

Rosetta Resources Inc.
Form 10-Q
May 15, 2006
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

- Quarterly Report Pursuant To Section 13 or 15(d) of The Securities Exchange Act of 1934**
For The Quarterly Period Ended March 31, 2006
- Transition Report Pursuant To Section 15(d) of The Securities Exchange Act of 1934**
Commission File Number: 000-51801

ROSETTA RESOURCES INC.

(Exact name of registrant as specified in its charter)

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

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

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

Large accelerated filer Accelerated filer Non-Accelerated filer

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

The number of shares of the registrant's Common Stock, \$.001 par value per share, outstanding as of May 5, 2006 was 50,591,819.

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	Rule 13a-14(a) Certification executed by B.A. Berilgen	
	Rule 13a-14(a) Certification executed by Michael J. Rosinski	
	Section 1350 Certification	

Table of Contents**Part I. Financial Information****Item 1. Financial Statements****Rosetta Resources Inc.****Consolidated Balance Sheet****(In thousands, except per share amounts)**

	March 31, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 103,751	\$ 99,724
Accounts receivable	31,839	40,051
Derivative instruments	4,892	1,110
Deferred income taxes		10,962
Current income tax receivable		6,000
Other current assets	13,939	9,411
Total current assets	154,421	167,258
Oil and natural gas properties, full cost method, of which \$40 million at March 31, 2006 and \$37 million at December 31, 2005 were excluded from amortization		
	1,011,219	973,185
Other	3,470	2,912
	1,014,689	976,097
Accumulated depreciation, depletion, and amortization	(64,049)	(40,161)
Total property and equipment, net	950,640	935,936
Long-term accounts receivable	1,358	1,726
Deferred loan fees	4,260	4,555
Deferred income taxes		8,594
Other assets	1,025	1,200
Total other assets	6,643	16,075
Total assets	\$ 1,111,704	\$ 1,119,269
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 13,981	\$ 13,442
Royalties payable	12,901	15,511
Derivative instruments	529	29,957
Interest payable	189	133
Prepayment on gas sales	11,057	14,528
Deferred income taxes	1,658	
Other current liabilities	25,298	28,264
Total current liabilities	65,613	101,835

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Long-term liabilities:		
Derivative instruments	35,999	52,977
Long-term debt	240,000	240,000
Asset retirement obligation	9,227	9,034
Deferred income taxes	3,776	
Total liabilities	354,615	403,846
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Common stock, \$0.001 par value, 150,000,000 shares authorized, 50,288,950 issued	50	50
Additional paid-in capital	750,839	748,569
Treasury stock, at cost; 66,831 and no shares at March 31, 2006 and December 31, 2005, respectively.	(1,246)	
Accumulated other comprehensive loss	(19,615)	(50,731)
Retained Earnings	27,061	17,535
Total stockholders' equity	757,089	715,423
Total liabilities and stockholders' equity	\$ 1,111,704	\$ 1,119,269

The accompanying notes to the financial statements are an integral part hereof.

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

	Successor- Consolidated	Predecessor- Combined
	Three Months Ended	
	March 31,	
	2006	2005
Revenues:		
Natural gas sales	\$ 56,730	\$ 6,742
Oil sales	7,809	3,998
Oil and natural gas sales to affiliates		39,776
Other revenue	5	39
Total revenues	64,544	50,555
Operating Costs and Expenses:		
Lease operating expense	9,558	7,537
Depreciation, depletion, and amortization	24,067	15,124
Exploration expense		1,429
Dry hole costs		76
Treating and transportation	895	968
Affiliated marketing fees		439
Marketing fees	624	
Production taxes	1,697	1,188
General and administrative costs	9,251	3,345
Total operating costs and expenses	46,092	30,106
Operating income	18,452	20,449
Other (income) expense		
Interest expense with affiliates, net of interest capitalized		3,617
Interest expense, net of interest capitalized	4,132	
Interest income	(1,137)	(253)
Other expense (income), net	25	(96)
Total other expense	3,020	3,268
Income before provision for income taxes	15,432	17,181
Provision for income taxes	5,906	6,519
Net income	\$ 9,526	\$ 10,662

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Earnings per share:

Basic	\$ 0.19	\$ 0.21
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Diluted	\$ 0.19	\$ 0.21
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Weighted average shares outstanding:

Basic	50,120,907	50,000,000
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Diluted	50,355,256	50,160,000
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The accompanying notes to the financial statements are an integral part hereof.

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Table of Contents**Rosetta Resources Inc.****Consolidated/Combined Statements of Cash Flows****(In thousands)****(Unaudited)**

	Successor- Consolidated	Predecessor- Combined
	Three Months Ended	
	March 31,	
	2006	2005
Cash flows from operating activities		
Net income	\$ 9,526	\$ 10,662
Adjustments to reconcile net income to net cash from operating activities		
Depreciation, depletion and amortization	24,067	15,124
Affiliate interest expense		3,617
Deferred income taxes	5,906	2,242
Amortization of deferred loan fees recorded as interest expense	295	
Income from unconsolidated investments	25	(396)
Stock compensation expense	1,835	
Other non-cash charges		202
Change in operating assets and liabilities:		
Accounts receivable	8,212	2,406
Accounts receivable from affiliates		3,217
Current income taxes receivable	6,000	4,277
Other Assets	(4,528)	379
Long-term accounts receivable	368	
Royalties payable	(6,081)	(1,603)
Accounts payable	(1,753)	(79)
Interest payable	56	
Other current liabilities	(2,913)	835
Net cash provided by operating activities	41,015	40,883
Cash flows from investing activities		
Purchases of property and equipment	(36,325)	(18,233)
Disposals of property and equipment		636
Deposits	25	
Other	111	365
Net cash used in investing activities	(36,189)	(17,232)
Cash flows from financing activities		
Equity offering transaction fees	267	
Notes payable to affiliates		(23,136)

