

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report: **January 10, 2019**
(Date of earliest event reported)

QEP RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34778
(Commission
File Number)

87-0287750
(I.R.S. Employer
Identification No.)

1050 17th Street, Suite 800
Denver, Colorado 80265
(Address of principal executive offices and zip code)

(303) 672-6900
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by checkmark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter)

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

Section 2 – Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets

As previously disclosed, on November 16, 2018, QEP Resources, Inc., a Delaware corporation (the “Company”), through its wholly owned subsidiaries, QEP Energy Company, a Delaware corporation, QEP Marketing Company, LLC (f/k/a QEP Marketing Company), a Utah limited liability company, and QEP Oil & Gas Company, LLC (f/k/a QEP Oil & Gas Company), a Delaware limited liability company (collectively, “Seller”), entered into a purchase and sale agreement (as amended, the “Purchase Agreement”, and such transaction, the “Haynesville Divestiture”) with Aethon III BR LLC, a Delaware limited liability company (“Buyer”). The Purchase Agreement provided for the sale by Seller of (i) oil and gas interests located in Louisiana, including its interests in the Haynesville Shale (the “Upstream Assets”) and (ii) 100% of the issued and outstanding limited partnership interests of Haynesville Gathering LP, a Delaware limited partnership (the “Midstream Interests”, and together with the Upstream Assets, the “Haynesville Assets”). The Company also novated natural gas derivative contracts totaling approximately 40 Bcf for the last eleven months of 2019 to the Buyer. In addition, the Buyer assumed all of the contracts for firm gas transportation associated with the Upstream Assets. The aggregate consideration payable to Seller for the Haynesville Assets was \$735.0 million in cash, subject to customary adjustments. On January 10, 2019, the Company closed the Haynesville Divestiture for net cash proceeds (after purchase price adjustments) of approximately \$605.1 million, subject to post-closing purchase price adjustments. In addition, \$32.2 million is being held in escrow due to title defects asserted prior to closing, all or a portion of which QEP expects to receive pursuant to the Purchase Agreement’s title dispute resolution procedures.

The Purchase Agreement was filed as Exhibit 10.1 to the Current Report on Form 8-K filed by the Company on November 20, 2018, and is incorporated herein by reference. The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by the full text of the Purchase Agreement.

Section 7 – Regulation FD

Item 7.01 Regulation FD Disclosure

On January 10, 2019, the Company issued a press release announcing the closing of the Haynesville Divestiture. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information in Item 7.01 of this Current Report on Form 8-K, including the attached Exhibit 99.1, is being “furnished” pursuant to Item 7.01 and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(b) Pro forma financial information

The unaudited pro forma condensed consolidated financial information of the Company giving effect to the Haynesville Divestiture described in Item 2.01 above is filed as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference herein.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Exhibit</u>
10.1	Purchase and Sale Agreement, dated November 16, 2018, by and among QEP Energy Company, QEP Marketing Company, LLC (f/k/a QEP Marketing Company), QEP Oil & Gas Company, LLC (f/k/a QEP Oil & Gas Company) and Aethon III BR LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 20, 2018).
99.1	Press release issued January 10, 2019, by QEP Resources, Inc.
99.2	Unaudited pro forma condensed consolidated financial information of QEP Resources, Inc.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

QEP Resources, Inc.
(Registrant)

January 16, 2019

/s/ Richard J. Doleshek

Richard J. Doleshek

Executive Vice President and Chief Financial Officer



QEP Resources Announces Closing of Sale of Northwest Louisiana Natural Gas Assets

DENVER - January 10, 2019 - QEP Resources, Inc. (NYSE: QEP) (“QEP” or the “Company”) announced today that the sale of its natural gas and oil producing properties, undeveloped acreage and associated gas gathering and treating systems in the Haynesville/Cotton Valley has closed. As part of this transaction, Aethon III, an affiliate of Aethon Energy (the “Buyer”), assumed all firm gas transportation agreements related to these assets. In addition, QEP novated to the Buyer natural gas derivative contracts covering approximately 40 Bcf of gas for the last eleven months of 2019.

The Company intends to use the proceeds from the divestiture to repay the outstanding balance on its revolving credit facility and to help fund a portion of its 2019 capital expenditure program.

About QEP Resources

QEP Resources, Inc. (NYSE:QEP) is an independent crude oil and natural gas exploration and production company with operations in two regions of the United States: the Southern Region (primarily Texas) and the Northern Region (primarily North Dakota). For more information, visit QEP's website at: www.qepres.com.

About Aethon Energy

Aethon Energy Management LLC is a Dallas-based private investment firm formed in 1990 that has managed and operated over \$2.5 billion of assets, and is focused on direct investments in North American onshore oil & gas. Aethon III is an investment vehicle formed to acquire onshore assets in North America in partnership with the Ontario Teachers' Pension Plan and Redbird Capital Partners. For more information, go to www.AethonEnergy.com.

Forward-Looking Statements

This release includes forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933, as amended, and Section 21(e) of the Securities Exchange Act of 1934, as amended. Forward-looking statements can be identified by words such as “anticipates,” “believes,” “forecasts,” “plans,” “estimates,” “expects,” “should,” “will” or other similar expressions. Such statements are based on management’s current expectations, estimates and projections, which are subject to a wide range of uncertainties and business risks. Actual results may differ materially from those included in the forward-looking statements due to a number of factors, including, but not limited to: (i) the occurrence of any event, change or other circumstance that could delay the closing of previously announced divestitures or give rise to the termination of the agreements related thereto; (ii) changes in applicable laws or regulations; and (iii) the possibility that QEP may be adversely affected by other economic, business and/or competitive factors; (iv) and the other risks discussed in the Company’s periodic filings with the Securities and Exchange Commission, including the Risk Factors section of the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, and Quarterly Reports on Form 10-Q filed in 2018. QEP undertakes no obligation to publicly correct or update the forward-looking statements in this news release, in other documents, or on the website to reflect future events or circumstances. All such statements are expressly qualified by this cautionary statement.

Investor and Media Contact for QEP

William Kent, IRC
303-405-6665
will.kent@qepres.com

Media Contacts for Aethon Energy

Prosek Partners

Nick Rust or Meredith Mitchell

212-279-3115

nrust@prosek.com / mmitchell@prosek.com

QEP RESOURCES, INC.
PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Unaudited)

On November 16, 2018, QEP Resources, Inc. (the "Company," "we," "us" or "our"), through its wholly owned subsidiaries QEP Energy Company, QEP Marketing Company, LLC (f/k/a QEP Marketing Company) and QEP Oil & Gas Company, LLC (f/k/a QEP Oil & Gas Company) (collectively, "Seller"), entered into a Purchase and Sale Agreement (the "Purchase Agreement", and such sale transaction, the "Haynesville Divestiture") with Aethon III BR LLC (the "Buyer"). The Purchase Agreement provides for the sale of natural gas and oil producing properties, undeveloped acreage and associated gas gathering and treating systems in Haynesville/Cotton Valley located in Louisiana. The Company also novated natural gas derivative contracts totaling approximately 40 Bcf for the last eleven months of 2019 to the Buyer. In addition, the Buyer assumed all of the contracts for firm gas transportation associated with the upstream assets. The aggregate consideration payable to the Seller was \$735.0 million, subject to purchase price adjustments, including adjustments for certain title and environmental defects asserted prior to closing. On January 10, 2019, the Company closed the Haynesville Divestiture for net cash proceeds (after purchase price adjustments) of approximately \$605.1 million, subject to post-closing purchase price adjustments. In addition, \$32.2 million is being held in escrow due to title defects asserted prior to closing, all or a portion of which QEP expects to receive pursuant to the Purchase Agreement's title dispute resolution procedures.

The Haynesville Divestiture constituted a significant disposition for purposes of Item 2.01 of Form 8-K. As a result, the Company prepared the accompanying unaudited pro forma condensed consolidated financial statements in accordance with Article 11 of Regulation S-X. The Haynesville Divestiture does not qualify as discontinued operations as it does not represent a strategic shift that will have a major effect on the Company's operations or financial results.

The unaudited pro forma balance sheet data as of September 30, 2018, gives effect to the Haynesville Divestiture as if the transaction had occurred on September 30, 2018. The unaudited pro forma statements of operations data for the nine month period ended September 30, 2018, and the year ended December 31, 2017, gives effect to the Haynesville Divestiture as if the transaction had occurred on January 1, 2017. The pro forma adjustments are described in the accompanying notes and are based upon information and assumptions available at the time of the filing of this Current Report on Form 8-K.

The unaudited pro forma condensed consolidated financial statements were based on and derived from our historical consolidated financial statements, adjusted for those amounts that were determined to be directly attributable to the Haynesville Divestiture, factually supportable and, with respect to the unaudited pro forma condensed consolidated statements of operations, expected to have a continuing impact on our consolidated results. Actual adjustments, however, may differ materially from the information presented. Pro forma adjustments do not include allocations of corporate costs, as those are not directly attributable to the Haynesville Divestiture. The unaudited pro forma financial information is subject to adjustments and is presented for informational purposes only and does not purport to represent what the Company's results of operations or financial position would actually have been if the Haynesville Divestiture had in fact occurred on the dates discussed above. It also does not project or forecast the Company's consolidated results of operations or financial position for any future date or period.

The unaudited pro forma condensed consolidated financial statements have been developed from and should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, and Quarterly Report on Form 10-Q for quarter ended September 30, 2018.

QEP RESOURCES, INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
(Unaudited)

	September 30, 2018		
	Historical	Pro Forma Adjustments	Pro Forma
	(in millions)		
ASSETS			
Current Assets			
Cash and cash equivalents	\$ —	\$ 603.7 (a)	\$ 603.7
Accounts receivable, net	191.7	(0.5) (b)	191.2
Income tax receivable	4.1	—	4.1
Fair value of derivative contracts	14.0	(3.6) (b)	10.4
Prepaid expenses	11.4	—	11.4
Other current assets	0.2	—	0.2
Total Current Assets	221.4	599.6	821.0
Property, Plant and Equipment (successful efforts method for oil and gas properties)			
Proved properties	11,717.8	(3,044.0) (b)	8,673.8
Unproved properties	1,034.4	(54.4) (b)	980.0
Gathering and other	369.6	(214.3) (b)	155.3
Materials and supplies	37.3	(8.1) (b)	29.2
Total Property, Plant and Equipment	13,159.1	(3,320.8)	9,838.3
Less Accumulated Depreciation, Depletion and Amortization			
Exploration and production	6,160.3	(2,559.3) (b)	3,601.0
Gathering and other	121.4	(66.3) (b)	55.1
Total Accumulated Depreciation, Depletion and Amortization	6,281.7	(2,625.6)	3,656.1
Net Property, Plant and Equipment	6,877.4	(695.2)	6,182.2
Fair value of derivative contracts	0.1	(1.2) (b)	(1.1)
Other noncurrent assets	58.3	(7.8) (b)	50.5
TOTAL ASSETS	\$ 7,157.2	\$ (104.6)	\$ 7,052.6
LIABILITIES AND EQUITY			
Current Liabilities			
Checks outstanding in excess of cash balances	\$ 15.3	\$ —	\$ 15.3
Accounts payable and accrued expenses	335.6	(3.3) (b)	332.3
Production and property taxes	40.9	(0.8) (b)	40.1
Interest payable	33.1	—	33.1
Fair value of derivative contracts	200.7	—	200.7
Asset retirement obligations	5.0	(0.7) (b)	4.3
Total Current Liabilities	630.6	(4.8)	625.8
Long-term debt	2,451.1	—	2,451.1
Deferred income taxes	398.8	(21.3) (b)	377.5
Asset retirement obligations	155.5	(56.4) (b)	99.1
Fair value of derivative contracts	52.6	—	52.6
Other long-term liabilities	93.7	(0.3) (b)	93.4
Commitments and contingencies			
EQUITY			
Total Common Shareholders' Equity	3,374.9	(21.8) (c)	3,353.1
TOTAL LIABILITIES AND EQUITY	\$ 7,157.2	\$ (104.6)	\$ 7,052.6

See Notes accompanying the Pro Forma Condensed Consolidated Financial Statements.

QEP RESOURCES, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30, 2018		
	Historical	Pro Forma Adjustments (d)	Pro Forma
(in millions, except per share amounts)			
REVENUES			
Oil and condensate, gas and NGL sales	\$ 1,474.1	\$ (232.1)	\$ 1,242.0
Other revenue	11.8	(5.3)	6.5
Purchased oil and gas sales	36.2	(4.1)	32.1
Total Revenues	1,522.1	(241.5)	1,280.6
OPERATING EXPENSES			
Purchased oil and gas expense	38.6	(6.1)	32.5
Lease operating expense	203.6	(24.0)	179.6
Transportation and processing costs	93.2	(43.7)	49.5
Gathering and other expense	10.8	(6.3)	4.5
General and administrative	164.2	2.0	166.2
Production and property taxes	103.9	(13.2)	90.7
Depreciation, depletion and amortization	673.6	(108.7)	564.9
Exploration expenses	0.1	—	0.1
Impairment	404.4	—	404.4
Total Operating Expenses	1,692.4	(200.0)	1,492.4
Net gain (loss) from asset sales, inclusive of restructuring costs	26.7	0.2	26.9
OPERATING INCOME (LOSS)	(143.6)	(41.3)	(184.9)
Realized and unrealized gains (losses) on derivative contracts	(240.3)	(1.8)	(242.1)
Interest and other income (expense)	(4.1)	—	(4.1)
Interest expense	(111.9)	—	(111.9)
INCOME (LOSS) BEFORE INCOME TAXES	(499.9)	(43.1)	(543.0)
Income tax (provision) benefit	117.6	9.7	127.3
NET INCOME (LOSS)	\$ (382.3)	\$ (33.4)	\$ (415.7)
Earnings (loss) per common share			
Basic	\$ (1.60)		\$ (1.75)
Diluted	\$ (1.60)		\$ (1.74)
Weighted-average common shares outstanding			
Used in basic calculation	238.3		238.2
Used in diluted calculation	238.3		238.3

See Notes accompanying the Pro Forma Condensed Consolidated Financial Statements.

QEP RESOURCES, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Year Ended December 31, 2017		
	Historical	Pro Forma Adjustments (d)	Pro Forma
	(in millions, except per share amounts)		
REVENUES			
Oil sales	\$ 939.4	\$ (1.2)	\$ 938.2
Gas sales	494.0	(214.4)	279.6
NGL sales	111.9	(0.4)	111.5
Other revenues	15.0	(9.8)	5.2
Purchased oil and gas sales	62.6	(19.7)	42.9
Total Revenues	<u>1,622.9</u>	<u>(245.5)</u>	<u>1,377.4</u>
OPERATING EXPENSES			
Purchased oil and gas expense	64.3	(19.6)	44.7
Lease operating expense	294.8	(35.4)	259.4
Transportation and processing costs	245.3	(50.2)	195.1
Gathering and other expense	7.3	(6.1)	1.2
General and administrative	153.5	3.2	156.7
Production and property taxes	114.3	(13.1)	101.2
Depreciation, depletion and amortization	754.5	(95.1)	659.4
Exploration expenses	22.0	—	22.0
Impairment	78.9	(1.0)	77.9
Total Operating Expenses	<u>1,734.9</u>	<u>(217.3)</u>	<u>1,517.6</u>
Net gain (loss) from asset sales	213.5	(1.4) (e)	212.1
OPERATING INCOME (LOSS)	<u>101.5</u>	<u>(29.6)</u>	<u>71.9</u>
Realized and unrealized gains (losses) on derivative contracts	24.5	(3.0)	21.5
Interest and other income (expense)	1.6	2.3	3.9
Loss from early extinguishment of debt	(32.7)	—	(32.7)
Interest expense	(137.8)	—	(137.8)
INCOME (LOSS) BEFORE INCOME TAXES	<u>(42.9)</u>	<u>(30.3)</u>	<u>(73.2)</u>
Income tax (provision) benefit	312.2	11.5 (f)	323.7
NET INCOME (LOSS)	<u>\$ 269.3</u>	<u>\$ (18.8)</u>	<u>\$ 250.5</u>
Earnings (loss) per common share			
Basic	\$ 1.12		\$ 1.04
Diluted	\$ 1.12		\$ 1.04
Weighted-average common shares outstanding			
Used in basic calculation	240.6		240.6
Used in diluted calculation	240.6		240.6
Dividends per common share	\$ —		\$ —

See Notes accompanying the Pro Forma Condensed Consolidated Financial Statements.

QEP RESOURCES, INC.
NOTES TO PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(Unaudited)

Note 1 – Basis of Presentation

The unaudited pro forma condensed consolidated financial statements give effect to the pro forma adjustments necessary to reflect the Haynesville Divestiture as if the transaction had occurred as of January 1, 2017, in the unaudited pro forma statements of operations for the nine months ended September 30, 2018, and the year ended December 31, 2017 and on September 30, 2018, in the unaudited pro forma balance sheet.

Note 2 – Pro Forma Adjustments

The unaudited pro forma condensed consolidated financial statements represent the following adjustments:

- (a) To adjust cash and cash equivalents for the receipt of cash proceeds from the Haynesville Divestiture of \$603.7 million, net of purchase price adjustments and estimated selling costs.
- (b) To eliminate assets and liabilities related to the assets sold as of September 30, 2018.
- (c) To adjust shareholders' equity, which amount is primarily related to the Haynesville Divestiture that would have been recorded as of September 30, 2018.
- (d) To eliminate revenues and expenses, including the tax impact, related to the assets sold for the nine months ended September 30, 2018, and the year ended December 31, 2017.
- (e) The gain (loss) directly attributable to the Haynesville Divestiture is not expected to have a continuing impact on the Company's operations, and therefore, is not reflected in the unaudited pro forma condensed consolidated statement of operations for the year ended December 31, 2017.
- (f) To adjust the income tax (provision) benefit for the effects of the pro forma pre-tax loss, which was taxed at the applicable federal and state statutory rate. The income tax (provision) benefit excludes the impact of the reversal of a valuation allowance established against Louisiana's net operating loss as the reversal is directly attributable to the Haynesville Divestiture and is not expected to have a continuing impact on the Company's operations.