costs of borrowing adversely affecting our business, results of operations and liquidity.

We rely upon access to both short-term bank and money markets and longer-term capital markets as sources of liquidity for any capital requirements not satisfied by the cash flow from operations. Challenges in the global financial system, including the capital markets, may adversely affect our business and our financial condition and we may face challenges if conditions in the financial markets do not improve. Our ability to access the capital markets may be restricted at a time when we desire, or need, to raise capital, which could have an impact on our flexibility to react to changing economic and business conditions. The economic situation could adversely affect the collectability of our trade receivables. Market conditions could cause our commodity hedging counterparties to be unable to perform their obligations or to seek bankruptcy protection. Continuing challenges in the economy could lead to reduced demand for natural gas which could have a negative impact on our revenues and our credit ratings.

Any downgrade of our credit ratings may increase the cost of borrowing or adversely affect our ability to raise capital through the issuance of debt or equity securities or other borrowing arrangements, which could adversely affect our business, results of operations and liquidity. We cannot be sure that our current ratings will remain in effect for any given period of time or that our rating will not be lowered or withdrawn entirely by a rating agency. An increase in the level of our indebtedness in the future may result in a downgrade in the ratings that are assigned to our debt. Any downgrade in our ratings could result in an increase in our borrowing costs, which would diminish financial results.

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Our failure to develop or obtain, and maintain, the necessary infrastructure to successfully deliver gas to market may adversely affect our earnings, cash flows and results of operations.

Our delivery of gas depends upon the availability of adequate transportation infrastructure. The Company's **investment in midstream infrastructure is intended to address a lack of capacity on, and access to, existing gathering and transportation pipelines as well as processing adjacent to and curtailments on such pipelines.** The lack of midstream infrastructure is particularly acute in the geographic area in which the Marcellus shale is being developed. Our infrastructure development and maintenance programs can involve significant risks, including those related to timing, cost overruns and operational efficiency, and these risks can be affected by the availability of capital, materials, and qualified contractors and work force, as well as weather conditions, gas price volatility, government approvals, title problems, geology, compliance by third parties with their contractual obligations to us and other factors. We also deliver to and are served by third party gas gathering, transportation, processing and storage facilities which are limited in number and geographically concentrated. An extended interruption of access to or service from these facilities could result in adverse consequences to us. In addition, some of our third party contracts may involve significant financial commitments on our part and may make us dependent upon others to get our produced natural gas to market.

We are subject to risks associated with the operation of our wells, pipelines and facilities.

Our business operations are subject to all of the inherent hazards and risks normally incidental to the production, transportation, storage and distribution of natural gas. These risks could result in substantial losses due to personal injury and/or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage. As a result, we are sometimes a defendant in legal proceedings and litigation arising in the ordinary course of business. There can be no assurance that the insurance policies we maintain to limit our liability for such losses will be adequate to protect us from all material expenses related to potential future claims for personal injury and property damage or that such levels of insurance will be available in the future at economical prices or to cover all risks.

The amount and timing of actual future gas production is difficult to predict and may vary significantly from our estimates which may reduce our earnings.

Our future success depends upon our ability to develop additional gas reserves that are economically recoverable and to optimize existing well production, and our failure to do so may reduce our earnings. Our drilling and subsequent maintenance of wells can involve significant risks, including those related to timing, cost overruns and operational efficiency, and these risks can be affected by the availability of capital, leases, rigs and a qualified work force, as well as weather conditions, gas price volatility, government approvals, title problems, geology and other factors. Drilling for natural gas can be unprofitable, not only from dry wells, but from productive wells that do not produce sufficient revenues to return a profit. Additionally, a failure to effectively and efficiently operate existing wells may cause production volumes to fall short of our projections. Without continued successful development or acquisition activities, together with effective operation of existing wells, our reserves and revenues will decline as a result of our current reserves being depleted by production.

Our failure to assess production opportunities based on market conditions could negatively impact our long-term growth prospects for our production business.

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Our goal of sustaining long-term growth for our production business is contingent upon our ability to identify production opportunities based on market conditions. Our decision to drill a prospect is subject to a number of factors which may alter our drilling schedule or our plans to drill at all. We may have difficulty drilling all of the wells before the lease term expires which could result in the loss of certain leasehold rights or we could drill wells in locations where we do not have the necessary infrastructure to deliver the gas to market. Successfully identifying production opportunities involves a high degree of business experience, knowledge and careful evaluation of potential opportunities, along with subjective judgments and assumptions which may prove to be incorrect. Our recent addition of exploration projects increases the risks inherent in our natural gas activities. Specifically, seismic data is subject to interpretation and may not accurately identify the presence of natural gas, which could adversely affect the results of our operations. Because we have a limited operating history in certain exploratory areas, our

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future operating results are difficult to forecast, and our failure to sustain high growth rates in the future could adversely affect the market price of our common stock.

See Item 7A, **Quantitative and Qualitative Disclosures About Market Risk**, for further discussion regarding the Company's exposure to market risks, including the risks associated with our use of derivative contracts to hedge commodity prices.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Principal facilities are owned by the Company's business segments, or in the case of certain office locations, warehouse buildings and equipment, leased. The majority of the Company's properties are located on or under (1) private properties owned in fee, held by lease, or occupied under perpetual easements or other rights acquired for the most part without warranty of underlying land titles or (2) public highways under franchises or permits from various governmental authorities. The Company's facilities are generally well maintained and, where appropriate, are replaced or expanded to meet operating requirements.

EQT Production. EQT Production's properties are located primarily in Kentucky, West Virginia, Virginia and Pennsylvania. This segment currently has approximately 3.4 million gross acres (approximately 67% of which are considered undeveloped), which encompasses nearly all of the Company's acreage of proved developed and undeveloped natural gas and oil production properties. Although most of its wells are drilled to relatively shallow depths (2,000 to 6,500 feet below the surface), the Company retains what are normally considered deep rights on the majority of its acreage. As of December 31, 2009, the Company estimated its total proved reserves to be 4,068 Bcfe, consisting of proved developed producing reserves of 1,912 Bcfe, proved developed non-producing reserves of 161 Bcfe and proved undeveloped reserves of 1,995 Bcfe. All of the Company's reserves reside in continuous accumulations. The Company's estimate of proved natural gas and oil reserves are prepared by Company engineers. The engineer primarily responsible for the technical aspects of the reserves audit has received a bachelor's degree in Engineering from the Pennsylvania State University and has ten years of experience in the oil and gas industry. To ensure that the reserves are materially accurate, management reviews the price, heat content conversion rate, and cost assumptions used in the economic model to determine the reserves. Additionally, production volumes are reconciled between the system used to calculate the reserves and other accounting/measurement systems, and the reserve roll forward between prior year reserves and current year reserves is reviewed by senior management. The estimates of proved natural gas and oil reserves are audited by the independent consulting firm of Ryder Scott Company L.P., who is hired by the Company's management. Since 1937, Ryder Scott Company L.P. has evaluated oil and gas properties and independently certified petroleum reserves quantities in the United States and internationally. Ryder Scott Company L.P.'s audit report has been filed herewith as Exhibit 99.01. No report has been filed with any federal authority or agency reflecting a 5% or more difference from the Company's estimated total reserves. Additional information relating to the Company's estimates of natural gas and crude oil reserves and future net cash flows is provided in Note 22 (unaudited) to the Consolidated Financial Statements.

Natural Gas and Crude Oil Production:

Item 1B. Unresolved Staff Comments

	2009	2008	2007
Natural Gas:			
MMcf produced	104,334	89,961	82,401
Average well-head sales price per Mcfe sold (net of hedges)	\$ 3.72	\$ 5.24	\$ 4.53
Crude Oil:			
Thousands of Bbls produced	99	104	119
Average sales price per Bbl	\$ 49.46	\$ 95.93	\$ 62.06
NGLs:			
Mgal sold	126,590	81,856	72,430
Average sales price per Mgal	\$ 0.80	\$ 1.24	\$ 1.07

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Average per unit production cost, including severance taxes, of natural gas and crude oil during 2009, 2008 and 2007 was \$0.585, \$0.871 and \$0.740 per Mcfe, respectively.

	Natural Gas	Oil
Total productive wells at December 31, 2009:		
Total gross productive wells	13,707	22
Total net productive wells	9,900	19
Total in-process wells at December 31, 2009:		
Total gross in-process wells	163	
Total net in-process wells	135	
	(MMcf)	(MBbls)
Summary of Proved Oil and Gas Reserves as of December 31, 2009 based on average fiscal-year prices		
Developed	2,061,353	2,016
Undeveloped	1,994,705	
Total acreage at December 31, 2009:		
Total gross productive acres	1,114,804	
Total net productive acres	968,727	
Total gross undeveloped acres	2,272,775	
Total net undeveloped acres	1,975,720	

Certain lease acquisition agreements require the Company to drill 2 Marcellus or deeper wells and 6 wells drilled to 250' above the top of the Tully formation or deeper in 2010, 5 wells drilled to 250' above the top of the Tully formation or deeper plus 4 wells to any depth or formation in 2011, and 5 wells drilled to 250' above the top of the Tully formation or deeper plus 2 wells to any depth or formation in 2012; each of these wells must be drilled within specified acreage. The Company intends to satisfy these requirements as part of its Marcellus development program. As of December 31, 2009, leases associated with 9,975 gross undeveloped acres expire in 2010 if they are not renewed; however, the Company has an active lease renewal program.

Number of net productive and dry exploratory and development wells drilled:

	2009	2008	2007
Exploratory wells:			
Productive		1.0	
Dry	1.0		
Development wells:			
Productive	535.6	531.2	455.8
Dry	2.0	1.0	0.5

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Selected data by state (at December 31, 2009 unless otherwise noted):

	Kentucky	West Virginia	Virginia	Pennsylvania	Ohio	Total
Natural gas and oil production (MMcfe) 2009	50,959	27,069	24,624	2,276		104,928
Natural gas and oil production (MMcfe) 2008	42,798	23,054	23,192	1,541		90,585
Natural gas and oil production (MMcfe) 2007	37,488	21,205	23,044	1,377		83,114
Net revenue interest (%)	89.3%	71.0%	50.3%	87.2%		72.4%
Total gross productive wells	5,311	4,729	3,063	626		13,729
Total net productive wells	4,459	2,988	1,849	623		9,919
Total gross productive acreage	433,040	382,324	240,240	59,200		1,114,804
Total gross undeveloped acreage	1,015,939	826,850	302,960	124,723	2,303	2,272,775
Total gross acreage	1,448,979	1,209,174	543,200	183,923	2,303	3,387,579
Total net productive acreage	376,297	332,227	201,881	58,322		968,727
Total net undeveloped acreage	1,005,087	696,811	148,560	122,959	2,303	1,975,720
Total net acreage	1,381,384	1,029,038	350,441	181,281	2,303	2,944,447
Proved developed producing reserves (Bcfe)	1,035	512	324	41		1,912
Proved developed non-producing reserves (Bcfe)	35	60	5	61		161
Proved undeveloped reserves (Bcfe)	681	693	85	536		1,995
Proved developed and undeveloped reserves (Bcfe)	1,751	1,265	414	638		4,068
Gross proved undeveloped drilling locations	1,008	658	618	245		2,529
Net proved undeveloped drilling locations	1,008	658	331	245		2,242

During 2009, the Company converted 65 Bcfe of proved undeveloped reserves to proved developed reserves and 315 Bcfe of non-proved undeveloped reserves to proved developed reserves. The Company anticipates spending \$2.9 billion to convert proved undeveloped reserves to proved developed reserves over the next 5 years. Capital expenditures for drilling and development totaled \$717 million during 2009. Proved reserves increased primarily in the Marcellus and Huron/Berea plays as a result of the Company's 2009 drilling program. In addition, the application of new SEC oil and gas reporting rules permitted the booking of PUDs in locations more than one offset location away from existing wells. Partially offsetting these reserve additions, EQT also reported a reduction of CBM/other reserves as a result of removing previously booked vertical locations.

The Company's 2009 extensions, discoveries and other additions, resulting from extensions of the proved acreage of previously discovered reservoirs through additional drilling in periods subsequent to discovery, of 1,159 Bcfe exceeded the 2009 production of 104.9 Bcfe. Of this increase, approximately 715 Bcfe was attributable to drilling in 2009 that would have qualified as reserve extensions, discoveries and other

additions under the previous

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rules, including approximately 400 Bcfe related to offset locations from wells drilled in 2009. The remaining additions are attributable to the SEC's expanded definition of proved reserves to include reserves based on reasonable certainty, partially offset by removing reserves that were previously recorded for future vertical wells.

During 2009, the Company recorded downward revisions of 94.8 Bcfe to the December 31, 2008 estimate of proved reserves due to decreased prices and other revisions. The new SEC oil and gas reporting rules modified the definition of proved reserves as well as the price used in the calculation which resulted in approximately 55 Bcfe of revision of previous estimates. The reserves were computed using unweighted arithmetic averages of the closing prices on the first day of each month during 2009. Absent the effect of the new SEC oil and gas reporting rule, the price impact would have been minimal as prices as of December 31, 2009 only decreased approximately \$0.06 from December 31, 2008.

Wells located in Kentucky are primarily in shale formations with depths ranging from 2,500 feet to 6,000 feet and average spacing of 100 acres. Wells located in West Virginia are primarily in tight sands and shale formations with depths ranging from 2,500 feet to 6,500 feet and average spacing of 40 acres in the northern part of the state and 60 acres in the southern part of the state. Horizontal wells in both northern and southern West Virginia are drilled on 100 acre spacing. Wells located in Virginia are primarily in coalbed methane formations with depths ranging from 2,000 feet to 3,000 feet and average spacing of 60 acres and in tight sands and shale formations at depths of 3,000 to 6,500 feet on 100 acre spacing. Wells located in Pennsylvania are primarily in shale formations with depths ranging from 7,000 feet to 8,000 feet and average spacing of 100 acres.

During 2008, the Company drilled its first exploratory vertical Utica well. During 2009, the Company made the decision to plug back the well and to convert the well to a horizontal Marcellus well in 2010. As a result, the Company wrote-off \$2.9 million of incremental exploratory costs related to drilling down to the Utica formation. As of December 31, 2009, \$5.0 million of well costs remain capitalized for the future horizontal Marcellus well, pending successful completion.

EQT Production owns and leases office space in Pennsylvania, West Virginia, Virginia and Kentucky.

EQT Midstream. EQT Midstream owns or operates approximately 10,650 miles of gathering line and 243 compressor units comprising 121 compressor stations with approximately 249,000 horsepower of installed capacity, as well as other general property and equipment.

Substantially all of the gathering operations' sales volumes are delivered to several large interstate pipelines on which the Company and other customers lease capacity. These pipelines are subject to periodic curtailments for maintenance and repairs.

	Kentucky	West Virginia	Virginia	Pennsylvania	Total
Approximate miles of gathering line	3,800	4,850	1,700	300	10,650

The Midstream business also owns a hydrocarbon processing plant and gas compression facilities located in Langley, Kentucky.

EQT Midstream also owns and operates regulated underground storage and transmission facilities in Pennsylvania, West Virginia and Kentucky. These operations consist of approximately 970 miles of regulated transmission and storage lines with approximately 35,000 horsepower of installed capacity and interconnections with five major interstate pipelines. The interstate pipeline system stretches throughout north central West Virginia and southwestern Pennsylvania. The completion of the Big Sandy Pipeline in 2008 added 68 miles of transmission line and 9,000 horsepower of installed capacity in Kentucky. Equitrans has 14 natural gas storage reservoirs with approximately 496 MMcf per day of peak delivery capability and 63 Bcf of storage capacity, of which 32 Bcf is working gas. These storage reservoirs are geographically clustered, with eight in northern West Virginia and six in southwestern Pennsylvania.

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EQT Midstream owns and leases office space in Pennsylvania, West Virginia, Virginia and Kentucky.

Equitable Distribution. This segment owns and operates natural gas distribution and gathering facilities as well as other general property and equipment in western Pennsylvania, West Virginia and Kentucky. The distribution operations consist of approximately 4,000 miles of pipe in Pennsylvania, West Virginia and Kentucky.

Headquarters. The corporate headquarters and other operations are located in leased office space in Pittsburgh, Pennsylvania. In 2008, the Company entered into an agreement with Liberty Avenue Holdings, LLC to lease office space in Pittsburgh, Pennsylvania for the Company's new corporate headquarters. During the third quarter of 2009, the Company completed the relocation of its corporate headquarters and certain other operations to downtown Pittsburgh.

Item 3. Legal Proceedings

Kay Company, LLC et al v. EQT Production Company et al, U.S. District Court, Southern District of West Virginia

Several West Virginia lessors claimed in a suit filed on July 31, 2006 that EQT Production Company had underpaid royalties on gas produced and marketed from leases. The suit sought compensatory and punitive damages, an accounting and other relief. The plaintiffs later amended their complaint to name EQT as an additional defendant. The Company has settled the litigation. The settlement covers all of the Company's lessors in West Virginia who have not opted out of the settlement class. The Court has entered an order preliminarily approving the settlement. A Formal Fairness Hearing was held on January 20, 2010. The Company is waiting for entry of an order giving final approval of the settlement. The Company believes the reserve established for this litigation is sufficient.

In addition to the claim disclosed above, in the ordinary course of business various other legal and regulatory claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves it believes to be appropriate for other pending matters and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any other matter currently pending against the Company will not materially affect the financial position, results of operations or liquidity of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's security holders during the last quarter of its fiscal year ended December 31, 2009.

Table of Contents**Executive Officers of the Registrant (as of February 18, 2010)**

<u>Name and Age</u>	<u>Current Title (Year Initially Elected an Executive Officer)</u>	<u>Business Experience</u>
Theresa Z. Bone (46)	Vice President and Corporate Controller (2007)	Elected to present position July 2007; Vice President and Controller of Equitable Utilities from December 2004 until July 2007.
Philip P. Conti (50)	Senior Vice President and Chief Financial Officer (2000)	Elected to present position February 2007; Vice President and Chief Financial Officer from January 2005 to February 2007, also Treasurer until January 2006; Vice President, Finance and Treasurer from August 2000 to January 2005.
Randall L. Crawford (47)	Senior Vice President and President, Midstream and Distribution (2003)	Elected to present position in January 2008; Senior Vice President, and President, Equitable Utilities from February 2007 to December 2007; Vice President, and President, Equitable Utilities from February 2004 to February 2007.
Martin A. Fritz (45)	Vice President and President, Midstream (2006)	Elected to current position January 2008; Vice President and Chief Administrative Officer from February 2007 to December 2007; Vice President and Chief Information Officer from April 2006 to February 2007; Chief Information Officer from May 2003 to March 2006.
Lewis B. Gardner (52)	Vice President and General Counsel (2008)	Elected to present position April 2008; Managing Director External Affairs and Labor Relations from January 2008 to March 2008; Senior Counsel - Director Employee and Labor Relations from March 2004 to December 2007.
Murry S. Gerber (56)	Chairman and Chief Executive Officer (1998)	Elected to present position February 2007; Chairman, President and Chief Executive Officer from May 2000 to February 2007.
M. Elise Hyland (50)	Vice President and President, Equitable Gas (2008)	Elected to present position February 2008; President Equitable Gas from July 2007 to January 2008; Senior Vice President, Customer Operations Equitable Gas Company from March 2004 to June 2007.
Charlene Petrelli (49)	Vice President and Chief Human Resources Officer (2003)	Elected to present position February 2007; Vice President, Human Resources from January 2003 to February 2007.
David L. Porges (52)		

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	President and Chief Operating Officer (1998)	Elected to present position February 2007; Vice Chairman and Executive Vice President, Finance and Administration from January 2005 to February 2007; Executive Vice President and Chief Financial Officer from February 2000 to January 2005.
Steven T. Schlotterbeck (44)	Vice President and President, Production (2008)	Elected to present position January 2008; Executive Vice President, Exploration and Development, Equitable Production Company (EPC) from July 2007 to December 2007; Managing Director, Exploration and Production Planning and Development, EPC from January 2006 to June 2007; Senior Vice President, Production and Planning, EPC from August 2003 to December 2005.

All executive officers have executed agreements with the Company and serve at the pleasure of the Company's Board of Directors. Officers are elected annually to serve during the ensuing year or until their successors are chosen and qualified.

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As previously announced, Murry S. Gerber, Chairman and Chief Executive Officer, will step aside from his duties as Chief Executive Officer following the Company's annual meeting of shareholders on April 21, 2010. David L. Porges, currently EQT's President and Chief Operating Officer, will become Chief Executive Officer. To insure a smooth transition, Mr. Gerber will remain with EQT as Executive Chairman through EQT's 2011 annual meeting of shareholders.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's common stock is listed on the New York Stock Exchange. The high and low sales prices reflected in the New York Stock Exchange Composite Transactions, and the dividends declared and paid per share, are summarized as follows (in U.S. dollars per share):

	High	2009 Low	Dividend	High	2008 Low	Dividend
1st Quarter	\$ 38.63	\$ 27.77	\$ 0.22	\$ 65.05	\$ 47.16	\$ 0.22
2nd Quarter	38.95	31.38	0.22	76.14	58.94	0.22
3rd Quarter	42.90	31.94	0.22	71.33	33.62	0.22
4th Quarter	45.74	40.54	0.22	36.70	20.71	0.22

As of February 10, 2010, there were 3,519 shareholders of record of the Company's common stock.

The amount and timing of dividends is subject to the discretion of the Board of Directors and depends on certain business conditions, such as the Company's lines of business, results of operations and financial condition and other factors. Based on currently foreseeable conditions, the Company anticipates that comparable dividends will be paid on a regular quarterly basis.

The following table sets forth the Company's repurchases of equity securities registered under Section 12 of the Exchange Act that have occurred in the three months ended December 31, 2009:

Period	Total number of shares (or units) purchased (a)	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
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October 2009 (October 1 - October 31)	2,215	\$ 44.42
November 2009 (November 1 - November 30)	2,312	\$ 42.49
December 2009 (December 1 - December 31)	2,295	\$ 42.40
Total	6,822	

(a) Comprised solely of Company-directed purchases made by the Company's 401(k) plans.

Table of Contents**Stock Performance Graph**

The following graph compares the most recent five-year cumulative total return attained by shareholders on EQT Corporation's common stock with the cumulative total returns of the S&P 500 index and a customized peer group of twenty companies (the Self-Constructed Peer Group) whose individual companies are listed in footnote (1) below. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made at the close of business on December 31, 2004 in the Company's common stock, in the S&P 500 index, and in the peer group. Relative performance is tracked through December 31, 2009.

	12/04	12/05	12/06	12/07	12/08	12/09
EQT Corporation	100.00	124.07	144.55	187.71	120.36	161.19
S&P 500	100.00	104.91	121.48	128.16	80.74	102.11
Self Constructed Peer Group (1)	100.00	138.48	160.77	198.84	124.69	180.00

(1) The twenty companies included in the self constructed peer group are: Atlas Energy Resources, LLC, Cabot Oil & Gas Corporation, Chesapeake Energy Corporation, CNX Gas Corporation, El Paso Corporation, Enbridge Inc., Energen Corporation, MarkWest Energy Partners, L.P., MDU Resources Group, Inc, National Fuel Gas Company, ONEOK, Inc, Penn Virginia Corporation, Questar Corporation, Range Resources Corporation, Sempra Energy, Southern Union Company, Southwestern Energy Company, Spectra Energy Corp., Transcanada Corp. and The Williams Companies, Inc. Atlas Energy Resources LLC was acquired during 2009 and is included in the calculation from December 31, 2004 through December 31, 2008, at which time it is removed from the peer group calculation.

See Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for information relating to compensation plans under which the Company's securities are authorized for issuance.

Table of Contents**Item 6. Selected Financial Data**

	2009	As of and for the years ended December 31, 2008 2007 2006 2005 (Thousands, except per share amounts)			
Operating revenues	\$ 1,269,827	\$ 1,576,488	\$ 1,361,406	\$ 1,267,910	\$ 1,253,724
Net income	\$ 156,929	\$ 255,604	\$ 257,483	\$ 216,025	\$ 258,574
Earnings per share (a)					
Basic	\$ 1.20	\$ 2.01	\$ 2.12	\$ 1.79	\$ 2.14
Diluted	\$ 1.19	\$ 2.00	\$ 2.10	\$ 1.77	\$ 2.09
Total assets	\$ 5,957,257	\$ 5,329,662	\$ 3,936,971	\$ 3,282,255	\$ 3,342,285
Long-term debt	\$ 1,949,200	\$ 1,249,200	\$ 753,500	\$ 763,500	\$ 766,500
Cash dividends declared per share of common stock (a)	\$ 0.880	\$ 0.880	\$ 0.880	\$ 0.870	\$ 0.820

(a) All 2005 per share amounts have been adjusted for the two-for-one stock split affected on September 1, 2005.

See Item 1A, Risk Factors and Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations and Notes 5 and 6 to the Consolidated Financial Statements for other matters that affect the comparability of the selected financial data as well as uncertainties that might affect the Company's future financial condition.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**Consolidated Results of Operations**

In 2009 EQT achieved record results. Highlights for 2009 included:

- Record annual sales of produced natural gas of 100.1 Bcfe, more than 19 % higher than 2008;
- Drilled 800th horizontal Huron/Berea well, approximately 27% of sales were from horizontal Huron/Berea wells;
- Drilled 46 horizontal Marcellus wells;
- Record EQT Midstream throughput and operating income; and
- Record Distribution operating income of \$78.9 million, 32% higher than 2008.

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EQT's consolidated income from continuing operations for 2009 was \$156.9 million, \$1.19 per diluted share, compared with \$255.6 million, \$2.00 per diluted share, for 2008 and \$257.5 million, \$2.10 per diluted share, for 2007.

The \$98.7 million decrease in income from continuing operations from 2008 to 2009 was primarily attributable to a lower average well-head sales price, increased incentive compensation expense, increased depletion expense, and higher interest expense partially offset by increased gas sales volumes at EQT Production, increased gathering volumes and rate, Big Sandy pipeline activity and NGLs sold at EQT Midstream and an increase in base rates in the Distribution segment.

Incentive compensation expense increased from 2008 to 2009 as a result of expenses related to the Company's 2009 Shareholder Value Plan recorded in 2009 and a reversal of previously recorded expense on the Company's 2005 Executive Performance Incentive Program in 2008 primarily as a result of the decline in the Company's stock price in 2008. Incentive compensation is primarily reported in selling, general and administrative expenses in the Statements of Consolidated Income. A significant portion of the 2009 expense and 2008 reversal are reported as unallocated expenses in the information by business segment in Note 2 of the Company's Consolidated Financial Statements.

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Interest expense increased from 2008 to 2009 primarily due to the Company's continued investment in drilling and midstream infrastructure during 2009. This investment was partially funded by the issuance of \$700 million of 8.125% notes in May 2009.

The \$1.9 million decrease in income from continuing operations from 2007 to 2008 reflects an increase in operating income of \$153.1 million which was more than offset by the absence of a 2007 pre-tax gain of \$126.1 million on the sale of assets in the Nora area, higher 2008 interest and income taxes and a 2008 other than temporary impairment loss on available for sale securities.

Operating income for 2008 was impacted by decreased incentive compensation expense, increased production revenues due to higher average well-head sales prices and significantly higher volumes, increased gathering and transmission revenues due to higher rates and volumes, and the absence of 2007 transaction costs associated with the terminated Peoples and Hope acquisition. The decreased incentive compensation expense was the result of the reversal of previously recorded expense on the Company's 2005 Executive Performance Incentive Program partially offset by increased short-term incentive compensation. These items were partially offset by increased depletion, depreciation and amortization, increased operating and administrative expenses and the impact of the May 2007 asset sales.

Business Segment Results

Business segment operating results are presented in the segment discussions and financial tables on the following pages. Operating segments are evaluated on their contribution to the Company's consolidated results based on operating income, equity in earnings of nonconsolidated investments and other income. Interest expense and income taxes are managed on a consolidated basis. Headquarters costs are billed to the operating segments based upon a fixed allocation of the headquarters annual operating budget. Differences between budget and actual headquarters expenses are not allocated to the operating segments. Certain performance-related incentive expenses (income) and administrative expenses totaling \$62.2 million, (\$17.4) million and \$65.3 million in 2009, 2008 and 2007, respectively, were not allocated to business segments. The unallocated expense in 2009 and 2007 primarily relates to performance-related incentive expenses, while the unallocated income in 2008 primarily relates to the reversal of previously recorded performance-related incentive expenses.

The Company has reconciled each segment's operating income, equity in earnings of nonconsolidated investments and other income to the Company's consolidated operating income, equity in earnings of nonconsolidated investments and other income totals in Note 2 to the Consolidated Financial Statements. Additionally, these subtotals are reconciled to the Company's consolidated net income in Note 2. The Company has also reported the components of each segment's operating income and various operational measures in the sections below, and where appropriate, has provided information describing how a measure was derived. EQT's management believes that presentation of this information is useful to management and investors in assessing the financial condition, operations and trends of each of EQT's segments without being obscured by these items for the other segments or by the effects of corporate allocations. In addition, management uses these measures for budget planning purposes.

EQT Production

Overview

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Driven by aggressive horizontal air drilling in the Huron/Berea play, EQT Production achieved sales of produced natural gas of 100.1 Bcfe in 2009, representing a more than 19% increase. Also, unit LOE, excluding production taxes, decreased 14% in 2009 to \$0.30 per Mcfe.

EQT Production's strategy is to maximize value by profitably developing the Company's extensive acreage position through organic growth enabled by a low cost structure. The Company is focused on continuing its significant organic reserve and production growth through its drilling program and believes that it is a technological leader in drilling in low pressure shale. In particular, the use of air in horizontal drilling has proven to be a cost effective technology which the Company has efficiently deployed to various geological formations in the

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Appalachian Basin mountain terrain and which may be deployed to other Company assets in the Appalachian Basin to maximize production. In 2009, extended laterals utilizing this technology produced a 6,700 foot lateral with 6,000 feet of pay, essentially doubling the typical horizontal well which is a 3,700 foot with 3,000 feet of pay. Based on these favorable preliminary results, the Company is in the process of incorporating extended lateral wells into its preferred standard operating procedures for the Huron/Berea play. The Company expects to access significantly more reserves through the extended lateral drilling procedures for less than a proportional amount of the development costs.

In 2009, the Company drilled 434 gross wells in the Huron/Berea play. Total proved reserves in the Huron/Berea play (including vertical non-shale formations) are 2.8 Tcfe. In the Marcellus play, the Company drilled 50 gross wells during 2009. Total proved reserves in the Marcellus play increased 1,278% to 1.1 Tcfe. Proved reserves increased in the Marcellus and Huron/Berea plays as a result of the Company's 2009 drilling program. In addition, the application of new SEC oil and gas reporting rules permitted the booking of PUDs in locations more than one offset location away from existing wells. The Company drilled 218 gross CBM wells in 2009. The CBM play had total proved reserves of 0.2 Tcfe at December 31, 2009, down 6% from 2008 as a result of the implementation of the new SEC oil and gas reporting rules. See Item 2

Properties for additional discussion of the Company's proved reserves and the impact of the new SEC oil and gas reporting rules. Sales of produced natural gas in 2009 from the Huron/Berea, Marcellus and CBM plays were 84.9 Bcfe, 2.9 Bcfe and 12.3 Bcfe, respectively.

EQT Production's revenues for 2009 decreased approximately 16% compared to 2008 revenues. The average well-head sales price decreased approximately 30%, as a result of decreased commodity market prices offset by slightly higher hedge prices year-over-year. Gas sales volumes increased more than 19% from 2008 primarily as a result of increased production from the 2008 and 2009 drilling programs partially offset by the normal production decline in the Company's producing wells.

Operating expenses at EQT Production included an \$8.8 million increase in the Company's exploration program. The increase in exploration expense is primarily a result of the Company's initiative to explore additional reserve opportunities in various exploration plays on its legacy acreage position with the purchase and interpretation of seismic data for unproved properties. In addition, in 2009, EQT Production recorded a \$2.9 million impairment charge associated with the write-off of the Utica exploratory well when the Company made the decision to abandon the Utica formation and plug back the well to the Marcellus formation. Excluding exploration expenses, 2009 operating expenses increased 10% primarily due to higher depletion resulting from increased drilling investments.

See Investing Activities in Capital Resources and Liquidity for a discussion of capital expenditures.

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	Years Ended December 31,				
	2009	2008	% change 2009 - 2008	2007	% change 2008 - 2007
OPERATIONAL DATA					
Production:					
Natural gas and oil production (MMcfe)					
(a)	104,928	90,585	15.8	83,114	9.0
Company usage, line loss (MMcfe)	(4,828)	(6,577)	(26.6)	(6,035)	9.0
Total sales volumes (MMcfe)	100,100	84,008	19.2	77,079	9.0
Average (well-head) sales price (\$/Mcf)					
(b)	\$ 3.75	\$ 5.32	(29.5)	\$ 4.59	15.9
Lease operating expenses (LOE), excluding production taxes (\$/Mcf)	\$ 0.30	\$ 0.35	(14.3)	\$ 0.31	12.9
Production taxes (\$/Mcf)	\$ 0.29	\$ 0.52	(44.2)	\$ 0.43	20.9
Production depletion (\$/Mcf)	\$ 1.06	\$ 0.81	(30.9)	\$ 0.70	15.7
Production depletion (thousands)	\$ 111,371	\$ 73,362	51.8	\$ 58,264	25.9
Other depreciation, depletion and amortization (DD&A) (thousands)	6,053	4,872	24.2	3,820	27.5
Total DD&A (thousands)	\$ 117,424	\$ 78,234	50.1	\$ 62,084	26.0
Capital expenditures (thousands) (c)	\$ 717,356	\$ 700,745	2.4	\$ 328,080	113.6
FINANCIAL DATA					
(thousands)					
Total operating revenues	\$ 384,576	\$ 457,144	(15.9)	\$ 364,396	25.5
Operating expenses:					
LOE, excluding production taxes	31,228	31,719	(1.5)	25,361	25.1
Production taxes (d)	30,123	47,158	(36.1)	36,123	30.5
Exploration expense	17,905	9,064	97.5	862	951.5
Selling, general and administrative (SG&A)	36,815	38,185	(3.6)	37,947	0.6
DD&A	117,424	78,234	50.1	62,084	26.0
Total operating expenses	233,495	204,360	14.3	162,377	25.9
Gain on sale of assets, net				129,206	(100.0)
Operating income	\$ 151,081	\$ 252,784	(40.2)	\$ 331,225	(23.7)

(a) Natural gas and oil production represents the Company's interest in gas and oil production measured at the well-head. It is equal to the sum of total sales volumes, Company usage and line loss.

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(b) Average well-head sales price is calculated as market price adjusted for hedging activities less deductions for gathering, processing and transmission included in EQT Midstream revenues. These deductions totaled \$1.69/Mcfe, \$1.50/Mcfe and \$1.23/Mcfe for 2009, 2008 and 2007, respectively.

(c) Capital expenditures in 2009 and 2008 include \$31.0 million and \$85.5 million, respectively, for undeveloped property acquisitions. Capital expenditures in 2007 include \$24.4 million for the acquisition of working interests in wells in the Roaring Fork area.

(d) Production taxes include severance and production-related ad valorem and other property taxes.

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Fiscal Year Ended December 31, 2009 vs. December 31, 2008

EQT Production's operating income totaled \$151.1 million for 2009 compared to \$252.8 million for 2008, a decrease of \$101.7 million between years, primarily due to a lower average well-head sales price and an increase in depletion expenses partially offset by increased gas sales volumes.

Total operating revenues were \$384.6 million for 2009 compared to \$457.1 million for 2008. The decrease in operating revenues was due to lower realized prices which more than offset increased sales volumes. The average well-head sales price decreased by \$1.57 per Mcfe, primarily as a result of a decrease in NYMEX natural gas prices and a lower percentage of hedged gas sales, partially offset by a higher realized hedge price. The decrease in prices was partially offset by increased sales volumes of more than 19% as a result of the 2008 and 2009 drilling programs, net of the normal production decline in the Company's wells and a decrease in Company usage and line loss.

Operating expenses totaled \$233.5 million for 2009 compared to \$204.4 million for 2008. The \$29.1 million increase in operating expenses was a result of increases of \$39.2 million in DD&A partially offset by decreases of \$17.0 million in production taxes, \$1.4 million in SG&A, and \$0.5 million in LOE. In addition, 2009 includes an \$8.8 million increase in exploration expense due to the purchase and interpretation of seismic data in support of the Company's examination of emerging plays and the impairment charge on the exploratory Utica well. The increase in DD&A was primarily due to increased depletion expense resulting from both increases in the unit rate (\$26.3 million) and volume (\$11.0 million). The \$0.25 per Mcfe increase in the depletion rate is primarily attributable to the increased investment in oil and gas producing properties. The decrease in production taxes was primarily due to an \$18.4 million decrease in severance taxes partially offset by a \$1.4 million increase in property taxes. The decrease in severance taxes (a production tax imposed on the value of gas extracted) was primarily due to lower gas commodity prices partially offset by higher sales volumes in the various taxing jurisdictions that impose such taxes. The increase in property taxes was a direct result of increased prices and sales volumes in prior years, as property taxes in several of the taxing jurisdictions where the Company's wells are located are calculated based on historical gas commodity prices and sales volumes. The decrease in SG&A was primarily due to the reversal of reserves for certain legal disputes partially offset by higher overhead costs associated with the growth of the Company, increased franchise and gross receipts taxes attributable to increased receipts and costs associated with the amendment of a contract to secure capacity for the processing and disposal of salt water. The decrease in LOE was primarily attributable to the 2008 program to test the re-fracturing of existing wells.

Fiscal Year Ended December 31, 2008 vs. December 31, 2007

EQT Production's operating income totaled \$252.8 million for 2008 compared to \$331.2 million for 2007, a decrease of \$78.4 million between years, primarily due to the absence of a 2007 gain on the sale of a portion of the Company's interests in certain gas properties in the Nora area compared to 2008 results which included higher average well-head sales price and increased gas sales volumes, partially offset by an increase in operating expenses.

Total operating revenues were \$457.1 million for 2008 compared to \$364.4 million for 2007. The \$92.7 million increase in operating revenues was due to higher realized prices and increased sales volumes. The average well-head sales price increased by \$0.73 per Mcfe, primarily as a result of an increase in NYMEX natural gas prices and a higher percentage of unhedged gas sales, partially offset by a lower realized hedge price. Additionally, sales volumes increased 12% excluding the 2007 sale of interests which provided sales of 1,966 MMcf during 2007, as a result of the 2008 and 2007 drilling programs net of the normal production decline in the Company's wells.

Operating expenses totaled \$204.4 million for 2008 compared to \$162.4 million for 2007. The \$42.0 million increase in operating expenses was a result of increases of \$16.2 million in DD&A, \$11.0 million in production taxes, \$6.4 million in LOE, and \$0.2 million in SG&A. In addition, the 2008 period included an \$8.2 million increase in exploration expense due to the purchase and interpretation of seismic data in support of the Company's examination of emerging plays. The increase in DD&A was primarily due to increased depletion expense resulting from both increases in the unit rate (\$9.9 million) and volume (\$5.0 million). The \$0.11 increase in the depletion rate was primarily attributable to the increased investment in oil and gas producing properties. The increase in production taxes was primarily due to a \$9.8 million increase in severance taxes and a \$1.2 million increase in property taxes. The increase in severance taxes (a production tax imposed on the value of gas extracted) was

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primarily due to higher gas commodity prices and higher sales volumes in the various taxing jurisdictions that impose such taxes. The increase in property taxes was a direct result of increased prices and sales volumes in prior years, as property taxes in several of the taxing jurisdictions where the Company's wells are located are calculated based on historical gas commodity prices and sales volumes. The increase in LOE was attributable to personnel costs, the 2008 program to test the re-fracturing of existing wells, salt water and waste disposal, environmental costs and road and location maintenance. The increase in SG&A was primarily due to higher overhead costs associated with the growth of the Company partially offset by lower charges for certain legal disputes in 2008 compared to 2007.

On April 13, 2007, the Company and Range Resources Corporation (Range) agreed to a development plan for the Nora area in southwestern Virginia. The Company entered into a Purchase and Sale Agreement (Purchase Agreement) with Pine Mountain Oil and Gas, Inc. (PMOG), a subsidiary of Range, pursuant to which the Company agreed to sell to PMOG a portion of the Company's interests in certain gas properties in the Nora area. As a result of this transaction, EQT Production recognized a net gain of \$129.2 million in earnings in 2007. The net gain includes a gain on the sale of working interest in oil and gas properties under the Purchase Agreement of \$157.6 million offset by a hedge loss of \$28.4 million resulting from a 7.3 Bcf reduction in the Company's hedge position due to the sale of properties. See Note 5 of the Consolidated Financial Statements for further discussion related to this transaction.

Outlook

EQT Production's business strategy is focused on organic growth of the Company's natural gas reserves and sales volumes. Key elements of EQT Production's strategy include:

- **Expanding production and developed reserves through horizontal drilling in Kentucky, West Virginia, and Pennsylvania.** The Company is committed to expanding its production and developed reserves through horizontal drilling in its existing plays. The Company will seek to maximize the value of its existing asset base by developing its large acreage position, which the Company believes holds significant production and reserve growth potential. A substantial portion of the Company's 2010 drilling efforts will be focused on drilling horizontal wells in shale formations in Kentucky, West Virginia and Pennsylvania. Additionally, based on favorable preliminary results, the Company is in the process of incorporating extended lateral wells into its preferred standard operating procedures for the Huron/Berea play. The Company expects to access significantly more reserves through the extended lateral drilling procedures for less than a proportional amount of the development costs. Sales of produced natural gas in 2010 are projected to be 20% higher than the 2009 produced gas sales.
- **Maintaining flexibility in a low price environment** - The pace at which the Company is able to grow production and reserves is impacted by drilling success and the price for natural gas. The Company has mitigated some of the commodity price risk by hedging a portion of its production. The Company believes that its position as a low cost operator allows for the development of reserves and production in a low price environment.
- **Geological and geophysical expenditures** In 2010, the Company plans to spend \$10.5 million on seismic data to determine optimal placement for future Marcellus wells and \$1.5 million on 2D and 3D seismic data over properties in which the Company holds deeper exploration and drilling rights.

- **Growing acreage position** The Company is focused on expanding production, primarily through organic development of its large acreage position. The Company may also take advantage of property acquisition opportunities as economic conditions warrant.

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EQT Midstream

Overview

In 2009 EQT Midstream achieved record throughput and operating income primarily due to revenues generated by new infrastructure projects exceeding the increased costs required to operate these assets. Projects completed in 2008 that positively impacted 2009 earnings include: the Kentucky hydrocarbon processing plant and gas compression facilities (Kentucky Hydrocarbon) which have the capacity to process 170 MMcfe of natural gas per day; the Mayking Corridor project (Mayking) which consists of three compressor units and 38 miles of pipe; and the Big Sandy Pipeline which currently provides 130,000 Dth per day of firm transportation capacity. In 2009, EQT Midstream continued optimizing existing capacity by building gathering lines to tie in wells in Kentucky, West Virginia and Pennsylvania. The combination of these 2009 investments with the Kentucky Hydrocarbon, Mayking and the Big Sandy Pipeline provided the platform for sales growth and will help to mitigate curtailments and increase the flexibility and reliability of the Company's gathering systems in transporting gas to market.

EQT Midstream's net operating revenues increased by 27% from 2008 to 2009. This increase was primarily due to increases in gathered volumes due to our infrastructure expansion, increased processing volumes as a result of the Kentucky Hydrocarbon processing plant being operational for a full year in 2009 and transmission revenues from the Big Sandy Pipeline. Increases in net operating revenues were partially offset by an increase in operating expenses.

EQT Energy, the Company's gas marketing affiliate, executed a binding precedent agreement with Tennessee Gas Pipeline Company (TGP), a wholly owned subsidiary of El Paso Corporation, for a 15-year term that awarded the Company 300,000 Dth per day of capacity in TGP's 300-Line expansion project. In July 2009, the parties amended the binding precedent agreement and EQT Energy's capacity in the project was increased to 350,000 Dth per day beginning in November 2011. The awarded capacity will provide EQT access to consumer markets from the Gulf Coast to the Mid-Atlantic and the Northeast.

See Investing Activities in Capital Resources and Liquidity for a discussion of capital expenditures.

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	Years Ended December 31,				
			% change 2009 - 2008		% change 2008 - 2007
	2009	2008		2007	
OPERATIONAL DATA					
Gathering and processing:					
Gathered volumes (BBtu)	161,480	145,031	11.3	143,338	1.2
Average gathering fee (\$/MMBtu)	\$ 1.04	\$ 0.98	6.1	\$ 0.84	16.7
Gathering and compression expense (\$/MMBtu) (a)	\$ 0.42	\$ 0.37	13.5	\$ 0.35	5.7
NGLs sold (Mgal) (b)	126,590	81,856	54.6	72,430	13.0
Average NGL sales price(\$/gal)	\$ 0.80	\$ 1.24	(35.5)	\$ 1.07	15.9
Transmission pipeline throughput (BBtu)	84,132	76,270	10.3	53,514	42.5
Net operating revenues (thousands):					
Gathering	\$ 165,519	\$ 140,118	18.1	\$ 119,402	17.3
Processing	57,690	35,523	62.4	30,187	17.7
Transmission	76,749	51,563	48.8	36,486	41.3
Storage, marketing and other	86,254	76,136	13.3	75,840	0.4
Total net operating revenues	\$ 386,212	\$ 303,340	27.3	\$ 261,915	15.8
Capital expenditures (thousands)	\$ 201,082	\$ 593,564	(66.1)	\$ 433,719	36.9

(a) The calculation of gathering and compression expense (\$/MMBtu) for 2008 excludes a \$9.5 million charge for pension and other post-retirement benefits.

(b) NGLs sold includes NGLs recovered at the Company's processing plant and transported to a fractionation plant owned by a third party for separation into commercial components, net of volumes retained, as well as equivalent volumes sold at liquid component prices under the Company's contractual processing arrangements with third parties.

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	Years Ended December 31,				
			% change 2009 - 2008		% change 2008 - 2007
	2009	2008		2007	
FINANCIAL DATA (thousands)					
Total operating revenues	\$ 543,564	\$ 681,475	(20.2)	\$ 591,608	15.2
Purchased gas costs	157,352	378,135	(58.4)	329,693	14.7
Total net operating revenues	386,212	303,340	27.3	261,915	15.8
Operating expenses:					
Operating and maintenance (O&M)	96,791	84,558	14.5	66,155	27.8
SG&A	47,146	49,208	(4.2)	28,995	69.7
Depreciation and amortization (D&A)	53,291	34,802	53.1	26,333	32.2
Total operating expenses	197,228	168,568	17.0	121,483	38.8
Loss on sale of assets, net				(3,118)	100.0
Operating income	\$ 188,984	\$ 134,772	40.2	\$ 137,314	(1.9)
Other income, net	\$ 1,357	\$ 5,678	(76.1)	\$ 7,253	(21.7)
Equity in earnings of nonconsolidated investments	\$ 6,376	\$ 5,053	26.2	\$ 2,648	90.8

Fiscal Year Ended December 31, 2009 vs. December 31, 2008

EQT Midstream's operating income totaled \$189.0 million for 2009 compared to \$134.8 million for 2008. The \$54.2 million increase in operating income was primarily the result of increased gathering and processing volumes, gathering rates and increased Big Sandy pipeline activity, partially offset by increases in O&M and D&A expense.

Total net operating revenues were \$386.2 million for 2009 compared to \$303.3 million for 2008. The \$82.9 million increase in total net operating revenues was due to a \$25.4 million increase in gathering net operating revenues, a \$22.2 million increase in processing net operating revenues, a \$25.2 million increase in transmission net operating revenues, and a \$10.1 million increase in storage, marketing and other net operating revenues.

Gathering net operating revenues increased due to an 11% increase in gathered volumes as well as a 6% increase in the average gathering fee. This increase was driven by more volumes gathered for EQT Production, as well as increased third party customer volume due to increased available capacity with Mayking and the Big Sandy Pipeline being operational for a full year in 2009. Processing net revenues increased primarily due to a 55% increase in NGLs sold. This resulted from increased production volumes from both EQT Production and third party customers and the expansion of the Kentucky Hydrocarbon processing plant and gas compression facilities in the second half of 2008. Although the average NGL sales price decreased more than 35% from 2008, the impact on processing net operating revenues was not significant due to a decrease in the related cost of natural gas processed.

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Transmission net revenues in 2009 increased from the prior year primarily due to increased capacity from the Big Sandy pipeline, which came on-line in the second quarter of 2008. The increase in storage and marketing net revenues was primarily due to increased third party marketing that utilized Big Sandy Pipeline capacity.

Total operating revenues decreased by \$137.9 million, or 20%, primarily as a result of lower sales prices on decreased commercial activity related to contractual transmission and storage assets and lower NGL sales prices partially offset by an increase in gathering and processing volumes, gathering rates and increased transmission revenues from the Big Sandy Pipeline. Total purchased gas costs decreased 58% as a result of lower gas costs on

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decreased commercial activity related to contractual transmission and storage assets and lower gas costs related to processing activities.

Operating expenses totaled \$197.2 million for 2009 compared to \$168.6 million for 2008. The increase in operating expenses was due to increases of \$12.2 million in O&M and \$18.5 million in D&A, offset by a decrease of \$2.1 million in SG&A. The increase in O&M resulted mainly from higher electricity, labor, non-income taxes and compressor maintenance expenses for the gathering and processing business due to new compressors and processing facilities put in operation in the second half of 2008, partially offset by a decrease of \$9.5 million relating to pension and other post-retirement benefit charges recorded in 2008. The increase in D&A was primarily due to the increased investment in infrastructure during 2008 and 2009. The decrease in SG&A was primarily due to expenses in 2008 which were not incurred in 2009, including a \$5.2 million reserve against Lehman Brothers receivables and \$1.2 million for legal and actuarial services associated with the pension and other post-retirement benefit charges, partially offset by an increase in labor and services to support the growth in the Midstream business during 2009.

Other income represents allowance for equity funds used during construction. The \$4.3 million decrease from 2008 to 2009 was primarily caused by AFUDC recorded on the construction of the Big Sandy Pipeline in 2008. AFUDC was no longer recorded once Big Sandy was placed into service in the second quarter of 2008.

Equity in earnings of nonconsolidated investments totaled \$6.4 million for 2009 compared to \$5.1 million for 2008. This increase is related to equity earnings recorded for EQT Midstream's investment in Nora Gathering, LLC, which was formed in May 2007. Earnings increased in 2009 as a result of higher net income for Nora Gathering, LLC in 2009 compared to 2008. The higher net income was driven by increases in the average gathering fee and gathered volumes partially offset by increased operating expenses for the Nora operations in 2009.

Fiscal Year Ended December 31, 2008 vs. December 31, 2007

EQT Midstream's operating income totaled \$134.8 million for 2008 compared to \$137.3 million for 2007, a decrease of \$2.5 million. An increase in net operating revenues was more than offset by increased operating expenses, including a \$10.7 million settlement charge for pension and post-retirement benefits including related severance and legal fees and \$5.2 million bad debt expense as a result of the Lehman Brothers bankruptcy. This was partially offset by a loss of \$3.1 resulting from the contribution of gathering assets to Nora LLC, an entity formed in 2007 that is equally owned by the Company and Pine Mountain Oil and Gas, Inc. See Note 5 of the Consolidated Financial Statements for further discussion of this transaction. Excluding these items, operating income increased 7%.

Total net operating revenues were \$303.3 million for 2008 compared to \$261.9 million for 2007. The \$41.4 million increase in total net operating revenues was due to a \$20.7 million increase in gathering net operating revenues, a \$15.1 million increase in transmission net operating revenues, a \$5.3 million increase in processing net operating revenues and a \$0.3 million increase in storage, marketing and other net operating revenues.

The increase in gathering net operating revenues was due to a 17% increase in the average gathering fee and a small increase in gathered volumes. The increase in the average gathering fee is reflective of the Company's commitment to ensuring that this fee is sufficient to cover costs associated with infrastructure expansion. Gathered volumes increased 1% due to the increase in 2008 Company production and third party volumes which were partially offset by the elimination in 2008 of volumes gathered on assets contributed to Nora Gathering, LLC. The increase

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in processing net operating revenues was due to an increase in NGLs sold as well as increased commodity prices for propane and other NGLs. The volume of NGLs sold increased in 2008 as a result of the Company's infrastructure investments. The increase in transmission net operating revenues was due to new transmission revenues from the Big Sandy Pipeline, which came on-line in the second quarter of 2008 while storage, marketing and other net operating revenues increased mainly from third party marketing that utilized Big Sandy Pipeline capacity.

Total operating revenues increased by \$89.9 million, or 15%, primarily as a result of higher sales prices on increased commercial activity related to contractual transmission and storage assets, an increase in processing volumes and commodity prices, higher gathering rates and new transmission revenues from the Big Sandy Pipeline.

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Total purchased gas costs increased due to the higher gas costs on increased commercial activity related to contractual transmission and storage assets as well as higher gas costs related to processing activities.

Operating expenses totaled \$168.6 million for 2008 compared to \$121.5 million for 2007. The \$47.1 million increase in operating expenses was due to increases of \$20.2 million in SG&A, \$18.4 million in O&M, and \$8.5 million in D&A. The increase in SG&A was primarily due to labor and services to support the growth in the Midstream business, a \$5.2 million reserve against Lehman Brothers receivables, and \$1.2 million for legal and actuarial services associated with the pension and other post-retirement charge, partially offset by decreased SG&A for the gathering assets contributed to Nora Gathering, LLC. The increase in O&M resulted mainly from the \$9.5 million pension and other post-retirement charge as well as increased electricity charges, compressor maintenance, labor and non-income taxes for the gathering and processing business due to new compressors and processing facilities, partially offset by the expenses associated with gathering asset contributed to Nora Gathering, LLC. The increase in D&A was primarily due to the increased investment in infrastructure during 2008, partially offset by decreased depreciation relating to the gathering asset contribution to Nora Gathering, LLC.

Other income represents allowance for equity funds used during construction. The \$1.6 million decrease from 2007 to 2008 was primarily caused by a full year of AFUDC on Big Sandy recorded in 2007, as compared to only a partial year in 2008 as Big Sandy was placed on-line in the second quarter of 2008.

Equity in earnings of nonconsolidated investments totaled \$5.1 million for 2008 compared to \$2.6 million for 2007. This increase is related to equity earnings recorded for EQT Midstream's investment in Nora Gathering, LLC, which was formed in May 2007.

Outlook

EQT Midstream's long-term focus is to take advantage of its infrastructure asset position in the heart of the Marcellus shale play in southwestern Pennsylvania and northern West Virginia. The Equitrans Marcellus Expansion Project is expected to provide Appalachian producers with timely, cost effective options to reach Northeastern and Mid-Atlantic markets as well as storage by expanding Equitrans existing asset base. Equitrans plans to create new firm transportation capacity through the addition of pipeline looping, new high pressure laterals and compression facilities on Equitrans' existing pipeline network. EQT Midstream successfully completed an open season for a proposed expansion of the Equitrans pipeline with total capacity demand indicated in the open season in excess of 1,100,000 Dth per day. The next steps are to secure firm precedent agreements with shippers and obtain FERC approval.

Gathering, processing and transmission revenues are expected to increase as EQT Midstream expands its infrastructure to support EQT Production growth in the Huron/Berea and Marcellus plays.

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Equitable Distribution

Overview

Distribution's business strategy is to earn a competitive return on its asset base through operational efficiency and innovative regulatory mechanisms. Distribution is focused on enhancing the value of its existing assets by establishing a reputation for excellent customer service, effectively managing its capital spending, improving the efficiency of its workforce and continuing to leverage technology throughout its operations.

Equitable Gas continues to focus on improved customer service. In 2009, Equitable Gas launched a new website giving customers the ability to view and pay bills on-line and providing customers with a Home Energy Analyzer that enables them to easily examine their energy use factoring in weather, appliance and electronics usage and the type of construction used in their home. These and other efforts, including improved operating performance at Equitable Gas's customer call center, have resulted in increased overall customer satisfaction.

On February 26, 2009, the PA PUC approved a settlement between Equitable Gas and the active parties to the filing for a base rate case increase in Pennsylvania. The Company implemented the new base rates upon approval of the settlement.

Pennsylvania law requires that local distribution companies develop and implement programs to assist low-income customers with paying their gas bills. The costs of these programs are recovered through rates charged to other residential customers. Equitable Gas has several such programs, including the customer assistance program (CAP). As part of the rate case settlement, the Company received approval to increase the CAP surcharge in order to recover its costs for assisting low-income customers with paying their gas bills. In addition, the CAP costs will be reconciled annually to ensure complete recovery of these costs in the future.

Distribution's net operating revenues increased 5% from 2008 to 2009 due to the increase in base rates. The weather in Equitable Gas's service territory in 2009 was 3% warmer than 2008 and 6% warmer than the 30-year National Oceanic and Atmospheric Administration average. The weather in 2008 was 4% warmer than the 30-year average. Total operating expenses decreased 9% from 2008, primarily due to lower bad debt expense and lower overhead costs in 2009.

See Investing Activities in Capital Resources and Liquidity for a discussion of capital expenditures.

Table of Contents**Results of Operations**

	Years Ended December 31,			
			% change 2009 - 2008	% change 2008 - 2007
	2009	2008		2007
OPERATIONAL DATA				
Heating degree days (30 year average = 5,829)	5,474	5,622	(2.6)	5,332
Residential sales and transportation volume (MMcf)	23,098	23,824	(3.0)	23,494
Commercial and industrial volume (MMcf)	30,521	27,503	11.0	25,971
Total throughput (MMcf)	53,619	51,327	4.5	49,465
Net operating revenues (thousands):				
Residential	\$ 111,007	\$ 105,059	5.7	\$ 99,050
Commercial & industrial	47,432	46,394	2.2	42,558
Off-system and energy services	21,545	19,415	11.0	19,021
Total net operating revenues	179,984	170,868	5.3	\$ 160,629
Capital expenditures (thousands)	\$ 33,707	\$ 45,770	(26.4)	\$ 41,684
FINANCIAL DATA (thousands)				
Total operating revenues	\$ 560,283	\$ 698,385	(19.8)	\$ 624,744
Purchased gas costs	380,299	527,517	(27.9)	464,115
Net operating revenues	179,984	170,868	5.3	160,629
Operating expenses:				
O & M	43,663	44,161	(1.1)	41,613
SG&A	35,028	44,793	(21.8)	64,454
DD&A	22,375	22,055	1.5	20,021
Total operating expenses	101,066	111,009	(9.0)	126,088
Operating income	\$ 78,918	\$ 59,859	31.8	\$ 34,541

Fiscal Year Ended December 31, 2009 vs. December 31, 2008

Distribution's operating income totaled \$78.9 million for 2009 compared to \$59.9 million for 2008. The increase in operating income was primarily due to an increase in base rates and lower operating expenses.

Net operating revenues were \$180.0 million for 2009 compared to \$170.9 million for 2008. The \$9.1 million increase in net operating revenues was primarily the result of the approval of the Company's base rate increase in 2009. Net revenues from residential customers increased \$5.9

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million as a result of an increase in base rates which was partially offset by the absence of a 2008 non-recurring increase in customer assistance program activities, as well as customer conservation and slightly warmer weather. Off-system and energy services net operating revenues increased \$2.1 million due to higher revenues from gathering activities resulting primarily from increased rates. Commercial and industrial net revenues increased \$1.0 million due to higher base rates and an increase in usage by one industrial customer, partially offset by lower performance-based revenues. The high volume sales from the industrial customer have low unit margins and did not significantly impact total net operating revenues. A decrease in gas costs associated with asset optimization transactions and a decrease in the commodity component of residential tariff rates resulted in a decrease in both total operating revenues and purchased gas costs.

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Operating expenses totaled \$101.1 million for 2009 compared to \$111.0 million for 2008. The \$9.9 million decrease in operating expenses was primarily the result of lower bad debt, general overhead and labor and fringe benefit expenses in 2009 and the absence of the holding company reorganization costs that were incurred in 2008. The reduction in bad debt expense from 2008 to 2009 was the result of favorable adjustments in the allowance for uncollectible accounts in 2009 due to increased customer participation in programs assisting low-income customers in paying their bills, the recovery of CAP costs associated with the approval of the rate case settlement and a decrease in the commodity component of residential tariff rates. These decreases were partially offset by an increase in accruals for certain non-income tax reserves and an increase in incentive compensation costs.

Fiscal Year Ended December 31, 2008 vs. December 31, 2007

Distribution's operating income totaled \$59.9 million for 2008 compared to \$34.5 million for 2007. The \$25.4 million increase in operating income was primarily due to a non-recurring increase in customer assistance program activities, colder weather and lower SG&A expenses due to the absence in 2008 of costs associated with the now terminated Peoples and Hope acquisition.

Net operating revenues were \$170.9 million for 2008 compared to \$160.6 million for 2007. The \$10.3 million increase in net operating revenues was primarily a result of an increase in both residential and commercial and industrial net operating revenues. The \$6.0 million increase in residential net operating revenues was primarily the result of an increase in customer assistance program activities. Additionally, 2008 weather was 5% colder than the prior year. Commercial and industrial revenues increased \$3.8 million due to an increase in performance-based revenues as well as increased volumes of 1,532 MMcf from 2007 to 2008 primarily due to an increase in usage by one industrial customer. The high volume sales from the industrial customer have low unit margins and did not significantly impact total net operating revenues. Off-system and energy services net operating revenues increased due to increased gathering revenue as a result of increased volumes and rates, partially offset by lower volumes and margins in asset optimization activities. Additionally, an increase in the commodity component of residential tariff rates resulted in an increase in both total operating revenues and purchased gas costs.

Operating expenses totaled \$111.0 million for 2008 compared to \$126.1 million for 2007. This \$15.1 million decrease was primarily due to the impact of \$21.0 million in 2007 costs related to the now terminated Peoples and Hope acquisition, a decrease in incentive compensation expenses and a reduction in insurance reserves due to increased safety measures. Partially offsetting these decreases were an increase in customer assistance expenses resulting from a significant increase in customer participation in the CAP and an increase in operating expenses primarily related to increased leak repair and maintenance activities for gathering operations, service line maintenance and line location requests and higher gas prices. Additionally, there was a \$2.1 million increase in depreciation due to an adjustment in asset estimated useful lives resulting from the PA PUC-mandated asset service life study as well as increased capital expenditures. See Note 6 of the Consolidated Financial Statements for further discussion of the Peoples and Hope transaction.

Outlook

Distribution will continue to execute its strategy of earning a competitive return on its asset base through operational efficiency and regulatory mechanisms. Distribution is focused on enhancing the value of its existing assets by improving the efficiency of its workforce, establishing a reputation for excellent customer service, effectively managing its capital spending and continuing to leverage technology throughout its operations. Distribution will also seek out growth opportunities for the sale of natural gas through new outlets such as natural gas vehicles while promoting customer conservation and efficiency.

On October 29, 2009, Equitable Gas filed a request with the WV PSC to increase the rates it charges its approximately 13,000 customers for delivery of natural gas in West Virginia. It is the first delivery rate increase that Equitable Gas has requested in West Virginia since 1991. The proposed increase, which totals approximately \$3 million annually, is subject to WV PSC review and is expected to increase residential gas bills by approximately 18% per month. Equitable Gas expects the rate case proceeding to be resolved no later than the third quarter of 2010.

Table of Contents**Other Income Statement Items**

	Years Ended December 31,		
	2009	2008	2007
	(Thousands)		
Other income	\$ 2,076	\$ 6,233	\$ 7,645
Other than temporary impairment on available-for-sale securities		(7,835)	
Gain on sale of available-for-sale securities, net			1,042

In 2009, 2008 and 2007, other income primarily relates to the equity portion of AFUDC on various projects. In 2007, the Company made a substantial investment in the construction of the Big Sandy Pipeline, which was completed in the second quarter of 2008. Completion of the project reduced AFUDC in 2008 as a full year of AFUDC on Big Sandy was recorded in 2007, only a partial year in 2008. The substantial decrease in other income in 2009 reflects reduced value of projects subject to AFUDC.

As discussed in Note 9 to the Company's Consolidated Financial Statements, the Company's available-for-sale investments consist of equity and bond funds intended to fund plugging and abandonment and other liabilities for which the Company self-insures. At December 31, 2008, these investments had a fair market value which was \$7.8 million below cost. The Company analyzed the decline in these investments based on the extent and duration of the impairment and the nature of the underlying assets. Although the Company holds these investments to fund long-term liabilities, based on the extent and duration of the impairment, combined with then current market conditions, the Company concluded that the decline was other-than-temporary. As such, the Company recognized a \$7.8 million impairment in earnings in 2008.

In 2007, the Company reviewed its investment portfolio (including its investment allocation) and sold equity funds with a cost basis of \$6.3 million for total proceeds of \$7.3 million, resulting in the Company recognizing a gain of \$1.0 million.

Interest Expense

	Years Ended December 31,		
	2009	2008	2007
	(Thousands)		
Interest expense	\$111,779	\$58,394	\$47,669

Interest expense increased by \$53.4 million from 2008 to 2009 primarily due to the Company's continued investment in drilling and midstream infrastructure during 2009. This investment was partially funded by the issuance of \$700 million of 8.125% notes in May 2009. The interest expense associated with these notes was partially offset by a 2.8% decrease in the average short-term interest rate during 2009.

Interest expense increased by \$10.7 million from 2007 to 2008 primarily due to the Company's investment in drilling and midstream infrastructure during 2007 and 2008. This investment was partially funded by the issuance of \$500 million of 6.5% notes in March 2008. The interest expense associated with these notes was partially offset by a 2.3% decrease in the average short-term interest rate during 2008.

Weighted average annual interest rates on the Company's long-term debt were 6.5%, 6.1% and 5.9% for 2009, 2008 and 2007, respectively. Weighted average annual interest rates on the Company's short-term debt were 0.7%, 3.5% and 5.8% for 2009, 2008 and 2007, respectively.

Table of Contents***Income Taxes***

	Years Ended December 31,		
	2009	2008	2007
	(Thousands)		
Income Taxes	\$96,668	\$154,920	\$144,395

Income tax expense decreased by \$58.3 million from 2008 to 2009 despite a higher effective tax rate as a result of lower pre-tax income. During 2009, the Company's effective income tax rate increased from 37.7% to 38.1%. The higher tax rate in 2009 is primarily the result of nondeductible compensation expense partially offset by a regulatory asset recorded to recover deferred taxes caused by an accounting method change that deducts as repairs certain costs capitalized for financial accounting purposes. The Company recorded a tax benefit in 2008 for a change in the West Virginia state tax law that primarily provides for a reduction in future corporate income tax rates which was partially offset by additional tax expense recorded as a result of the completion of the IRS audit through the 2005 tax year.

Income tax expense increased by \$10.5 million from 2007 to 2008 primarily due to the increase in the Company's effective tax rate. The effective tax rate for 2008 was 37.7% compared to 35.9% in 2007. The higher effective tax rate in 2008 is the result of several factors including the Company being in a net operating loss position for tax purposes in 2008 which resulted in the loss of certain deductions for 2008 and for prior years as a result of carrying losses back to receive a cash refund of taxes paid. In addition, state taxes increased as a result of limitations imposed on certain state tax losses generated in 2008. The Company recorded a net increase to tax expense in 2008 as a result of the completion of its IRS audit through the 2005 tax year, partially offset by a beneficial change in the West Virginia state tax law.

The Company was in an overall federal tax net operating loss position for 2008 and 2009 and expects to pay minimal federal income taxes for as long as the Company's drilling program in Appalachia continues, unless tax laws change. For federal income tax purposes, the Company currently deducts approximately 75% of drilling costs as intangible drilling costs (IDC) in the year incurred. The primary reasons for the Company's net operating loss are the IDC deduction resulting from the Company's drilling program and the accelerated tax depreciation for expansion of gathering infrastructure which provide tax deductions in excess of book deductions.

Capital Resources and Liquidity***Overview***

The Company's primary sources of cash during 2009 were cash flows from operating activities and proceeds from a public offering of Senior Notes. The Company used the proceeds from the public offering primarily to fund its capital spending program and repay short-term borrowings.

Operating Activities

The Company's net cash provided by operating activities during 2009 was \$725.7 million compared to \$509.2 million for the same period of 2008. EQT received an income tax refund of \$115.2 million from the IRS in 2009 relating to the 2008 net operating loss carryback claims that were filed with the IRS in 2009. The remaining increase in cash flows provided by operating activities is primarily the result of lower inventory, accounts receivable, unbilled revenues and margin deposits. These were partially offset by a corresponding decrease in accounts payable at December 31, 2009 as compared to December 31, 2008.

Cash flows provided by operating activities increased to \$509.2 million in 2008 from \$426.7 million in 2007. The increase in cash flows provided by operating activities was primarily attributable to a net cash refund related to income taxes of \$14.0 million in 2008 compared to a net cash payment of \$63.4 million in 2007. For federal income tax purposes the Company currently deducts approximately 75% of drilling costs as intangible drilling costs (IDC) in the year incurred. The IDC deduction resulting from its drilling program coupled with accelerated tax depreciation for expansion of the gathering infrastructure put the Company into an overall federal tax net operating

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loss position in 2008. Unless the IDC related tax law changes, this tax position is likely to continue so long as the Company's drilling program in Appalachia continues. As such, the Company expects minimal federal cash taxes for the foreseeable future.

Investing Activities

Cash flows used in investing activities totaled \$985.5 million for 2009 as compared to \$1,376.0 million for 2008, a net decrease of \$390.5 million in cash flows used in investing activities between years. The decrease in cash flows used in investing activities was primarily attributable to the following:

- a decrease in capital expenditures to \$963.9 million in 2009 from \$1,344.0 million in 2008. See discussion of capital expenditures below;

- a decrease in capital contributions to Nora Gathering, LLC for use in midstream infrastructure projects to \$6.4 million in 2009 from \$29.0 million in 2008;

Cash flows used in investing activities totaled \$1,376.0 million for 2008 as compared to \$590.1 million for 2007, a net increase of \$785.9 million in cash flows used in investing activities between years. The increase in cash flows used in investing activities was attributable to the following:

- an increase in capital expenditures to \$1,344.0 million in 2008 from \$776.7 million in 2007. See discussion of capital expenditures below;

- capital contributions of \$29.0 million to Nora Gathering, LLC in 2008 for use in midstream infrastructure projects;

- the absence in 2008 of proceeds of \$217.0 million received in 2007 from the sale and contribution of assets. See Note 5 to the Company's Consolidated Financial Statements.

Capital Expenditures

	<u>2010 Plan</u>	<u>2009 Actual</u>	<u>2008 Actual</u>	<u>2007 Actual</u>
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Well development (primarily drilling)	\$	565 million	\$	717 million	\$	701 million	\$	328 million*
Midstream infrastructure	\$	245 million	\$	201 million	\$	594 million	\$	434 million*
Distribution infrastructure and other corporate items	\$	40 million	\$	46 million	\$	49 million	\$	43 million
Total	\$	850 million	\$	964 million	\$	1,344 million	\$	805 million

* Includes \$24.4 million and \$3.7 million, in the well development and Midstream infrastructure categories, respectively, for the acquisition of additional working interest and related gathering assets in the Roaring Fork area. See Note 6 to the Company's Consolidated Financial Statements.

The Company is committed to profitably expanding its production and reserves through horizontal drilling, exploiting additional reserve potential through key emerging development plays and expanding its infrastructure in the Appalachian Basin with the Equitrans Marcellus Expansion Project. Capital expenditures for 2010 will be concentrated on drilling in areas that already benefit from the Company's substantial Appalachian midstream infrastructure in the Huron/Berea play. The Company's planned 2010 capital expenditures are designed to achieve annual gas sales volume growth of 20% in 2010, without requiring access to the capital markets. The Company believes it has sufficient liquidity to finance its planned capital expenditures with cash generated from operating activities as well as a portion of the Company's \$1.5 billion revolving credit facility.

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Capital expenditures for drilling and development totaled \$717 million and \$701 million during 2009 and 2008, respectively. The Company drilled 702 gross wells (536 net wells) in 2009, 434 Huron/Berea wells, 50 Marcellus wells and 218 CBM wells, compared to 668 gross wells (533 net wells) in 2008, including 484 Huron/Berea wells, 23 Marcellus wells and 161 CBM wells. Capital expenditures for 2009 also included \$31.0 million for undeveloped property acquisitions, primarily within the Marcellus play. Capital expenditures for 2008 included \$85.5 million for undeveloped property acquisitions.

Capital expenditures for the midstream operations totaled \$201 million for 2009. EQT Midstream turned in-line 274 miles of pipeline and 21,850 horse power of compression primarily within the Huron/Berea play. During 2008, Midstream capital expenditures were \$594 million and included costs associated with gathering pipeline and compression, including the Mayking corridor, and the construction of the Big Sandy Pipeline and Kentucky Hydrocarbon processing plant upgrade, both of which were completed in 2008.

Capital expenditures at Distribution totaled \$34 million and \$46 million during 2009 and 2008, respectively, principally for pipeline replacement and metering. The decrease in capital expenditures was due to reduced gathering-related infrastructure spending in 2009 as compared to 2008.

Financing Activities

Cash flows provided by financing activities totaled \$259.8 million for 2009 as compared to \$785.1 million for 2008. During 2009, the Company received \$700 million from the public sale of 8.125% Senior Notes due June 1, 2019. By comparison, during 2008, the Company received \$560.7 million from the public sale of 8.625 million shares of common stock and \$500 million from the public sale of 6.50% Senior Notes due April 1, 2018. A portion of the 2009 and 2008 debt offerings were used to repay short-term borrowings under the Company's revolving credit facility during the periods. The Company repaid \$314.9 million in short-term borrowing during 2009 and \$130.1 million in short-term borrowings during the same period in 2008. The Company also repaid \$4.3 million in long-term debt during 2009.

Cash flows provided by financing activities totaled \$785.1 million for 2008 as compared to \$245.1 million for 2007. The increase was attributable largely to the 2008 equity and debt offerings.

Short-term Borrowings

Cash required for operations is affected primarily by the seasonal nature of the Company's natural gas distribution operations and the volatility of oil and natural gas commodity prices. In addition to funding working capital requirements, which are significantly impacted by seasonality, the Company utilizes short-term borrowings to fund any required margin deposit until the underlying transactions are settled or the deposits are returned and to finance capital expenditures until they can be permanently financed.

The Company has a \$1.5 billion revolving credit facility that matures on October 26, 2011. The facility may be used for working capital, capital expenditures, share repurchases and other purposes including support of a commercial paper program. The credit facility is underwritten by a syndicate of 15 financial institutions, each of which is obligated to fund its pro-rata portion of any borrowings by the Company. Lehman

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Brothers Bank, FSB (Lehman) is one of the 15 financial institutions in the syndicate and has committed to make loans not exceeding \$95 million under the facility. Lehman failed to fund its portion of all recent borrowings by the Company which effectively reduces the total amount available under the facility to \$1,405 million. Otherwise, the Company's large syndicate group and relatively low percentage of participation by each lender is expected to limit the Company's exposure if further problems or consolidation occur in the banking industry.

As of December 31, 2009, the Company had outstanding under the revolving credit facility loans of \$5.0 million in support of corporate purposes and an irrevocable standby letter of credit of \$24.4 million. The weighted average interest rate on the Company's short-term borrowings was 0.7% for 2009. The interest rate on the revolving credit facility fluctuates with the LIBOR rate.

The Company's short-term borrowings generally have original maturities of three months or less.

Table of Contents***Security Ratings and Financing Triggers***

The table below reflects the credit ratings for the outstanding debt instruments of the Company at December 31, 2009. Changes in credit ratings may affect the Company's cost of short-term and long-term debt and its access to the credit markets.

Rating Service	Unsecured	Commercial
	Medium-Term	
	Notes	Paper
Fitch Ratings Service	BBB+	F-2
Moody's Investors Service	Baa1	P-2
Standard & Poor's Ratings Services	BBB	A-2

On February 17, 2010, Standard & Poor's Ratings services (S&P) affirmed its ratings on EQT. At the same time, S&P revised its outlook to negative and lowered the short-term rating to A-3 citing the Company's growth in its exploration and production and midstream businesses.

On March 9, 2009, Moody's reaffirmed its ratings on EQT. The Outlook is negative. Moody's stated that the ratings reflect the diversification and vertical integration among its three business segments as well as the Baa stand-alone quality of both its E&P and LDC operations.

On March 20, 2009, Fitch announced initial ratings for EQT stating that the ratings are supported by the stability and predictability of cash flows from its midstream and gas distribution businesses and the quality of its exploration and production (E&P) segment, which focuses on natural gas production in the Appalachian Basin.

The Company's credit ratings may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating. The Company cannot ensure that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a credit rating agency if, in its judgment, circumstances so warrant. If the credit rating agencies downgrade the Company's ratings, particularly below investment grade, the Company's access to the capital markets may be limited, borrowing costs and margin deposits on derivative contracts could increase, counterparties may request additional assurances and the potential pool of investors and funding sources may decrease. The required margin is subject to significant change as a result of other factors besides credit rating such as gas prices and credit thresholds set forth in agreements between the hedging counterparties and the Company.

The Company's debt instruments and other financial obligations include provisions that, if not complied with, could require early payment, additional collateral support or similar actions. The most significant default events include maintaining covenants with respect to maximum leverage ratio, insolvency events, nonpayment of scheduled principal or interest payments, acceleration of other financial obligations and change of control provisions. The Company's current credit facility's financial covenants require a total debt-to-total capitalization ratio of no greater than 65%. The calculation of this ratio excludes the effects of accumulated other comprehensive income (loss). As of December 31, 2009, the Company is in compliance with all existing debt provisions and covenants.

Commodity Risk Management

The Company's overall objective in its hedging program is to protect earnings from undue exposure to the risk of changing commodity prices. The Company's risk management program includes the use of exchange-traded natural gas futures contracts and options and OTC natural gas swap agreements and options (collectively, derivative commodity instruments) to hedge exposures to fluctuations in natural gas prices and for trading purposes. The derivative commodity instruments currently utilized by the Company are primarily fixed price swaps, collars and options.

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The approximate volumes and prices of the Company's total hedge position for 2010 through 2012 production are:

	2010	2011	2012
Swaps			
Total Volume (Bcf)	23	19	
Average Price per Mcf (NYMEX)*	\$ 5.12	\$ 5.10	\$
Puts			
Total Volume (Bcf)	3	3	
Average Floor Price per Mcf (NYMEX)*	\$ 7.35	\$ 7.35	\$
Collars			
Total Volume (Bcf)	17	14	14
Average Floor Price per Mcf (NYMEX)*	\$ 7.28	\$ 7.11	\$ 7.11
Average Cap Price per Mcf (NYMEX)*	\$ 14.05	\$ 14.12	\$ 14.07

* The above price is based on a conversion rate of 1.05 MMBtu/Mcf

The Company's current hedge position extends through 2015 and provides price protection for approximately 40%, 30% and 10% of expected natural gas production sales volumes in 2010, 2011 and 2012, respectively. The Company's exposure to a \$0.10 change in average NYMEX natural gas price is approximately \$0.05, \$0.06 and \$0.10 per diluted share for 2010, 2011 and 2012, respectively. The Company also engages in a limited number of basis swaps to protect earnings from undue exposure to the risk of geographic disparities in commodity prices.

See the Quantitative and Qualitative Disclosures About Market Risk, in Item 7A and Note 3 to the Company's Consolidated Financial Statements for further discussion.

Other Items***Off-Balance Sheet Arrangements***

In connection with the sale of its NORESKO domestic operations in December 2005, the Company agreed to maintain in place guarantees of certain warranty obligations of NORESKO. The savings guarantees provided that once the energy-efficiency construction was completed by NORESKO, the customer would experience a certain dollar amount of energy savings over a period of years. The undiscounted maximum aggregate payments that may be due related to these guarantees is approximately \$274 million as of December 31, 2009, extending at a decreasing amount for approximately 20 years. In addition, the Company agreed to maintain in place certain outstanding payment and performance bonds, letters of credit and other guarantee obligations supporting NORESKO's obligations under certain customer contracts, existing leases and other items with an undiscounted maximum exposure to the Company as of December 31, 2009 of approximately \$42 million, of which approximately \$34 million relates to work already completed under the associated contracts. In addition, approximately \$35 million of these guarantee obligations will end or be terminated not later than December 31, 2010.

In exchange for the Company's agreement to maintain these guarantee obligations, the purchaser of the NORESKO business and NORESKO agreed, among other things, that NORESKO would fully perform its obligations under each underlying agreement and agreed to reimburse the Company for any loss under the guarantee obligations, provided that the purchaser's reimbursement obligation will not exceed \$6 million in the aggregate and will expire on November 18, 2014. In 2008, the original purchaser of NORESKO sold its interest in NORESKO and transferred its obligations to a third party. In connection with that event, the new owner delivered to the Company a \$1 million letter of credit supporting its obligations.

The NORESKO guarantees are exempt from FASB ASC Topic 460, Guarantees. The Company has determined that the likelihood it will be required to perform on these arrangements is remote and any potential

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payments are expected to be immaterial to the Company's financial position, results of operations and liquidity. As such, the Company has not recorded any liabilities in its Consolidated Balance Sheets related to these guarantees.

In November 1995, EQT, through a subsidiary, guaranteed a tax indemnification to the limited partners of Appalachian Basin Partners, LP (ABP) for any tax losses resulting from a disallowance of the nonconventional fuels tax credits, if certain representations and warranties of the Company were not true. The Company guaranteed the tax indemnification until the tax statute of limitations closes. The Company does not have any recourse provisions with third parties or any collateral held by third parties associated with this guarantee that could be liquidated to recover amounts paid, if any, under the guarantee. As of December 31, 2009, the maximum amount of future payments the Company could be required to make is estimated to be approximately \$12 million. The Company has not recorded a liability for this guarantee and has not modified it subsequent to issuance. Additionally, based on the status of the Company's IRS examinations, the Company has determined that any potential loss from this guarantee is remote.

The Company has a non-equity interest in a variable interest entity, Appalachian NPI, LLC (ANPI), in which EQT was not deemed to be the primary beneficiary. Thus, ANPI is not consolidated within the Company's Consolidated Financial Statements. In determining the primary beneficiary, the Company estimated the expected losses and expected residual returns of ANPI under various scenarios in order to identify the party that would absorb the majority of the losses or benefit from the majority of the returns. The primary assumptions utilized in the scenarios included commodity price and production volumes. In June 2009, the FASB issued amendments to improve financial reporting by enterprises involved with variable interest entities. The amendments are effective as of the beginning of the first annual reporting period after November 15, 2009. The Company determined that these amendments will not have a material impact on the Company's future consolidated financial statements. As of December 31, 2009, ANPI had \$154 million of total assets and \$144 million of total liabilities (including \$85 million of long-term debt, including current maturities), excluding minority interest. ANPI is financed primarily through cash provided by operating activities.

The Company provides a liquidity reserve guarantee to ANPI, which is subject to certain restrictions and limitations that limit the amount of the guarantee to the calculated present value of the project's future cash flows from the preceding year-end until the termination date of the agreement. This liquidity reserve guarantee is secured by the fair market value of the assets purchased by the Appalachian Natural Gas Trust (ANGT). The Company receives a market-based fee for the issuance and continuation of the reserve guarantee. As of December 31, 2009, the maximum amount of future payments the Company could be required to make under the liquidity reserve guarantee is estimated to be approximately \$30 million. The Company has not recorded a liability for this guarantee. The terms of the ANPI liquidity reserve guarantee require the Company to provide a letter of credit in favor of ANPI as security for the Company's obligations. The amount of this letter of credit requirement at December 31, 2009 was approximately \$24.4 million and is expected to decline over time under the terms of the liquidity reserve guarantee.

The Company has entered into an agreement with ANGT to provide gathering and operating services to deliver ANGT's gas to market. In addition, the Company receives a marketing fee for the sale of gas based on the net revenue for gas delivered. The revenue earned from these fees totaled approximately \$15.7 million, \$15.9 million and \$15.8 million for 2009, 2008 and 2007, respectively.

See Note 19 to the Consolidated Financial Statements for further discussion of the Company's guarantees.

Pension Plans

Total pension expense recognized by the Company in 2009, 2008 and 2007, excluding special termination benefits, settlement losses and curtailment losses, was \$0.7 million, \$0.5 million and \$0.6 million, respectively. The Company recognized special termination benefits, settlement losses and curtailment losses in 2009, 2008 and 2007 of \$0.9 million, \$9.4 million and \$1.4 million, respectively.

During the fourth quarter of 2008, the Company settled its pension obligations under a plan covering employees of the former Kentucky West Virginia Gas Company LLC, an EQT subsidiary which merged into EQT Gathering LLC in 2008. The former Kentucky West Virginia employees transferred to EQT Gathering LLC or EQT

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Production Company. As a result of the settlement, the Company recognized pension settlement expense of approximately \$8 million. An additional \$1.4 million of pension settlement losses were recognized in 2008 for lump sum payments made during the normal course of plan operations.

During 2007, the Company recognized a settlement expense of \$0.5 million due to a plan design change for a specific union and an additional settlement expense of \$0.5 million due to the transfer of some current active employees to non-union employment.

The Company made cash contributions to its pension plan of approximately \$11.6 million, \$3.4 million and \$1.3 million during 2009, 2008 and 2007, respectively, as a result of the previously described settlements as well as additional contributions to meet certain funding targets. Under current law, the Company expects to make cash payments related to its pensions of \$1.2 million in 2010 to meet the 80% funding obligations on its remaining plans. Pension plan cash contributions are designed to at least meet requirements of the 80% funding level. The dollar amount of a cash contribution made in any particular year will vary as a result of gains or losses sustained by the Plan during the year due to market conditions. Pension contributions will be funded by cash flow from operations or by borrowings under the Company's revolving credit facility. See Note 13 of the Consolidated Financial Statements.

Rate Regulation

The Company's distribution operations, transmission and storage operations and a portion of its gathering operations are subject to various forms of regulation as previously discussed. As described in Notes 1 and 10 to the Consolidated Financial Statements, regulatory accounting allows the Company to defer expenses and income as regulatory assets and liabilities which reflect future collections or payments through the regulatory process. The Company believes that it will continue to be subject to rate regulation that will provide for the recovery of the deferred costs.

Schedule of Contractual Obligations

The following table details the undiscounted future projected payments associated with the Company's contractual obligations as of December 31, 2009.

	Total	2010	2011-2012	2013-2014	2015+
			(Thousands)		
Purchase obligations	\$ 2,006,592	\$ 49,868	\$ 224,853	\$ 278,469	\$ 1,453,402
Long-term debt	1,949,200		206,000	15,000	1,728,200
Interest payments	1,168,179	133,315	264,804	243,636	526,424
Operating leases	171,578	40,244	32,515	16,233	82,586
Pension and other post-retirement benefits	182,365	11,289	22,072	20,614	128,390
Other liabilities	38,706	35,752	2,954		
Total contractual obligations	\$ 5,516,620	\$ 270,468	\$ 753,198	\$ 573,952	\$ 3,919,002

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Purchase obligations primarily are commitments for demand charges under existing long-term contracts and binding precedent agreements with various pipelines. Approximately \$19.5 million of these obligations each year are believed to be recoverable in customer rates.

Operating leases are primarily entered into for various office locations and warehouse buildings, as well as dedicated drilling rigs in support of the Company's drilling program. In 2008, the Company entered into an agreement with Liberty Avenue Holdings, LLC to provide office space for the Company's new corporate headquarters. The obligations for the Company's various office locations and warehouse buildings totaled approximately \$125.5 million as of December 31, 2009. The Company has subleased some of these facilities. Sublease payments to the Company total \$21.3 million and are not netted from the amounts presented in the table above. The Company has agreements with Highlands Drilling, LLC, Patterson UTI Drilling Company, LLC and other drilling contractors to provide drilling equipment and services to the Company. These obligations totaled approximately \$35.3 million as of December 31, 2009. In 2009, the Company entered into an agreement with AOP

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Clearwater, LLC to secure capacity for the processing and disposal of salt water. This obligation totaled \$10.8 million as of December 31, 2009.

The other liabilities line represents commitments for total estimated payouts for the 2007 Supply Long-Term Incentive Program and the 2008 Executive Performance Incentive Program. See section titled "Critical Accounting Policies Involving Significant Estimates" and Note 16 to the Consolidated Financial Statements for further discussion regarding factors that affect the ultimate amount of the payout of these obligations. Effective January 1, 2010, the Company adopted the 2010 Executive Performance Incentive Program and the 2010 Stock Incentive Award program. The Company may adopt other plans in the future. The contractual obligations do not include any payments under the 2010 Executive Performance Incentive Program, the 2010 Stock Incentive Award program or any potential future plans.

As discussed in Note 7 to the Consolidated Financial Statements, the Company had a total liability for unrecognized tax benefits at December 31, 2009 of \$56.6 million. The Company is currently unable to make reasonably reliable estimates of the period of cash settlement of these potential liabilities with taxing authorities; therefore, this amount has been excluded from the schedule of contractual obligations presented above.

Contingent Liabilities and Commitments

Several West Virginia lessors claimed in a suit filed on July 31, 2006 that EQT Production Company had underpaid royalties on gas produced and marketed from leases. The suit sought compensatory and punitive damages, an accounting and other relief. The plaintiffs later amended their complaint to name EQT as an additional defendant. The Company has settled the litigation. The settlement covers all of the Company's lessors in West Virginia who have not opted out of the settlement class. The Court has entered an order preliminarily approving the settlement. A Formal Fairness Hearing was held on January 20, 2010. The Company is waiting for entry of an order giving final approval of the settlement. The Company believes the reserve established for this litigation is sufficient.

In the ordinary course of business, various other legal and regulatory claims and proceedings are pending or threatened against the Company. While the amounts claimed may be substantial, the Company is unable to predict with certainty the ultimate outcome of such claims and proceedings. The Company has established reserves it believes to be appropriate for these pending matters and after consultation with counsel and giving appropriate consideration to available insurance, the Company believes that the ultimate outcome of any other matter currently pending against the Company will not materially affect the financial position, results of operations or liquidity of the Company.

See Note 18 to the Consolidated Financial Statements for further discussion of the Company's contingent liabilities and commitments.

Critical Accounting Policies Involving Significant Estimates

The Company's significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in Item 8 of this Form 10-K. The discussion and analysis of the Consolidated Financial Statements and results of operations are based upon EQT's Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. The following critical accounting policies, which were reviewed and approved by the Company's Audit Committee, relate to the Company's more significant judgments and estimates used in the preparation of its Consolidated Financial Statements. There can be no assurance that actual results will not differ from those estimates.

Accounting for Oil and Gas Producing Activities: The Company uses the successful efforts method of accounting for its oil and gas production activities. Under this method, all property acquisition costs and costs of exploratory and development wells are capitalized when incurred, pending determination of whether the property has proved reserves. If an exploratory well does not result in proved reserves, the costs of drilling the well are charged to expense and included within cash flows from investing activities in the Consolidated Statements of Cash

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Flows. The costs of development wells are capitalized whether productive or nonproductive. Depletion is calculated based on the annual actual production multiplied by the depletion rate per unit. The depletion rate is derived by dividing the total costs capitalized over the number of units expected to be produced over the life of the reserves.

The carrying values of the Company's proved oil and gas properties are reviewed for indications of impairment whenever events or circumstances indicate that the remaining carrying value may not be recoverable. In order to determine whether impairment has occurred, the Company estimates the expected future cash flows (on an undiscounted basis) from its proved oil and gas properties and compares those future cash flows to the carrying values of the applicable properties. The estimated future cash flows used to test properties for recoverability are based on proved reserves, utilizing assumptions about the use of the asset, market prices for oil and gas and future operating costs. Proved oil and gas properties that have carrying amounts in excess of estimated future cash flows would be deemed unrecoverable. Those properties would be written down to fair value, which would be estimated by discounting the estimated future cash flows using discount rate assumptions that marketplace participants would use in their estimates of fair value.

Capitalized costs of unproved properties are evaluated at least annually for recoverability on an aggregated prospect basis. Indicators of potential impairment include changes brought about by economic factors, potential shifts in business strategy employed by management and historical experience. If it is determined that the properties will not yield proved reserves, the related costs are expensed in the period in which that determination is made. Unproved properties had a net book value of \$105.9 and \$81.9 million in 2009 and 2008, respectively. There were no significant unproved properties balances at December 31, 2007.

The Company believes that the accounting estimate related to the accounting for oil and gas producing activities is a critical accounting estimate because the Company must assess the remaining recoverable proved reserves, a process which can be significantly impacted by management's expectations regarding proved undeveloped drilling locations and its future development plans. Should the Company begin to develop new producing regions or begin more significant exploration activities, future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions.

Oil and Gas Reserves: The Company adopted SEC rule, Modernization of Oil and Gas Reporting as of December 31, 2009. Proved oil and gas reserves, as defined by SEC Regulation S-X Rule 4-10, are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

The Company's estimates of proved reserves are made and reassessed annually using geological and reservoir data as well as production performance data. Reserve estimates are prepared and updated by the Company's engineers and reviewed by the Company's independent engineers. Revisions may result from changes in, among other things, reservoir performance, development plans, prices, economic conditions and governmental restrictions. Decreases in prices, for example, may cause a reduction in some proved reserves due to reaching economic limits sooner. A material change in the estimated volumes of reserves could have an impact on the depletion rate calculation and the financial statements.

The Company estimates future net cash flows from natural gas and oil reserves based on selling prices and costs using a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period. Operating costs,

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production and ad valorem taxes and future development costs are based on current costs with no escalation. Income tax expense is computed using expected future tax rates and giving effect to tax deductions and credits available under current laws and which relate to oil and gas producing activities.

The Company believes that the accounting estimate related to oil and gas reserves is a critical accounting estimate because the Company must periodically reevaluate proved reserves along with estimates of future

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production and the estimated timing of development expenditures. Future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions.

Income Taxes: The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's Consolidated Financial Statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. See Note 7 to the Company's Consolidated Financial Statements for further discussion.

The Company has recorded deferred tax assets principally resulting from pension and other post retirement benefits recorded in other comprehensive income, federal and state net operating loss carryforwards and an alternative minimum tax credit carryforward. The Company has established a valuation allowance against a portion of the deferred tax assets related to the state net operating loss carryforwards, as it is believed that it is more likely than not that these deferred tax assets will not all be realized. No other significant valuation allowances have been established, as it is believed that future sources of taxable income, reversing temporary differences and other tax planning strategies will be sufficient to realize these deferred tax assets. Any change in the valuation allowance would impact the Company's income tax expense and net income in the period in which such a determination is made.

The Company estimates the amount of financial statement benefit to record for uncertain tax positions by first determining whether it is more likely than not that a tax position in a tax return will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If this step is satisfied, then the Company must measure the tax position. The tax position is measured at the largest amount of benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. See Note 7 to the Company's Consolidated Financial Statements for further discussion.

The Company believes that accounting estimates related to income taxes are critical accounting estimates because the Company must assess the likelihood that deferred tax assets will be recovered from future taxable income and exercise judgment regarding the amount of financial statement benefit realizable upon ultimate settlement. To the extent the Company believes it is more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized, a valuation allowance must be established. Significant management judgment is required in determining any valuation allowance recorded against deferred tax assets and in determining the amount of financial statement benefit to record for uncertain tax positions. The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of the evidence, a valuation allowance is needed. In making this determination, the Company considers the amounts and probabilities of the outcomes that could be realized upon ultimate settlement of an uncertain tax position using the facts, circumstances and information available at the reporting date to establish the appropriate amount of financial statement benefit. Evidence used for the valuation allowance includes information about the Company's current financial position and results of operations for the current and preceding years, as well as all currently available information about future years, including the Company's anticipated future performance, the reversal of deferred tax assets and liabilities and tax planning strategies available to the Company. To the extent that an uncertain tax position or valuation allowance is established or increased or decreased during a period, the Company must include an expense or benefit within tax expense in the income statement.

Derivative Commodity Instruments: The Company enters into derivative commodity instrument contracts to mitigate exposure to commodity price risk associated with future natural gas production. Derivative instruments are required to be recorded on the balance sheet as either an asset or a liability measured at fair value. If the derivative qualifies for cash flow hedge accounting, the change in fair value of the derivative is recognized in accumulated other comprehensive income (equity) to the extent that the hedge is effective and in the income statement to the extent it is ineffective. If the derivative does not qualify as a hedge or is not designated as a hedge, the change in fair value of the derivative is recognized currently in earnings. See Commodity Risk Management above, Item 7A Quantitative and Qualitative Disclosures About Market

Risk and Note 3 of the Consolidated Financial Statements for additional information regarding hedging activities.

The Company estimates the fair value of all derivative instruments using quoted market prices, where available. If quoted market prices are not available, fair value is based upon models that use as inputs market-based

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parameters, including but not limited to forward curves, discount rates, broker quotes, volatilities and nonperformance risk. Nonperformance risk considers the effect of the Company's credit standing on the fair value of liabilities and the effect of the counterparty's credit standing on the fair value of assets. The Company estimates nonperformance risk by analyzing publicly available market information, including a comparison of the yield on debt instruments with credit ratings similar to the Company's or counterparty's credit rating and the yield of a risk free instrument and credit default swap rates where available. The values reported in the financial statements change as these estimates are revised to reflect actual results, changes in market conditions or other factors, many of which are beyond the Company's control.

A substantial majority of the Company's derivative financial instruments are designated as cash flow hedges. Should these instruments fail to meet the criteria for hedge accounting or be de-designated, the subsequent changes in fair value of the instruments would be recorded in earnings, which could materially impact the results of operations. One of the requirements for hedge accounting is that a derivative instrument be highly effective at offsetting the changes in cash flows of the transaction being hedged. Effectiveness may be impacted by counterparty credit rating as it must be probable that the counterparty will perform in order for the hedge to be effective. The Company monitors counterparty credit quality by reviewing counterparty credit spreads, credit ratings, credit default swap rates and market activity.

In addition, the derivative commodity instruments used to mitigate exposure to commodity price risk associated with future natural gas production may limit the benefit the Company would receive from increases in the prices for oil and natural gas and may expose the Company to margin requirements. Given the Company's price risk management position and price volatility, the Company may be required from time to time to deposit cash with or provide letters of credit to its counterparties in order to satisfy these margin requirements.

The Company believes that the accounting estimates related to derivative commodity instruments are critical accounting estimates because the Company's financial condition and results of operations can be significantly impacted by changes in the market value of our derivative instruments due to the volatility of natural gas prices, changes in the effectiveness of cash flow hedges due to changes in estimates of non-performance risk and by changes in margin requirements. As of December 31, 2009 and 2008 the net market value of our derivatives was an asset of \$31.4 million and \$16.3 million, respectively.

Contingencies and Asset Retirement Obligations: The Company is involved in various regulatory and legal proceedings that arise in the ordinary course of business. The Company records a liability for contingencies based upon its assessment that a loss is probable and the amount of the loss can be reasonably estimated. The Company considers many factors in making these assessments, including history and specifics of each matter. Estimates are developed in consultation with legal counsel and are based upon an analysis of potential results.

The Company also accrues a liability for legal asset retirement obligations based on an estimate of the timing and amount of their settlement. For oil and gas wells, the fair value of the Company's plugging and abandonment obligations is required to be recorded at the time the obligations are incurred, which is typically at the time the wells are drilled. Upon initial recognition of an asset retirement obligation, the Company increases the carrying amount of the long-lived asset by the same amount as the liability. Over time, the liabilities are accreted for the change in their present value, through charges to depreciation, depletion and amortization, and the initial capitalized costs are depleted over the useful lives of the related assets.

The Company is **required to operate and maintain its natural gas pipeline and storage systems, and intends to do so as long as supply and demand for natural gas exists, which the Company expects for the foreseeable future. Therefore, the Company believes that the**

substantial majority of its natural gas pipeline and storage system assets have indeterminate lives.

The Company believes that the accounting estimates related to contingencies and asset retirement obligations are critical accounting estimates because the Company must assess the probability of loss related to contingencies and the expected amount and timing of asset retirement obligations. In addition, the Company must determine the estimated present value of future liabilities. Future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions.

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Share Based Compensation: The Company has awarded share-based compensation in connection with specific programs established under the 1999 and 2009 Long-Term Incentive Plans. The Company treats certain of its Executive Performance Incentive Programs, including the 2008 Executive Performance Incentive Program (2008 EPIP) and the 2007 Supply Long-Term Incentive Program (2007 Supply Program) as liability awards. The actual cost to be recorded for these plans will not be known until the measurement date, requiring the Company to estimate the total expense to be recognized at each reporting date. The Company reviews the assumptions for both programs on a quarterly basis and adjusts its accrual when changes in these assumptions result in a material change in the fair value of the ultimate payouts.

Approximately 70,000 units were granted under the 2008 EPIP. The payout of this program will be between zero and three times this number of units valued at the price of the Company's common stock at the end of the performance period, December 31, 2011. The payout multiple is dependent upon the level of total shareholder return relative to a predefined peer group's total shareholder return and the downward discretion of the Compensation Committee of the Board of Directors if the Company does not attain a specified revenue target. As of December 31, 2009 approximately 270,000 awards were outstanding under the 2007 Supply Program. The awards earned may be increased to a maximum of three times the initial award or reduced to zero based upon achievement of the predetermined production sales revenue and efficiency targets. In the fourth quarter of 2009, the Company increased its assumption for the payout multiple to approximately 290% of the units awarded. The performance period for the 2007 Supply Program ends on December 31, 2010.

Assuming no change in the current payout multiple assumptions for both programs, a 10% increase in the Company's stock price assumptions for the 2008 EPIP and the 2007 Supply Program would have resulted in an increase in 2009 compensation expense under these plans of approximately \$2 million.

The Compensation Committee of the Board of Directors adopted the 2009 Shareholder Value Plan (2009 SVP) in December 2008. A total of 977,600 units were granted under the plan. The payout of this award depended on a combination of the level of total shareholder return relative to a predefined peer group and the Company's average absolute return on total capital during the performance period of January 1, 2005 to December 31, 2009. Payout of awards could be between zero and 250% of the number of units awarded at the price of the Company's common stock at the end of the performance period, December 31, 2009. The vesting of the stock units granted under this award occurred on December 31, 2009 and resulted in approximately 2.2 million units (225% of the award) with a value of approximately \$45 million being distributed in cash on December 31, 2009.

Effective January 1, 2010, the Company adopted the 2010 Executive Performance Incentive Program and the 2010 Stock Incentive Award program. The Company may adopt other plans in the future. The Company has not recorded an obligation under the 2010 Executive Performance Incentive Program, the 2010 Stock Incentive Award program or any potential future plans at December 31, 2009.

The 1999 and 2009 Long-Term Incentive Plans permit the grant of restricted stock awards and non-qualified stock options to employees of the Company. For time restricted stock awards, compensation expense, which is based on the grant date fair value is recognized in the Company's financial statements over the vesting period. The majority of the time-based restricted shares granted will vest at the end of the three-year period commencing with the date of grant. For non-qualified stock options, compensation expense is based on the grant date fair value and is recognized in the Company's financial statements over the vesting period. The Company utilizes the Black-Scholes option pricing model to measure the fair value of stock options, which includes assumptions for a risk-free interest rate, dividend yield, volatility factor and expected term. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is based on the historical dividend yield of the Company's stock. Expected volatilities are based on historical volatility of the Company's stock. The expected term of options granted represents the period of time that options granted are expected to be outstanding based on historical option exercise experience.

The Company believes that the accounting estimates related to share-based compensation are critical accounting estimates because they are likely to change from period to period based on changes in the market price of the Company's shares, the volatility of the Company's shares, market interest rates and the various performance factors. The impact on net income of these changes can be material.

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Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Derivative Commodity Instruments

The Company's primary market risk exposure is the volatility of future prices for natural gas and natural gas liquids, which can affect the operating results of the Company primarily through the EQT Production and EQT Midstream segments. The Company's use of derivatives to reduce the effect of this volatility is described in Notes 1 and 3 to the Consolidated Financial Statements and under the caption "Commodity Risk Management" in Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) of this Form 10-K. The Company uses non-leveraged derivative commodity instruments that are placed with major financial institutions whose credit worthiness is continually monitored. The Company also enters into energy trading contracts to leverage its assets and limit its exposure to shifts in market prices. The Company's use of these derivative financial instruments is implemented under a set of policies approved by the Company's Corporate Risk Committee and Board of Directors.

Commodity Price Risk

The following sensitivity analysis estimates the potential effect on fair value or future earnings from derivative commodity instruments due to a 10% increase or a 10% decrease in commodity prices.

For the derivative commodity instruments used to hedge the Company's forecasted production, the Company sets policy limits relative to the expected production and sales levels which are exposed to price risk. For the derivative commodity instruments used to hedge forecasted natural gas purchases and sales which are exposed to price risk, the Company sets limits related to acceptable exposure levels.

The financial instruments currently utilized by the Company include futures contracts, swap agreements, collar agreements and option contracts, which may require payments to or receipt of payments from counterparties based on the differential between a fixed and variable price for the commodity. The Company also considers options and other contractual agreements in implementing its commodity hedging strategy.

Management monitors price and production levels on a continuous basis and will make adjustments to quantities hedged as warranted. The Company's overall objective in its hedging program is to ensure an adequate level of return for the well development and infrastructure investment at EQT Production and EQT Midstream.

With respect to the derivative commodity instruments held by the Company for purposes other than trading as of December 31, 2009, the Company hedged portions of expected equity production through 2015 and portions of forecasted purchases and sales by utilizing futures contracts, swap agreements and collar agreements covering approximately 142.9 Bcf of natural gas. See the "Commodity Risk Management" in the "Capital Resources and Liquidity" sections of Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7) of this Form 10-K for further discussion. A hypothetical decrease of 10% in the market price of natural gas from the December 31, 2009 levels would increase the fair value of non-trading natural gas derivative instruments by approximately \$66.9 million. A hypothetical increase of 10% in the market price of natural gas from the December 31, 2009 levels would decrease the fair value of non-trading natural gas derivative

instruments by approximately \$64.2 million.

The Company determined the change in the fair value of the derivative commodity instruments using a model similar to its normal determination of fair value as described in Note 1 to the Consolidated Financial Statements. The Company assumed a 10% change in the price of natural gas from its levels at December 31, 2009. The price change was then applied to the derivative commodity instruments recorded on the Company's balance sheet, resulting in the change in fair value.

The above analysis of the derivative commodity instruments held by the Company for purposes other than trading does not include the offsetting impact that the same hypothetical price movement may have on the Company and its subsidiaries' physical sales of natural gas. The portfolio of derivative commodity instruments held for risk management purposes approximates the notional quantity of a portion of the expected or committed transaction volume of physical commodities with commodity price risk for the same time periods. Furthermore, the derivative

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commodity instrument portfolio is managed to complement the physical transaction portfolio, reducing overall risks within limits. Therefore, an adverse impact to the fair value of the portfolio of derivative commodity instruments held for risk management purposes associated with the hypothetical changes in commodity prices referenced above would be offset by a favorable impact on the underlying hedged physical transactions, assuming the derivative commodity instruments are not closed out in advance of their expected term, the derivative commodity instruments continue to function effectively as hedges of the underlying risk and the anticipated transactions occur as expected.

If the underlying physical transactions or positions are liquidated prior to the maturity of the derivative commodity instruments, a loss on the financial instruments may occur, or the derivative commodity instruments might be worthless as determined by the prevailing market value on their termination or maturity date, whichever comes first.

Other Market Risks

The Company is exposed to credit loss in the event of nonperformance by counterparties to derivative contracts. This credit exposure is limited to derivative contracts with a positive fair value. The Company believes that NYMEX-traded futures contracts have minimal credit risk because the Commodity Futures Trading Commission regulations are in place to protect exchange participants, including the Company, from any potential financial instability of the exchange members. The Company's swap, collar and option derivative instruments are primarily with financial institutions and thus are subject to events that would impact those companies individually as well as that industry as a whole.

The Company utilizes various processes and analysis to monitor and evaluate its credit risk exposures. This includes closely monitoring current market conditions, counterparty credit spreads and credit default swap rates. Credit exposure is controlled through credit approvals and limits. To manage the level of credit risk, the Company deals with financial counterparties that are of investment grade or better, enters into netting agreements whenever possible and may obtain collateral or other security.

Approximately 54%, or \$144.5 million, of OTC derivative contracts outstanding at December 31, 2009 have a positive fair value. All derivative contracts outstanding as of December 31, 2009 are with counterparties having an S&P rating of A- or above at that date.

In September 2008, the credit support provider of one counterparty (Lehman Brothers Holding, Inc.) declared bankruptcy resulting in a default under various derivative contracts with the Company. As a result, those contracts were terminated and a reserve of approximately \$5 million was recorded against the entire balance due to the Company. There is no additional income statement exposure to this counterparty beyond the reserve recorded in 2008. As of December 31, 2009, the Company was not in default under any derivative contracts and has no knowledge of default by any other counterparty to derivative contracts. The Company made no adjustments to the fair value of derivative contracts due to credit related concerns outside of the normal non-performance risk adjustment included in the Company's established fair value procedure. The Company will continue to monitor market conditions that may impact the fair value of derivative contracts reported in the Consolidated Balance Sheet.

The Company is also exposed to the risk of nonperformance by credit customers on physical sales of natural gas. A significant amount of revenues and related accounts receivable from EQT Production are generated from the sale of produced natural gas to certain marketers, including the Company's wholly owned marketing subsidiary EQT Energy, and utility and industrial customers located mainly in the Appalachian area. Additionally, a significant amount of revenues and related accounts receivable from EQT Midstream is generated from the

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sale of produced natural gas liquids to a gas processor in Kentucky and gathering of natural gas in Kentucky, Virginia, Pennsylvania and West Virginia.

The Company has a \$1.5 billion revolving credit facility that matures on October 26, 2011. The credit facility is underwritten by a syndicate of 15 financial institutions each of which is obligated to fund its pro-rata portion of any borrowings by the Company. Lehman is one of the 15 financial institutions in the syndicate and has committed to make loans not exceeding \$95 million under the facility. Lehman failed to fund its portion of all recent borrowings by the Company which effectively reduces the total amount available under the facility to \$1,405

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million. As of December 31, 2009, the Company had outstanding under the facility \$5.0 million of loans in support of corporate activities and an irrevocable standby letter of credit of \$24.4 million.

No one lender in the syndicate holds more than 10% of the facility. The Company's large syndicate group and relatively low percentage of participation by each lender is expected to otherwise limit the Company's exposure if further problems or consolidation occur in the banking industry.

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Item 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

EQT Corporation

We have audited the accompanying consolidated balance sheets of EQT Corporation and Subsidiaries (formerly Equitable Resources, Inc.) as of December 31, 2009 and 2008, and the related statements of consolidated income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of EQT Corporation and Subsidiaries (formerly Equitable Resources, Inc.) at December 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 7 to the consolidated financial statements, the Company has changed its accounting for uncertain tax position during the year ended December 31, 2007. As discussed in Note 22 to the consolidated financial statements, the Company has changed its reserve estimates and related disclosures as a result of adopting new oil and gas reserve estimation and disclosure requirements during the year ended December 31, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of EQT Corporation and Subsidiaries' (formerly Equitable Resources, Inc.) internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2010, expressed an unqualified opinion thereon.

Pittsburgh, Pennsylvania

February 18, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders

EQT Corporation

We have audited EQT Corporation and Subsidiaries (formerly Equitable Resources, Inc.) internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). EQT Corporation and Subsidiaries (formerly Equitable Resources, Inc.) management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, EQT Corporation and Subsidiaries (formerly Equitable Resources, Inc.) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on the COSO criteria.

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We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of EQT Corporation and Subsidiaries (formerly Equitable Resources, Inc.) as of December 31, 2009 and 2008, and the related statements of consolidated income, common stockholders' equity and cash flows for each of the three years in the period ended December 31, 2009 and our report dated February 18, 2010 expressed an unqualified opinion thereon.

Pittsburgh, Pennsylvania

February 18, 2010

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EQT CORPORATION AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
YEARS ENDED DECEMBER 31,

	2009	2008	2007
	(Thousands except per share amounts)		
Operating revenues	\$ 1,269,827	\$ 1,576,488	\$ 1,361,406
Operating expenses:			
Purchased gas costs	319,369	645,136	574,466
Operation and maintenance	139,524	129,502	106,965
Production	63,457	80,068	62,273
Exploration	17,905	9,064	862
Selling, general and administrative	176,703	111,096	195,365
Depreciation, depletion and amortization	196,078	136,816	109,802