RSP Permian, Inc.
Form 10-Q/A
June 13, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
Amendment No. 1

(Mark one)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2014
or
o 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: 001-36264
RSP Permian, Inc.
(Exact name of registrant as specified in its charter)

Delaware State or other jurisdiction of incorporation or organization	90-1022997 (I.R.S. Employer Identification Number)
3141 Hood Street, Suite 500 Dallas, Texas (Address of principal executive offices)	75219 (Zip code)

(214) 252-2700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted to its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

Large accelerated filer o Accelerated filer o

Non-accelerated filer x (Do not check if a smaller reporting company) Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes o No ý

The registrant had 72,500,000 shares of common stock outstanding at May 13, 2014.

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Explanatory Note

This Amendment No. 1 (this "Amendment") to our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, originally filed with the Securities and Exchange Commission on May 15, 2014 (the "Original Form 10-Q"), is being filed solely to furnish the exhibits listed in the Exhibit Index hereto, which provide certain items from the Original Form 10-Q formatted in eXtensible Business Reporting Language ("XBRL"). This Amendment is being filed within the time period provided by Rule 405(a)(2) of Regulation S-T.

No other changes have been made to the Original Form 10-Q except for the furnishing of the exhibits described above and the correction of an inadvertent transposition error of a pro forma number in “Note 9 – Earnings per share & pro forma earnings per share” under Item 1. Financial Statements. This Amendment does not reflect subsequent events occurring after the date of the Original Form 10-Q or modify or update any disclosures set forth in the Original Form 10-Q.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
RSP PERMIAN, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2014	December 31, 2013
	(In thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$10,737	$13,234
Accounts receivable	34,819	26,346
Accounts receivable, related party	7,107	3,672
Escrow receivable	—	3,197
Escrow deposit	15	15
Derivative instruments	225	671
Total current assets	52,903	47,135
PROPERTY, PLANT AND EQUIPMENT		
Oil and natural gas properties, successful efforts method	1,573,057	595,486
Accumulated depletion	(95,899)	(88,514)
Total oil and natural gas properties, net	1,477,158	506,972
Other property and equipment, net	12,654	9,316
Total property, plant and equipment	1,489,812	516,288
LONG-TERM ASSETS		
Derivative instruments	440	1,078
Restricted cash	150	150
Other assets	28,830	23,004
Total long-term assets	29,420	24,232
TOTAL ASSETS	$1,572,135	$587,655
LIABILITIES AND STOCKHOLDERS'/MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$26,339	$18,548
Accrued expenses	23,961	10,460
Interest payable	385	296
Derivative instruments	4,156	1,562
Total current liabilities	54,841	30,866
LONG-TERM LIABILITIES		
Asset retirement obligations	4,805	2,584
Derivative instruments	207	43
Term loan	—	70,000
Revolving credit facility	110,000	58,155
NPI payable	—	36,931
Deferred taxes	332,315	2,195
Total long-term liabilities	447,327	169,908
Total liabilities	502,168	200,774
STOCKHOLDERS'/MEMBERS' EQUITY		
Members' equity	—	386,881
	725	—

Common stock, $.01 par value; 300,000,000 shares authorized, 72,500,000 shares issued and outstanding at March 31, 2014; no shares authorized, issued or outstanding at December 31, 2013		
Additional paid-in capital	1,196,772	—
Accumulated deficit	(127,530)	—
Total stockholders'/members' equity	1,069,967	386,881
TOTAL LIABILITIES AND STOCKHOLDERS'/MEMBERS' EQUITY	$1,572,135	$587,655

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

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RSP PERMIAN, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	(In thousands, except per share data)	
REVENUES		
Oil sales	$ 51,471	$ 21,923
Natural gas sales	2,206	1,165
NGL sales	4,081	1,567
Total revenues	57,758	24,655
OPERATING EXPENSES		
Lease operating expenses	$ 7,063	$ 3,355
Production and ad valorem taxes	3,876	1,636
Depreciation, depletion and amortization	16,361	10,202
Asset retirement obligation accretion	29	25
Exploration	756	63
General and administrative expenses	17,016	555
Total operating expenses	45,101	15,836
(Gain) on sale of assets	—	(6,129)
OPERATING INCOME	$ 12,657	$ 14,948
OTHER INCOME (EXPENSE)		
Other income	$ 310	$ 199
Loss on derivative instruments	(4,153)	(1,657)
Interest expense	(1,131)	(624)
Total other expense	(4,974)	(2,082)
INCOME BEFORE TAXES	7,683	12,866
INCOME TAX EXPENSE	(135,213)	—
NET INCOME (LOSS)	$ (127,530)	$ 12,866
Loss per common share:		
Basic	$ (2.03)	
Diluted	$ (2.03)	
Weighted average shares outstanding:		
Basic	62,904	
Diluted	62,904	

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

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RSP PERMIAN, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS'/ MEMBERS' EQUITY
(Unaudited)

	Members' Equity	Issued Shares of Common Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity/ Members' Equity
	(In thousands)					
BALANCE AT DECEMBER 31, 2013	$386,881	—	$—	$—	$—	$386,881
Distribution of net assets to predecessor owner, including cash of $1,663	(21,147)	—	—	14,168	—	(6,979)
The corporate reorganization	(365,734)	—	—	365,734	—	—
RSP Permian Holdco, L.L.C.'s contributions of interests in RSP Permian, L.L.C. in exchange for RSP Permian, Inc.'s common stock	—	63,275	633	(633)	—	—
Ted Collins, Jr., Wallace Family Partnership, LP, Collins & Wallace Holdings, LLC, Pecos Energy Partners, L.P. and ACTOIL LLC's contributions in exchange for RSP Permian, Inc.'s common stock	—	—	—	642,436	—	642,436
Shares of common stock sold in initial public offering net of offering costs	—	9,225	92	163,052	—	163,144
Equity-based compensation	—	—	—	12,015	—	12,015
Net loss	—	—	—	—	(127,530)	(127,530)
BALANCE AT MARCH 31, 2014	$—	72,500	$725	$1,196,772	$(127,530)	$1,069,967

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

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RSP PERMIAN, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$(127,530)	$12,866
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	16,361	10,070
Abandoned equipment and intangibles	—	1
Accretion of asset retirement obligations	29	25
Equity based compensation	12,015	—
Amortization of loan fees	208	131
Deferred income taxes	135,213	—
Equity in earnings of investment	—	30
(Gain) on sale of assets	—	(6,129)
Loss on derivative instruments	4,153	1,657
Net cash payments on settled derivatives	(312)	(109)
Changes in operating assets and liabilities:		
Accounts receivable and accounts receivable from related parties	(7,529)	2,464
Other assets	(9,039)	(6,387)
Interest payable	89	(227)
Accounts payable	8,350	365
Accrued expenses	(1,007)	(172)
Net cash provided by operating activities	$31,001	$14,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of assets	—	115,339
Additions to other property and equipment	(1,294)	255
Additions to oil and natural gas properties	(177,530)	(57,237)
Net cash provided by (used in) investing activities	$(178,824)	$58,357
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock	163,144	—
Distributions	(1,663)	(29,805)
Borrowings under long-term debt	110,000	—
Payments on long-term debt	(126,155)	(85,000)
NPI payable	—	20,349
Net cash provided by (used in) financing activities	$145,326	$(94,456)
NET CHANGE IN CASH	$(2,497)	$(21,514)
CASH AT BEGINNING OF YEAR	$13,234	$52,263
CASH AT END OF YEAR	$10,737	$30,749
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$624	$3,420
NON-CASH ACTIVITIES		
Assets purchased included in accounts payable and accrued expenses	$14,442	$2,202
Asset retirement obligation acquired	$2,412	$—
Common stock issued for oil and gas properties	$677,402	$—

Deferred tax liabilities recorded for oil and gas property acquisitions	$195,777	$—
Elimination of NPI payable	$36,931	$—

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

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NOTE 1—NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Organization and Description of the Business

RSP Permian, L.L.C., a Delaware limited liability company (“RSP LLC”), was formed on October 18, 2010 by its management team and an affiliate of Natural Gas Partners, a family of energy-focused private equity investment funds (“NGP”). RSP LLC is engaged in the acquisition, development and operation of oil and natural gas properties. Additional background on and details of the ownership of RSP LLC are available on the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

On January 23, 2014, RSP Permian, Inc. (“RSP Inc.”) completed an initial public offering (the “IPO”) and on January 17, 2014, shares of RSP Inc. began trading on the New York Stock Exchange under the ticker “RSPP.” In the IPO, 23 million shares were sold at $19.50 per share, raising $449 million of gross proceeds. Of the 23 million shares, 9.2 million were shares sold by RSP Inc., resulting in approximately $163 million of net proceeds, which were used to fully repay the Company’s $70 million term loan, repay outstanding borrowings of $56 million under its revolving credit facility, make cash payments to certain existing investors as partial consideration for the properties contributed to the Company by such persons, pay cash bonuses to certain of the Company’s employees in connection with the successful completion of the IPO, and fund a portion of its capital expenditure plan. The remaining 13.8 million shares sold in the IPO were sold by selling stockholders, and the Company did not receive any proceeds from the sale of those shares.

In connection with the IPO, several transactions occurred that changed the structure and scope of the Company:

• Corporate Reorganization: RSP LLC was contributed to RSP Permian Holdco, L.L.C., a newly formed limited liability company, which contributed all of its interests in RSP LLC to RSP Inc. in exchange for shares of RSP Inc.’s common stock, an assignment of RSP LLC’s pro rata share of an escrow related to the Resolute Sale (as defined and described in Note 3) and cash. As a result of this reorganization, RSP LLC became a wholly owned subsidiary of RSP Inc.
• The Rising Star Acquisition: RSP Inc. acquired from Rising Star Energy Development Co., L.L.C., a Texas limited liability company (“Rising Star”), working interests in certain acreage and wells in the Permian Basin in which RSP LLC already had working interests in exchange for shares of RSP Inc.’s common stock and cash.
• The Collins and Wallace Contributions: Ted Collins, Jr. (“Collins”), Wallace Family Partnership, LP (“Wallace LP”) and Collins & Wallace Holdings, LLC, a newly formed entity that is jointly owned by Collins and Wallace LP, contributed certain working interests in the Permian Basin in which RSP LLC already had working interests in exchange for shares of RSP Inc.’s common stock and, in the case of Collins and Wallace LP, cash (such contributions, the “Collins and Wallace Contributions”). See Note 3 for additional information.
• The Pecos Contribution: Pecos Energy Partners, L.P. (“Pecos”), an entity owned by certain members of the Company’s management team, contributed certain working interests in acreage and wells in the Permian Basin in which RSP LLC already had a working interest in exchange for shares of RSP Inc.’s common stock.
• The ACTOIL NPI Repurchase: ACTOIL, LLC (“ACTOIL”), the owner of a 25% net profits interest (“NPI”) in substantially all of RSP LLC’s oil and natural gas properties taken as a whole, contributed their 25% NPI in exchange for shares of RSP Inc.’s common stock (such contribution, the “ACTOIL NPI Repurchase”). See Note 3 for more information.

Basis of Presentation

These financial statements have been prepared by the Company without audit, pursuant to the rules and regulations of the SEC. They reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for interim periods, on a basis consistent with the audited annual financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted pursuant to such rules and regulations, although the Company believes the disclosures are adequate to make the information presented not misleading. These financial statements should be read together with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Subsequent Events

The Company has evaluated subsequent events of its consolidated financial statements. There were no material subsequent events requiring additional disclosure in these financial statements.

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NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although management believes these estimates are reasonable, actual results could differ from these estimates. Changes in estimates are recorded prospectively. Significant assumptions are required in the valuation of proved oil and natural gas reserves that may affect the amount at which oil and natural gas properties are recorded. Estimation of asset retirement obligations ("AROs") and valuations of derivative instruments and the fair value of incentive unit compensation also require significant assumptions. It is possible that these estimates could be revised at future dates and these revisions could be material. Depletion of oil and natural gas properties are determined using estimates of proved oil and natural gas reserves. There are numerous uncertainties inherent in the estimation of quantities of proved reserves and in the projection of future rates of production and the timing of development expenditures. Similarly, evaluations for impairment of proved and unproved oil and natural gas properties are subject to numerous uncertainties including, among others, estimates of future recoverable reserves and commodity price estimates.

Reclassifications

Certain reclassifications have been made to prior periods to conform to current period presentation.

Accounts Receivable from Related Parties

The Company's accounts receivable from related parties as of March 31, 2014 and December 31, 2013 consisted of the following:

	March 31, 2014	December 31, 2013
	(In thousands)	
Collins	$3,261	$—
Wallace LP	3,594	3,672
Collins & Wallace Holdings, LLC	252	—
	$7,107	$3,672

Prior to the IPO, Collins, Wallace LP and Collins & Wallace Holdings, LLC had non-operated working interests in substantially all of the oil and natural gas assets that the Company operates. The Company considers the accounts receivable from these related parties to be fully collectible.

Oil and Natural Gas Properties

The Company uses the successful efforts method of accounting for its oil and natural gas exploration and production activities. Costs incurred by the Company related to the acquisition of oil and natural gas properties and the cost of drilling development wells and successful exploratory wells are capitalized, while the costs of unsuccessful exploratory wells are expensed when determined to be unsuccessful.

The Company capitalizes interest on expenditures while activities are in progress to bring the assets to their intended use for significant exploration and development projects that last more than six months. The Company did not capitalize any interest in the three months ended March 31, 2014 and 2013 as no projects lasted more than six months. Costs incurred to maintain wells and related equipment, lease and well operating costs and other exploration costs are expensed as incurred. Gains and losses arising from sales of properties are generally included as income. Unproved properties are assessed periodically for possible impairment.

Capitalized acquisition costs attributable to proved oil and natural gas properties and leasehold costs are depleted on a field basis based on proved reserves using the unit-of-production method. Capitalized exploration well costs and development costs, including AROs, are depleted on a field basis, based on proved developed reserves. Depletion expense for oil and natural gas producing property was $16.3 million and $10.2 million for the three months ended March 31, 2014 and 2013, respectively, and is included in depreciation, depletion and amortization in the accompanying consolidated statements of operations.

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The Company's oil and natural gas properties as of March 31, 2014 and December 31, 2013 consisted of the following:

	March 31, 2014	December 31, 2013
	(In thousands)	
Proved oil and natural gas properties	$1,064,430	$562,019
Unproved oil and natural gas properties	508,627	33,467
Total oil and natural gas properties	1,573,057	595,486
Less: accumulated depletion	(95,899)	(88,514)
Total oil and natural gas properties, net	$1,477,158	$506,972

In some circumstances, it may be uncertain whether proved commercial reserves have been found when drilling has been completed. Such exploratory well drilling costs may continue to be capitalized if the anticipated reserve quantity is sufficient to justify its completion as a producing well and sufficient progress in assessing the reserves and the economic and operating viability of the project is being made. As of March 31, 2014 and December 31, 2013, there were no costs capitalized in connection with exploratory wells in progress.

Capitalized costs are evaluated for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. To determine if a depletable unit (field) is impaired, the Company compares the carrying value of the depletable unit to the undiscounted future net cash flows by applying estimates of future oil and natural gas prices to the estimated future production of oil and natural gas reserves over the economic life of the property and deducting future costs. Future net cash flows are based upon reservoir engineers' estimates of proved reserves.

For a property determined to be impaired, an impairment loss equal to the difference between the property's carrying value and estimated fair value is recognized. Fair value, on a field basis, is estimated to be the present value of the aforementioned expected future net cash flows. Unproved properties are assessed periodically to determine whether they have been impaired. An impairment allowance is provided on an unproved property when the Company determines that the property will not be developed. Each part of this calculation is subject to a large degree of judgment, including the determination of the depletable units' estimated reserves, future net cash flows and fair value. No impairment of proved property was recorded for the three months ended March 31, 2014 or 2013.

Natural gas volumes are converted to Boe at the rate of six Mcf of natural gas to one Bbl of oil. This convention is not an equivalent price basis and there may be a large difference in value between an equivalent volume of oil versus an equivalent volume of natural gas. NGL volumes are stated in barrels.

Asset Retirement Obligation

The Company records AROs related to the retirement of long-lived assets at the time a legal obligation is incurred and the liability can be reasonably estimated. AROs are recorded as long-term liabilities with a corresponding increase in the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost included in the carrying amount of the related asset is allocated to expense through depletion of the asset. Changes in the liability due to passage of time are generally recognized as an increase in the carrying amount of the liability and as corresponding accretion expense.

The Company estimates a fair value of the obligation on each well in which it owns an interest by identifying costs associated with the future down-hole plugging, dismantlement and removal of production equipment and facilities, and the restoration and reclamation of a field's surface to a condition similar to that existing before oil and natural gas extraction began.

In general, the amount of ARO and the costs capitalized will be equal to the estimated future cost to satisfy the abandonment obligation using current prices that are escalated by an assumed inflation factor up to the estimated settlement date which is then discounted back to the date that the abandonment obligation was incurred using an estimated credit adjusted rate. If the estimated ARO changes, an adjustment is recorded to both the ARO and the long-lived asset. Revisions to estimated AROs can result from changes in retirement cost estimates, revisions to estimated inflation rates and changes in the estimated timing of abandonment.

After recording these amounts, the ARO is accreted to its future estimated value using the same assumed credit adjusted rate and the associated capitalized costs are depreciated on a unit-of-production basis.

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The ARO consisted of the following for the periods indicated:

	Three Months Ended March 31, 2014
	(In thousands)
Asset retirement obligation at beginning of period	$2,584
Liabilities assumed	2,192
Accretion expense	29
Asset retirement obligation at end of period	$4,805

Income Taxes

RSP LLC was organized as a limited liability company and treated as a flow-through entity for federal income tax purposes. As such, taxable income and any related tax credits were passed through to its members and are included in their tax returns even though such net taxable income or tax credits may not have actually been distributed. Accordingly, provision for federal and state corporate income taxes has been made only for the operations of RSP Inc. from January 23, 2014 through March 31, 2014 in the accompanying consolidated financial statements. Deferred income taxes are provided to reflect the future tax consequences or benefits of differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using enacted tax rates. Upon the conversion from a limited liability company to a corporation on January 23, 2014, the Company established a $132 million provision for deferred income taxes, which was recognized as tax expense from continuing operations. The primary upward adjustments in the effective tax rate above the U.S. statutory rate are the adjustment related to converting from a limited liability company to a corporation noted above along with non-deductible incentive unit compensation.

The following is an analysis of the Company’s consolidated income tax expense:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Current	$963	$—
Deferred	134,250	—
Provision for Income Taxes	$135,213	$—

Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of enacted tax laws. Tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than fifty percent likely of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. The Company’s policy is to record interest and penalties relating to uncertain tax positions in income tax expense. At March 31, 2014, the Company did not have any accrued liability for uncertain tax positions and do not anticipate recognition of any significant liabilities for uncertain tax positions during the next 12 months.

The Company’s U.S. federal income tax returns and Texas franchise tax returns for 2010 and beyond remain subject to examination by the taxing authorities. There are no material unresolved items related to periods previously audited by these taxing authorities. No other jurisdiction’s returns are significant to the Company’s financial position.

New Accounting Pronouncements

The Company has reviewed recently issued accounting standards and plans to adopt those that are applicable to it. It does not expect the adoption of those standards to have a material impact on its financial position, results of operations or cash flows.

NOTE 3—ACQUISITIONS AND SALES OF OIL AND NATURAL GAS PROPERTY INTERESTS

Pro Forma Results

The Company's pro forma results for the three months ended March 31, 2013 were derived from the actual results of the Company's accounting predecessor, which reflects the combined results of RSP LLC and Rising Star, and have been adjusted to reflect the Collins and Wallace Contributions and the ACTOIL NPI Repurchase, both of which were completed in connection with the IPO on January 23, 2014, as if such transactions had occurred on January 1, 2013. Additionally, the pro forma results for the three months ended March 31, 2013 include the estimated activity associated with the Spanish Trail Acquisition (as defined below), which was completed in September 2013, and the Resolute Sale, which was completed in March 2013, as if each of these transactions had occurred on January 1, 2013.

Our pro forma results for the three months ended March 31, 2014 were derived from our actual results and have been adjusted to reflect the Collins and Wallace Contributions and the ACTOIL NPI Repurchase, both of which were completed in connection with the IPO on January 23, 2014, as if such transactions had occurred on January 1, 2013.

The pro forma financial information included below does not give effect to certain acquisitions that were immaterial to our actual and pro forma results for the periods reflected below and does not make any adjustments for non-recurring expenses associated with the IPO.

The unaudited pro forma financial information does not purport to be indicative of results of operations that would have occurred had the transaction occurred on the basis assumed above, nor is such information indicative of expected future results of operations.

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
	Actual	Pro Forma	Actual	Pro Forma
	(In thousands)		(In thousands)	
Contributions:				
Revenues	$57,758	$62,744	$24,655	$34,100
Net income (loss)	$(127,530)	$(127,301)	$12,866	$16,519

Recent Acquisitions

During the first quarter of 2014, the Company acquired additional acreage prospective for horizontal development in Martin, Glasscock and Dawson counties for an aggregate purchase price of approximately $79 million in three separate transactions with approximately $69 million recorded as proved oil and natural gas properties. The transactions were financed with borrowings under the Company’s revolving credit facility.

Collins and Wallace Contributions

Collins, Wallace LP and Collins & Wallace Holdings, LLC contributed to RSP Inc. certain working interests in the Permian Basin in which RSP LLC already had working interests. In exchange, (i) Collins received shares of RSP Inc.’s common stock and the right to receive approximately $1.6 million in cash, (ii) Wallace LP received shares of RSP Inc.’s common stock and the right to receive $0.6 million in cash, and (iii) Collins & Wallace Holdings, LLC received shares of RSP Inc.’s common stock. The Collins and Wallace Contributions occurred in connection with the IPO.

These contributed working interests consist of the following: (i) Collins’ non-operated working interest in substantially all of the oil and natural gas properties that RSP LLC owned prior to the Spanish Trail Acquisition; (ii) Wallace LP’s non-operated working interest in substantially all of the oil and natural gas properties that RSP LLC owned prior to the Spanish Trail Acquisition; and (iii) Collins & Wallace Holdings, LLC’s non-operated working interest in the Spanish Trail Assets (as defined below).

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A summary of the consideration transferred and the fair value of assets and liabilities acquired in connection with the Collins and Wallace Contributions is as follows (in thousands):

Value of the 22,023,654 shares of the Company's common stock issued in the Collins and Wallace Contributions	$429,461
Cash paid in the Collins and Wallace Contributions	2,219
Total consideration for the assets contributed in the Collins and Wallace Contributions	$431,680
Fair value of oil and natural gas properties	$644,052
Asset retirement obligation	(1,063)
Deferred tax liability*	(211,309)
Total net assets acquired	$431,680

* Amount represents the estimated book to tax difference in oil and natural gas properties as of the acquisition date on a tax-effected basis of approximately 35%.

ACTOIL NPI Repurchase

In July 2011, RSP LLC sold to ACTOIL a 25% NPI in substantially all of its oil and natural gas properties taken as a whole. In addition, RSP LLC sold to ACTOIL a 25% NPI in the oil and natural gas properties acquired by RSP LLC in the Spanish Trail Acquisition. In connection with the IPO, ACTOIL contributed both 25% NPIs to the Company in exchange for shares of RSP Inc.'s common stock. The 25% NPIs exchanged for shares in the Company had a value of approximately $210.9 million and were accounted for as asset acquisitions.

The Company's predecessor's sale of properties to Resolute Natural Resources Southwest LLC ("Resolute") in December 2012 and March 2013 resulted in ACTOIL earning cash proceeds through its NPI in the properties sold. ACTOIL reduced its NPI account cumulative deficit balance with these proceeds, rather than receiving a cash distribution. As such, the Company's predecessor applied the NPI proceeds dollar-for-dollar to reduce the NPI deficit balance and recorded the amount as a long-term NPI payable on its balance sheet. This amount was eliminated upon ACTOIL contributing its NPI in exchange for common shares.

A summary of the consideration transferred and the assets acquired and liabilities acquired in connection with the ACTOIL NPI Repurchase is as follows (in thousands):

Value of the 10,816,626 shares of the Company's common stock issued in the ACTOIL NPI Repurchase	$210,924
Elimination of NPI payable	(36,931)
Total consideration for the assets contributed in the ACTOIL NPI Repurchase	$173,993
Oil and natural gas properties cost	$158,115
Asset retirement obligation	(639)
Deferred tax asset*	16,517
Total net assets acquired	$173,993

* Amount represents the estimated book to tax difference in oil and natural gas properties as of the acquisition date on a tax-effected basis of approximately 35%.

Spanish Trail Acquisition

On September 10, 2013, RSP LLC acquired additional working interests in certain of its existing properties in the Permian Basin (the "Spanish Trail Acquisition") from Summit Petroleum, LLC ("Summit") and EGL Resources, Inc.

("EGL"). The aggregate purchase price for the assets to be acquired in the Spanish Trail Acquisition (the "Spanish Trail Assets") agreed to by RSP LLC and the sellers was $155 million.

Subsequent to the signing of the purchase agreement and prior to the closing of the Spanish Trail Acquisition, Collins and Wallace LP, non-operating working interest owners in the Spanish Trail Assets, exercised preferential purchase rights granted under a joint operating agreement among the working interest owners in the Spanish Trail Assets. The preferential purchase rights gave Collins and Wallace LP the right to purchase a portion of the working interests sold by Summit and EGL. Collins and Wallace LP completed this acquisition through Collins & Wallace Holdings, LLC, a newly formed entity that is jointly owned by Collins and Wallace LP, which contributed these acquired assets to RSP Inc. in exchange for shares of RSP Inc.'s common stock in connection with the IPO. The exercise of the preferential purchase rights reduced RSP LLC's purchase price from $155 million to $121 million.

Simultaneously with the closing of the Spanish Trail Acquisition, pursuant to ACTOIL's exercise of a right of first refusal granted by RSP LLC in the agreement that governs ACTOIL's NPI investment, RSP LLC conveyed a 25% NPI in the Spanish Trail Assets taken as a whole, excluding the portion acquired by Collins & Wallace Holdings, LLC, to ACTOIL in exchange for cash equal to 25% of RSP LLC's $121 million purchase price.

RSP LLC allocated the net purchase price to the oil and natural gas properties acquired and asset retirement obligation assumed as follows (in thousands):

Net purchase price	$120,521
25% NPI Sale to ACTOIL	(30,131)
Oil and natural gas properties acquired	$90,390
Asset retirement obligation assumed	296
Oil and natural gas properties	$90,686

The Spanish Trail Acquisition was funded with a $70 million term loan, borrowings under the Company's revolving credit facility (described below in Note 6) and the issuance of the NPI to ACTOIL described above.

Resolute Sale

Effective October 1, 2012, RSP LLC, ACTOIL and other minority non-operating working interest owners entered into a Purchase, Sale, and Option Agreement ("PSA") to sell an undivided 32.35% interest in certain assets for an aggregate purchase price of $110 million to Resolute (the "Resolute Sale"). The Company's share of the purchase price was $69 million and was recorded as a reduction to the basis of the underlying oil and natural gas properties. To the extent that the proceeds received exceeded the cost basis of the oil and natural gas properties, the Company recorded a gain on the sale. In addition, RSP LLC and the other sellers sold Resolute an option (the "Option") for $5 million, $2.4 million of which was the Company's share. The Option allowed Resolute to acquire the remaining 67.65% interest in these certain assets. The Option was non-refundable and only entitled Resolute to a limited time period during which it could exercise the right to acquire the remaining interest in these certain assets, and therefore the Option fee was included in the consideration transferred in computing the gain on disposition of the assets described above. The Company recorded a gain in connection with the sale of the 32.35% interest in these assets and Option fee in the amount of $6.7 million for the year ended December 31, 2012.

In March 2013, Resolute exercised the right to acquire the 67.65% remaining interest in these assets from RSP LLC, ACTOIL and other working interest owners for an additional purchase price of approximately $230 million. RSP LLC's share of the purchase price was $144.2 million. In connection with the transaction closing in March 2013, RSP LLC recorded a gain of approximately $6 million.

The PSA contained customary closing conditions and included a $5 million title and environmental escrow (net to RSP LLC) and an $11 million indemnity escrow (net to RSP LLC) which were held back from the initial purchase price to provide for these contingencies. Amounts held in escrow for potential indemnity matters were not initially considered in the computation of the gain in connection with the sale of these certain assets because the Company could not reasonably estimate the potential outcome of any such matters at the time of the initial closing of the transaction.

Subsequent to the initial closing, in October 2013, RSP LLC received the first two scheduled escrow payments under the terms of the PSA totaling approximately $12 million. The receipt of these funds substantially resolved any uncertainty associated with the ability to collect the remaining portion of the amounts held in escrow, and therefore, the Company recorded the gain associated with all funds received and the remaining escrow amounts not yet received as collectability of such amounts was deemed probable. For the twelve months ended December 31, 2013, the total gain recognized on the Resolute Sale was approximately $22.7 million.

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NOTE 4—DERIVATIVE INSTRUMENTS

Commodity Derivative Instruments

The Company uses derivative instruments to manage its exposure to cash-flow variability from commodity-price risk inherent in its crude oil and natural gas production. These include over-the-counter ("OTC") swaps, put options and collars. The derivative instruments are recorded at fair value on the consolidated balance sheets and any gains and losses are recognized in current period earnings.

Each swap transaction has an established fixed price. When the settlement price is above the fixed price, the Company pays its counterparty an amount equal to the difference between the settlement price and the fixed price multiplied by the hedged contract volume. When the settlement price is below the fixed price, the counterparty pays the Company an amount equal to the difference between the settlement price and the fixed price multiplied by the hedged contract volume.

Each put transaction has an established floor price. The Company pays the counterparty a premium in order to enter into the put transaction. When the settlement price is below the floor price, the counterparty pays the Company an amount equal to the difference between the settlement price and the fixed price multiplied by the hedged contract volume. When the settlement price is above the floor price, the put option expires. All put options have expired as of December 31, 2013.

Each collar transaction has an established price floor and ceiling. When the settlement price is below the price floor established by these collars, the Company receives an amount from its counterparty equal to the difference between the settlement price and the price floor multiplied by the hedged contract volume. When the settlement price is above the price ceiling established by these collars, the Company pays its counterparty an amount equal to the difference between the settlement price and the price ceiling multiplied by the hedged contract volume.

The following table summarizes all open positions as of March 31, 2014:

	Year 2014	Year 2015
Crude Oil Swaps:		
Notional volume (Bbl)	180,000	120,000
Weighted average price ($/Bbl)(1)	$94.50	$92.60
Crude Oil Collars:		
Notional volume (Bbl)	1,149,000	492,000
Weighted average floor price ($/Bbl)(1)	$86.29	$85.49
Weighted average ceiling price ($/Bbl)(1)	$100.35	$94.14
Natural Gas Collars:		
Notional volume (Mmbtu)	1,350,000	—
Weighted average floor price ($/Mmbtu)(2)	4.00	—
Weighted average ceiling price ($/Mmbtu)(2)	4.78	—

(1) The crude oil derivative contracts are settled based on the month's average daily NYMEX price of West Texas Intermediate Light Sweet Crude.

(2) The natural gas derivative contracts are settled based on the NYMEX Henry Hub closing settlement price.

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Fair Values and Gains (Losses)

The following table presents the fair value of derivative instruments. The Company's derivatives are presented as separate line items in its consolidated balance sheets as current and noncurrent derivative instrument assets and liabilities. The fair value amounts are presented on a gross basis and do not reflect the netting of asset and liability positions permitted under the terms of the Company's master netting arrangements.

	Assets		Liabilities	
	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
	(In thousands)			
Derivative Instruments:				
Current amounts				
Commodity contracts	$225	$ 671	$(4,156)	$ (1,562)
Noncurrent amounts				
Commodity contracts	440	1,078	(207)	(43)
Total derivative instruments	$665	$ 1,749	$(4,363)	$ (1,605)

Gains and losses on derivatives are reported in the consolidated statements of operations.

The following represents the Company's reported gains and losses on derivative instruments for the periods presented:

	Three Months Ended March 31,	
	2014	2013
	(In thousands)	
Loss on derivative instruments:		
Commodity derivative instruments	$(4,153)	$(1,653)
Interest rate derivative instruments	—	(4)
Total	$(4,153)	$(1,657)

Offsetting of Derivative Assets and Liabilities

The following table presents the Company's gross and net derivative assets and liabilities.

	Gross Amount Presented on Balance Sheet	Netting Adjustments(a)	Net Amount
	(In thousands)		
March 31, 2014			
Derivative instrument assets with right of offset or master netting agreements	$665	$ (507)	$158
Derivative instrument liabilities with right of offset or master netting agreements	$(4,363)	$ 507	$(3,856)
December 31, 2013			
Derivative instrument assets with right of offset or master netting agreements	$1,749	$ (1,332)	$417
Derivative instrument liabilities with right of offset or master netting agreements	$(1,605)	$ 1,332	$(273)

(a) With all of the Company's financial trading counterparties, the Company has agreements in place that allow for the financial right of offset for derivative assets and derivative liabilities at settlement or in the event of a default under the agreements.

Credit-Risk Related Contingent Features in Derivatives

None of the Company’s derivative instruments contains credit-risk related contingent features. No amounts of collateral were posted by the Company related to net positions as of March 31, 2014 and December 31, 2013.

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NOTE 5—FAIR VALUE MEASUREMENTS

The book values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The book value of the Company's credit facilities approximate fair value as the interest rates are variable. The fair value of derivative financial instruments is determined utilizing industry standard models using assumptions and inputs which are substantially observable in active markets throughout the full term of the instruments. These include market price curves, contract terms and prices, credit risk adjustments, implied market volatility and discount factors.

The Company has categorized its assets and liabilities measured at fair value, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Assets and liabilities recorded at fair value on the consolidated balance sheets are categorized based on the inputs to the valuation techniques as follows:

- Level 1—Assets and liabilities recorded at fair value for which values are based on unadjusted quoted prices for identical assets or liabilities in an active market that management has the ability to access. Active markets are considered to be those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2—Assets and liabilities recorded at fair value for which values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Substantially all of these inputs are observable in the marketplace throughout the full term of the price risk management instrument and can be derived from observable data or supported by observable levels at which transactions are executed in the marketplace.
- Level 3—Assets and liabilities recorded at fair value for which values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Unobservable inputs that are not corroborated by market data. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Valuation techniques that maximize the use of observable inputs are favored. Assets and liabilities are classified in their entirety based on the lowest priority level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy.

Fair Value Measurement on a Recurring Basis

The following table presents, by level within the fair value hierarchy, the Company's assets and liabilities that are measured at fair value on a recurring basis.

	Level 1	Level 2	Level 3	Total fair value
	(In thousands)			
As of March 31, 2014:				
Commodity derivative instruments	$—	$(3,698)	$—	$ (3,698)
Total	$—	$(3,698)	$—	$ (3,698)

	Level 1	Level 2	Level 3	Total fair value
	(In thousands)			
As of December 31, 2013:				

Commodity derivative instruments	$—	$144	$—	$ 144
Total	$—	$144	$—	$ 144

Significant Level 2 assumptions used to measure the fair value of the commodity derivative instruments include current market and contractual commodity prices, implied volatility factors, appropriate risk adjusted discount rates, as well as other relevant data.

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Reclassifications of fair value between Level 1, Level 2 and Level 3 of the fair value hierarchy, if applicable, are made at the end of each quarter. There were no transfers between Level 1, Level 2 or Level 3 during the three months ended March 31, 2014 and the year ended December 31, 2013.

Nonfinancial Assets and Liabilities

Assets and liabilities acquired in business combinations are recorded at their fair value on the date of acquisition. Significant Level 3 assumptions associated with the calculation of future cash flows used in the analysis of fair value of the oil and natural gas property acquired include the Company's estimate of future commodity prices, production costs, development expenditures, production, risk-adjusted discount rates and other relevant data. Additionally, fair value is used to determine the inception value of the Company's AROs. The inputs used to determine such fair value are primarily based upon costs incurred historically for similar work, as well as estimates from independent third parties for costs that would be incurred to restore leased property to the contractually stipulated condition. Additions to the Company's AROs represent a nonrecurring Level 3 measurement.

The Company reviews its proved oil and natural gas properties for impairment purposes by comparing the expected undiscounted future cash flows at a producing field level to the unamortized capitalized cost of the asset. Significant assumptions associated with the calculation of future cash flows used in the impairment analysis include the estimate of future commodity prices, production costs, development expenditures, production, risk-adjusted discount rates and other relevant data. As such, the fair value of oil and natural gas properties used in estimating impairment represents a nonrecurring Level 3 measurement.

NOTE 6—CREDIT AGREEMENT

On September 10, 2013, in conjunction with the Spanish Trail Acquisition, the Company amended and restated its credit agreement, dated December 15, 2010, with Comerica Bank, as administrative agent, and expanded its syndicated bank group to 11 lenders. In addition, the Company entered into a new term loan in the amount of $70 million to partially finance the Spanish Trail Acquisition.

The Company's revolving credit facility requires it to maintain the following three financial ratios:

- a working capital ratio, which is the ratio of consolidated current assets (includes unused commitments under its revolving credit facility and excludes restricted cash and derivative assets) to consolidated current liabilities (excluding the current portion of long-term debt under the credit facility and derivative liabilities), of not less than 1.0 to 1.0;
- a minimum interest coverage ratio, which is the ratio of consolidated EBITDAX (as defined in the credit agreement) to consolidated interest expense, of not less than 3.0 to 1.0; and
- a leverage ratio, which is the ratio of the sum of all of the Company's debt to the consolidated EBITDAX (as defined in the credit agreement) for the four fiscal quarters then ended, of not greater than 4.0 to 1.0.

The Company's revolving credit facility contains restrictive covenants that may limit its ability to, among other things, incur additional indebtedness, make loans to others, make investments, enter into mergers, make or declare dividends, enter into commodity hedges exceeding a specified percentage or its expected production, enter into interest rate hedges exceeding a specified percentage of its outstanding indebtedness, incur liens, sell assets or engage in certain other transactions without the prior consent of the lenders.

The Company was in compliance with such covenants and ratios as of March 31, 2014.

Principal amounts borrowed are payable on the maturity date, and interest is payable quarterly for base rate loans and at the end of the applicable interest period for Eurodollar loans. RSP LLC has a choice of borrowing in Eurodollars or at the adjusted base rate. Eurodollar loans bear interest at a rate per annum equal to an adjusted LIBOR rate (equal to the quotient of: (i) the LIBOR Rate divided by (ii) a percentage equal to 100% minus the maximum rate on such date at which the Administrative Agent is required to maintain reserves on “Eurocurrency Liabilities” as defined in and pursuant to Regulation D of the Board of Governors of the Federal Reserve System) plus an applicable margin ranging from 125 to 200 basis points, depending on the percentage of its borrowing base utilized. Adjusted base rate loans bear interest at a rate per annum equal to the greatest of: (i) the agent bank’s reference rate; (ii) the federal funds effective rate plus 100 basis points; and (iii) the adjusted LIBOR rate plus 100 basis points, plus an applicable margin ranging from 25 to 100 basis points, depending on the percentage of its borrowing base utilized, plus a facility fee of 0.50% charged on the borrowing base amount. At March 31, 2014, the variable rate of interest under the Company’s revolving credit facility was 1.73%. The Company may repay any amounts borrowed prior to the maturity date without any premium or penalty other than customary LIBOR breakage costs. As of March 31, 2014, the revolving credit facility has a margin of 1.25% to 2.00% plus LIBOR, plus a facility fee of 0.50% charged on the borrowing base amount.

The amount available to be borrowed under the revolving credit facility is subject to a borrowing base that is re-determined semiannually each May and November and depends on the volumes of proved oil and natural gas reserves and estimated cash flows from these reserves and commodity hedge positions. The borrowing base under the Company's amended and restated credit agreement is $300 million as of March 31, 2014, with lender commitments of $500 million.

The maturity date of the Company's revolving credit facility is September 10, 2017.

On January 23, 2014, the Company repaid the term loan in full, and as of March 31, 2014, the Company had no contractual obligations with respect to the term loan.

NOTE 7—COMMITMENTS AND CONTINGENCIES

Legal Matters

In the ordinary course of business, the Company may at times be subject to claims and legal actions. Management believes it is remote that the impact of such matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Environmental Matters

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. These laws, which are often changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed as incurred. The Company has established procedures for the ongoing evaluation of its operations, to identify potential environmental exposures and to comply with regulatory policies and procedures.

The Company accounts for environmental contingencies in accordance with the accounting guidance related to accounting for contingencies. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation, are expensed.

Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments is fixed and readily determinable. At March 31, 2014 and December 31, 2013, the Company had no environmental matters requiring specific disclosure or requiring the recognition of a liability.

Leases

During 2011, RSP LLC entered into a month-to-month operating lease agreement and a long-term operating lease agreement for office space. During February 2014, the Company entered into a 64-month lease agreement through May 2019 for office space. Rent expense for the three months ended March 31, 2014 and 2013 was $82 thousand and $62 thousand.

NOTE 8—EQUITY-BASED COMPENSATION

Restricted Stock Awards

In connection with the IPO, the Company adopted the RSP Permian, Inc. 2014 Long Term Incentive Plan (the “LTIP”) for the employees, consultants and directors of the Company and its affiliates who perform services for the Company. Refer to “Part III, Item 11. Executive Compensation” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 for additional information related to these equity-based compensation plans.

Share-based compensation expense for restricted stock awards issued to both employees and non-employee directors, which was recorded in “General and administrative expenses” in the accompanying consolidated statements of operations, was $0.8 million for the three months ended March 31, 2014. The Company views restricted stock awards with graded vesting as

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single awards with an expected life equal to the average expected life and amortize the awards on a straight-line basis over the life of the awards.

The compensation expense for these awards was determined based on the market price of the Company's common stock at the date of grant applied to the total number of shares that were anticipated to fully vest. As of March 31, 2014, the Company had unrecognized compensation expense of $8.9 million related to restricted stock awards which is expected to be recognized over a weighted average period of 2.2 years.

The following table represents restricted stock award activity for the three months ended March 31, 2014:

	Shares	Wtd. Avg. Grant Price
Restricted shares outstanding, beginning of period	—	$—
Restricted shares granted	421,999	23.05
Restricted shares outstanding, end of period	421,999	$23.05

Incentive Units

Pursuant to the LLC Agreement of RSP LLC, certain incentive units are available to be issued to the Company's management and employees, consisting of Tier I, Tier I A, Tier II, Tier III and Tier IV units. The incentive units are intended to be compensation for services rendered to the Company. All incentive units, whether vested or not, are forfeited if payouts are not achieved by a specified date. Tier I and Tier I A incentive units vest ratably over three years but are subject to forfeiture if payout is not achieved. Tier I and Tier I A payout is realized upon the return of members' invested capital and a specified rate of return. Tiers II, III and IV incentive units vest only upon the achievement of certain distribution thresholds for each such Tier and each Tier of the incentive units is subject to forfeiture if the applicable required payouts are not achieved. In addition, vested and unvested units will be forfeited if an incentive unit holder's employment is terminated for cause or if the unitholder voluntarily terminates his or her employment.

In connection with the IPO, the incentive units of RSP LLC became incentive units in RSP Permian Holdco, L.L.C. and therefore based upon distributions to members of RSP Permian Holdco, L.L.C. rather than members of RSP LLC. The terms and conditions of the profits interest awards remained substantially similar to the terms applicable to the incentive unit awards prior to the IPO, including the retention of existing vesting schedules. See "Part III, Item 11. Executive Compensation" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013 for additional information regarding the incentive units.

The achievement of payout conditions is a performance condition that requires the Company to assess, at each reporting period, the probability that an event of payout will occur. Compensation cost is required to be recognized at such time that the payout terms are probable of being met. At the grant dates and subsequent reporting periods, the Company did not deem as probable that such payouts would be achieved for any Tier of incentive units.

At such time that the occurrence of the performance conditions associated with these incentive units are deemed probable, the Company will record a non-cash compensation expense based upon the grant date fair value of the incentive units that are probable of reaching payout as a result of reaching established distribution thresholds. As of December 31, 2013, the unrecognized non-cash compensation expense associated with all tiers of the incentive units was approximately $16.3 million. After successful completion of the IPO, the performance conditions associated with the Tier I, Tier I A and Tier II incentive units were deemed probable of reaching payout, which resulted in the recognition of non-cash compensation expense of approximately $11.1 million. The Tier I A and Tier II incentive units will have a remaining unrecognized non-cash compensation expense of approximately $1.6 million which will be amortized over the remaining service period and result in a $0.7 million non-cash compensation expense in the remainder of 2014 and $0.9 million in 2015. The remaining unrecognized non-cash compensation expense related to the Tier III and Tier IV incentive units is approximately $3.5 million and will be recognized when it is deemed that the Tier III and Tier IV incentive units are probable of reaching payout as a result of reaching the established distribution thresholds.

NOTE 9—EARNINGS PER SHARE & PRO FORMA EARNINGS PER SHARE

Earnings per Share

The Company’s basic earnings per share amounts have been computed using the two-class method based on the weighted-average number of shares of common stock outstanding for the period. Because the Company recognized a net loss for the first

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quarter of 2014, unvested restricted share awards were not recognized in dilutive earnings per share calculations as they would be antidilutive. A reconciliation of the components of basic and diluted earnings per common share is presented in the table below:

	Three Months Ended March 31, 2014 (In thousands)
Numerator:	
Net loss available to stockholders	$(127,530)
Basic net loss allocable to participating securities (1)	—
Loss available to stockholders	$(127,530)
Denominator:	
Weighted average number of common shares outstanding - basic	62,904
Effect of dilutive securities:	
Restricted stock	—
Weighted average number of common shares outstanding - diluted	62,904
Net loss per share:	
Basic	$(2.03)
Diluted	$(2.03)

(1) Restricted share awards that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in computing earnings using the two-class method. Participating securities, however, do not participate in undistributed net losses.

Pro Forma Earnings per Share

The Company computed a pro forma income tax provision as if the Company was subject to income taxes since January 1, 2014. The pro forma tax provision has been calculated at a rate based upon a federal corporate level tax rate and a state tax rate, net of federal benefit, and excludes the non-recurring tax adjustment related to the conversion of the Company from an LLC to a corporation on January 23, 2014, as further described in Note 2 under “Income Taxes.”

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The Company's pro forma basic earnings per share amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period, as if the common shares issued in the IPO were outstanding for the entire year. A reconciliation of the components of pro forma basic and diluted earnings per common share is presented in the table below:

	Three Months Ended March 31, 2014
Numerator:	
Income before taxes, as reported	$7,683
Pro forma provision for income taxes	2,689
Pro forma net income available to stockholders	4,994
Basic net income allocable to participating securities	29
Pro forma net income available to stockholders	$4,965
Denominator:	
Weighted average number of common shares outstanding - basic	72,500
Effect of dilutive securities:	
Restricted stock	—
Weighted average number of common shares outstanding - diluted	72,500
Net income per share:	
Basic	$0.07
Diluted	$0.07

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SIGNATURES

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 thereunto duly authorized.

RSP PERMIAN, INC.

By:	/s/ Scott McNeill
	Scott McNeill
	Chief Financial Officer and Director
	(Principal Financial Officer)
Date:	June 13, 2014

By:	/s/ Barry S. Turcotte
	Barry S. Turcotte
	Chief Accounting Officer
	(Principal Accounting Officer)
Date:	June 13, 2014

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EXHIBIT INDEX

Exhibit No.	Description
3.1(a)	Amended and Restated Certificate of Incorporation of RSP Permian, Inc. (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 001-36264) filed with the Commission on January 29, 2014).
3.2(a)	Amended and Restated Bylaws of RSP Permian, Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 001-36264) filed with the Commission on January 29, 2014).
4.1(a)	Registration Rights Agreement, dated as of January 23, 2014, among RSP Permian, Inc., RSP Permian Holdco, L.L.C., Ted Collins, Jr., Wallace Family Partnership, LP, ACTOIL, LLC, Rising Star Energy Development Co., L.L.C. and Pecos Energy Partners, L.P. (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 001-36273) filed with the Commission on January 29, 2014).
4.2(a)	Stockholders' Agreement, dated as of January 23, 2014, among RSP Permian, Inc., RSP Permian Holdco, L.L.C., Ted Collins, Jr., Wallace Family Partnership, LP, Rising Star Energy Development Co., L.L.C. and Pecos Energy Partners, L.P. (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (File No. 001-36273) filed with the Commission on January 29, 2014).
10.1(a)	Amended and Restated Limited Liability Company Agreement of RSP Permian Holdco, L.L.C., dated January 23, 2014 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 001-36264) filed with the Commission on January 29, 2014).
10.2(a)	RSP Permian, Inc. 2014 Long Term Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 001-36264) filed with the Commission on January 22, 2014).
10.3(a)	Form of Restricted Stock Grant and Award Agreement.
10.4(a)	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to RSP Permian, Inc.'s Registration Statement on Form S-1, filed on January 2, 2014, File No. 333-192268).
31.1(b)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer.
31.2(b)	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Financial Officer.
32.1(c)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer.
32.2(c)	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer.
101.INS(b)	XBRL Instance Document.
101.SCH(b)	XBRL Taxonomy Extension Schema Document.
101.CAL(b)	XBRL Taxonomy Extension Schema Document.
101.DEF(b)	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB(b)	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE(b)	XBRL Taxonomy Extension Presentation Linkbase Document.

(a) Previously filed.
(b) Filed herewith.
(c) Furnished herewith. Pursuant to SEC Release No. 33-8212, this certification will be treated as "accompanying" this report and not "filed" as part of such report for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, except to the extent that the registrant specifically

incorporates it by reference.