

Gastar Exploration Inc.  
Form 424B3  
April 21, 2014  
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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-194603

**PROSPECTUS**

**Gastar Exploration Inc.**

**(formerly Gastar Exploration USA, Inc.)**

**Offer to exchange up to**

**\$325,000,000 aggregate principal amount of 8 5/8% Senior Secured Notes due 2018**

**that have been registered under the Securities Act of 1933, as amended**

**for**

**\$325,000,000 aggregate principal amount of 8 5/8% Senior Secured Notes due 2018**

**that have not been registered under the Securities Act of 1933, as amended**

**The exchange offer and withdrawal rights will expire at**

**5:00 p.m., New York City time, on May 19, 2014 unless extended.**

We are offering to exchange up to \$325,000,000 aggregate principal amount of our new 8 5/8% Senior Secured Notes due 2018, which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), referred to in this prospectus as the "new notes," for any and all of our outstanding unregistered 8 5/8% Senior Secured Notes due 2018, referred to in this prospectus as the "old notes." We issued \$200,000,000 aggregate principal amount of the old notes on May 15, 2013 and an additional \$125,000,000 aggregate principal amount of the old notes on November 15, 2013 in transactions not requiring registration under the Securities Act. We are offering you new notes in exchange for old notes in order to satisfy our obligations under registration rights agreements we entered into with the initial purchasers of the old notes. The new notes will represent the same debt as the old notes and we will issue the new notes under the same indenture as the old notes. The new notes offered hereby, together with any old notes that remain outstanding after the completion of the exchange offer, will be treated as a single class under the indenture governing them. The old notes and the new notes are collectively referred to in this prospectus as the "notes."

**Please read Risk Factors beginning on page 8 of this prospectus for a discussion of factors you should consider before participating in the exchange offer.**

We will exchange the new notes for all outstanding old notes that are validly tendered and not withdrawn before expiration of the exchange offer. You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer. The exchange procedure is more fully described in Exchange Offer Procedures for Tendering. If you fail to tender your old notes, you will continue to hold unregistered notes that you will not be able to freely transfer.

The terms of the new notes are substantially identical to the old notes, except that the transfer restrictions, registration rights and provisions for additional interest applicable to the old notes do not apply to the new notes. Please read Description of New Notes for more details on the terms of the new notes. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to this offering must acknowledge that it will deliver this prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of up to 180 days after the exchange date (as such period may be extended), we will make this prospectus, as amended or supplemented, available to any broker-dealer for use in connection with any such resale. Please read Plan of Distribution.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is April 21, 2014.**

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission, or the SEC. In making your decision whether to participate in the exchange offer, you should rely only on the information contained in or incorporated by reference into this prospectus and in the letter of transmittal accompanying this prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it. We are not making an offer to sell these securities in any state or jurisdiction where the offer is not permitted. You should not assume that the information contained in this prospectus or in the documents incorporated by reference into this prospectus are accurate as of any date other than the date on the front cover of this prospectus or the date of such incorporated documents, as the case may be.

**This prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus. This information is available without charge upon written or oral request directed to: Gastar Exploration Inc., 1331 Lamar Street, Suite 650, Houston, Texas 77010, Attn: Investor Relations, (713) 739-1800. To obtain timely delivery, you must request the information no later than May 12, 2014.**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated herein contain forward-looking statements, which involve risks and uncertainties. All statements other than statements of historical fact included or incorporated by reference in this prospectus are forward-looking statements, including, without limitation, all statements regarding future plans, business objectives, strategies, expected future financial position or performance, expected future operational position or performance, budgets and projected costs, future competitive position or goals and/or projections of management for future operations. In some cases, you can identify a forward-looking statement by terminology such as may, will, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, or the negative of such terms or variations thereon, or other comparable terminology.

The forward-looking statements included or incorporated by reference in this prospectus are largely based on our expectations and beliefs concerning future developments and their potential effect on us, which reflect certain estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions, operating trends and other factors. Forward-looking statements may include statements that relate to, among other things, our:

financial position;

business strategy and budgets;

anticipated capital expenditures;

drilling of wells, including the anticipated scheduling and results of such operations;

natural gas, oil and natural gas liquids ( NGLs ) reserves;

timing and amount of future production of natural gas, condensate, oil and NGLs;

operating costs and other expenses;

cash flow and anticipated liquidity;

prospect development; and

property acquisitions and sales.

Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. As such, management's assumptions about future events may prove to be inaccurate. For a more detailed description of the known material factors that could cause actual results to differ from those in the forward-looking statements, see "Risk Factors" beginning on page 8 of this prospectus and other risks set forth in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events, changes in circumstances or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. Management cautions all readers that the forward-looking statements included or incorporated by reference in this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the events and circumstances they describe will occur. Factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements herein include, but are not limited to:

our ability to integrate acquired assets with ours and to realize the anticipated benefits from such acquisitions;

the supply and demand for natural gas, condensate, oil and NGLs;

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low and/or declining prices for natural gas, condensate, oil and NGLs;

natural gas, condensate, oil and NGLs price volatility;

worldwide political and economic conditions and conditions in the energy market;

our ability to raise capital to fund planned capital expenditures or repay or refinance debt upon maturity;

the ability and willingness of our current or potential counterparties, third-party operators or vendors to enter into transactions with us and/or to fulfill their obligations to us;

failure of our joint interest partners to fund any or all of their portion of any capital program;

the ability to find, acquire, market, develop and produce new natural gas and oil properties;

uncertainties about the estimated quantities of natural gas and oil reserves and in the projection of future rates of production and timing of development expenditures of proved reserves;

strength and financial resources of competitors;

availability and cost of material and equipment, such as drilling rigs and transportation pipelines;

availability and cost of natural gas and NGLs processing and transportation;

changes or advances in technology;

the risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry wells, operating hazards inherent to the natural gas and oil business and down hole drilling and completion risks that are generally not recoverable from third parties or insurance;

potential mechanical failure or under-performance of significant wells or pipeline mishaps;

environmental risks;

possible new legislative initiatives and regulatory changes potentially adversely impacting our business and industry, including, but not limited to, national healthcare, hydraulic fracturing, state and federal corporate income taxes, retroactive royalty or production tax regimes, changes in environmental regulations, environmental risks and liability under federal, state and local environmental laws and regulations;

effects of the application of applicable laws and regulations, including changes in such regulations or the interpretation thereof;

potential losses from pending or possible future claims, litigation or enforcement actions;

potential defects in title to our properties or lease termination due to lack of activity or other disputes with mineral lease and royalty owners, whether regarding calculation and payment of royalties or otherwise;

the weather, including the occurrence of any adverse weather conditions and/or natural disasters affecting our business;

our ability to find and retain skilled personnel; and

any other factors that impact or could impact the exploration of natural gas or oil resources, including, but not limited to, the geology of a resource, the total amount and costs to develop recoverable reserves, legal title, regulatory, natural gas administration, marketing and operational factors relating to the extraction of natural gas and oil.

You should not unduly rely on these forward-looking statements included or incorporated by reference in this prospectus, as they speak only as of the date of this prospectus. Except as required by law, we undertake no obligation to publicly update, revise or release any revisions to these forward-looking statements after the date on which they are made to reflect new information, events or circumstances occurring after the date of this prospectus or to reflect the occurrence of unanticipated events.

**Table of Contents****SUMMARY**

*This summary highlights basic information about our business and this offering. It does not contain all of the information that you should consider before deciding whether to exchange your old notes. For a more complete understanding of our Company and the exchange offer, we encourage you to read this entire document, including Risk Factors and the financial and other information included or incorporated by reference in this prospectus, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (our 2013 Annual Report ) and the other documents to which we have referred.*

**Company Overview**

We are an independent energy company engaged in the exploration, development and production of oil, natural gas, condensate and NGLs in the United States. Our principal business activities include the identification, acquisition, and subsequent exploration and development of oil and natural gas properties with an emphasis on unconventional reserves such as shale resource plays. We are currently pursuing the development of liquids-rich natural gas in the Marcellus Shale and Utica Shale in West Virginia and are also in the early stages of exploring and developing the Hunton Limestone horizontal oil play in Oklahoma.

On January 31, 2014, our parent company, Gastar Exploration, Inc. ( Parent ), merged with and into us, as part of a reorganization to eliminate Parent's holding company corporate structure. Pursuant to the merger agreement, we changed our name from Gastar Exploration USA, Inc., to Gastar Exploration Inc. .

Our principal executive offices are located at 1331 Lamar Street, Suite 650, Houston, Texas 77010. Our telephone number at that address is (713) 739-1800. Our website address is <http://www.gastar.com>. We make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable. Information contained on our website is not incorporated by reference into this prospectus and you should not consider information contained on our website as part of this prospectus.

For additional information as to our business and financial condition, please refer to the documents cited in Incorporation of Certain Documents by Reference.

**Risk Factors**

Investing in the notes involves substantial risks. You should carefully consider all the information contained in this prospectus prior to participating in the exchange offer. In particular, we urge you to consider carefully the factors set forth under Risk Factors in this prospectus and our 2013 Annual Report, together with all of the other information included or incorporated by reference in this prospectus.

**Ratio of Earnings to Fixed Charges**

The following table sets forth the consolidated ratio of earnings to fixed charges for the periods presented:

	Year Ended December 31,				
	2009	2010	2011	2012	2013
Ratio of Earnings to Fixed Charges(1)	10.8x				4.0x

- (1) The ratio of earnings to fixed charges was less than one-to-one for the years ended December 31, 2010, 2011 and 2012. Additional earnings of \$12.8 million, \$0.1 million and \$147.1 million, respectively, would have been needed to have a one-to-one ratio of earnings to fixed charges.

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**Exchange Offer**

*On May 15, 2013, we completed a private placement of \$200,000,000 in aggregate principal amount of our 8 5/8% Senior Secured Notes due 2018, or the old notes. On November 15, 2013, we completed a private placement of an additional \$125,000,000 in aggregate principal amount of our old notes. As part of these private placements, we entered into registration rights agreements with the initial purchasers of the old notes in which we agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts to cause an exchange offer registration statement to be declared effective under the Securities Act within 360 days after May 15, 2013. The following is a summary of the exchange offer. For more information about the notes, see Description of Notes.*

**Old Notes**

On May 15, 2013, we issued \$200,000,000 aggregate principal amount of our old notes. On November 15, 2013, we issued an additional \$125,000,000 in aggregate principal amount of our old notes.

**New Notes**

The terms of the new notes are substantially identical to the terms of the old notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the old notes do not apply to the new notes. The new notes offered hereby, together with any old notes that remain outstanding after the completion of the exchange offer, will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The new notes will have a CUSIP number different from that of any old notes that remain outstanding after the completion of the exchange offer.

**Exchange Offer**

We are offering to exchange up to \$325,000,000 aggregate principal amount of new notes that have been registered under the Securities Act for an equal amount of the old notes that have not been registered under the Securities Act to satisfy our obligations under the registration rights agreements that we entered into when we issued the old notes in transactions exempt from registration under the Securities Act.

**Expiration Date**

The exchange offer will expire at 5:00 p.m., New York City time, on May 19, 2014, unless we decide to extend it.

**Conditions to the Exchange Offer**

The registration rights agreements do not require us to accept old notes for exchange if the exchange offer or the making of any exchange by a holder of the old notes would violate any applicable law or interpretation of the staff of the SEC or if any legal action has been instituted or threatened that would impair our ability to proceed with the exchange offer. A minimum aggregate principal amount of old notes being tendered is not a condition to the exchange offer. Please read Exchange

Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer.

**Procedures for Tendering Old Notes**

All of the old notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering notes held

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in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent's message that is transmitted through ATOP, and that DTC confirm that:

DTC has received instruction to exchange your old notes; and

you agree to be bound by the terms of the letter of transmittal in Annex A hereto.

For more details, please read Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering.

**Guaranteed Delivery Procedures**

None.

**Withdrawal of Tenders**

You may withdraw your tender of old notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders.

**Acceptance of Old Notes and Delivery of New Notes**

If you fulfill all conditions required for proper acceptance of the old notes, we will accept any and all old notes that you properly tender and do not validly withdraw before 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will return any old notes that we do not accept for exchange to you without expense promptly after the expiration date of the exchange offer. We will deliver the new notes promptly after the expiration date of the exchange offer. Please read Exchange Offer Terms of the Exchange Offer.

**Fees and Expenses**

We will bear all expenses related to the exchange offer. Please read Exchange Offer Fees and Expenses.

**Use of Proceeds**

The issuance of the new notes will not provide us with any new proceeds. We are making the exchange offer solely to satisfy our obligations under the registration rights agreements.

**Consequences of Failure to Exchange Old Notes**

If you do not exchange your old notes in the exchange offer, you will no longer be able to require us to register the old notes under the Securities

Act, except in the limited circumstances provided under the registration rights agreements. In addition, you will not be able to resell, offer to resell or otherwise transfer the old notes unless we have registered the old notes under the Securities Act, or unless you resell, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.

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**U.S. Federal Income Tax Consequences**    The exchange of new notes for old notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read Certain U.S. Federal Income Tax Consequences.

**Exchange Agent**    We have appointed Wells Fargo Bank, N.A. as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows:

*By Registered & Certified Mail:*

Wells Fargo Bank, N.A.

Corporate Trust Operations

MAC N9303-121

PO Box 1517

Minneapolis, Minnesota 55480

*By regular mail or overnight courier:*

Wells Fargo Bank, N.A.

Corporate Trust Operations

MAC N9303-121

Sixth & Marquette Avenue

Minneapolis, Minnesota 55479

*In person by hand only:*

Wells Fargo Bank, N.A.

12th Floor Northstar East Building

Corporate Trust Operations

608 Second Avenue South

Minneapolis, Minnesota 55402

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Eligible institutions may make requests by facsimile at (612) 667-6282 and may confirm facsimile delivery by calling (800) 344-5128.

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**Terms of the New Notes**

*The new notes will be substantially identical to the old notes, except that the new notes are registered under the Securities Act and will not have restrictions on transfer, registration rights or provisions for additional interest. The new notes will evidence the same debt as the old notes, and the same indenture will govern the new notes and the old notes. In this prospectus, we sometimes refer to the new notes and the old notes, collectively, as the notes.*

*The following summary contains basic information about the new notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the new notes, please read Description of New Notes.*

<b>Issuer</b>	Gastar Exploration Inc. (formerly Gastar Exploration USA, Inc.)
Notes Offered	\$325,000,000 aggregate principal amount of 8 5/8% Senior Secured Notes due 2018.
Maturity Date	May 15, 2018.
Interest Payment Dates	We will pay interest in cash on the notes at an annual rate of 8 5/8%.
Guarantees	The new notes will not initially be guaranteed by any of our existing subsidiaries. In the future, the notes may be guaranteed by one or more of our existing subsidiaries and certain future domestic subsidiaries.
Ranking	<p>The notes will be our and our subsidiary guarantors' senior secured obligations and will:</p> <ul style="list-style-type: none"> <li>rank equal in right of payment with all of our and our subsidiary guarantors' existing and future senior indebtedness;</li> <li>rank senior in right of payment to all of our and our subsidiary guarantors' existing and future subordinated indebtedness;</li> <li>be effectively junior to our and our subsidiary guarantors' indebtedness and obligations under our revolving credit facility to the extent of the value of the assets securing our revolving credit facility;</li> </ul>

be effectively senior to all existing and future senior unsecured debt to the extent of the value of the collateral; and

be structurally subordinated to all indebtedness and other liabilities of each of our existing and future non-guarantor subsidiaries.

Security Interest

The notes and any future guarantees will be secured by a lien on substantially all of our and our subsidiary guarantors' current proved and probable reserves and certain other assets, subject to certain exceptions; provided, however that pursuant to the terms of an intercreditor agreement, the security interest in those assets that secure the notes and any guarantees will be contractually subordinated to liens thereon that secure our revolving credit facility and certain other permitted indebtedness. Consequently, the notes and any future guarantees will be effectively subordinated to our

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revolving credit facility and such other indebtedness to the extent of the value of such assets. See Description of New Notes Collateral and Description of New Notes Intercreditor Agreement.

Intercreditor Agreement

The collateral agent and trustee under the indenture governing the notes and the administrative agent under our revolving credit facility entered into an intercreditor agreement as to the relative priorities of their respective security interests in the collateral and certain other matters relating to the administration of security interests. See Description of New Notes Intercreditor Agreement.

Optional Redemption

On or after May 15, 2015, we may redeem some or all of the notes at a premium that will decrease over time as set forth under Description of New Notes Optional Redemption, plus accrued and unpaid interest, if any, to the date of redemption.

Prior to May 15, 2015, we may, at our option, redeem up to 35% of the aggregate principal amount of the notes using the net proceeds of certain equity offerings at a price equal to 108.625% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption; provided that, following any and all such redemptions, at least 65% of the aggregate principal amount of the notes originally issued under the indenture remains outstanding and the redemption occurs within 90 days of the closing of such equity offering.

During each 12-month period prior to May 15, 2015, we may redeem up to 10% of the aggregate principal amount of the notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any.

In addition, at any time prior to May 15, 2015, we may, at our option, redeem all or a part of the notes, upon not less than 30 nor more than 60 days notice, at a redemption price equal to 100% of the principal amount of the notes redeemed plus a specified make-whole premium, plus accrued and unpaid interest, if any, to the applicable date of redemption.

If we or any of our restricted subsidiaries sell assets in the Marcellus Shale play, we may, at our option, redeem up to \$100.0 million aggregate principal amount of the notes with funds in an amount not greater than the proceeds of any such sale, at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date; *provided* that such redemption date occurs no later than

six months after the closing date of the sale of such assets. See  
Description of New Notes Optional Redemption.

Change of Control Offer

If we experience certain kinds of changes of control, each holder of the notes will have the right to require us to repurchase all or any part of their notes at an offer price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.

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Asset Sale Proceeds	Upon certain asset sales, we may be required to use an amount of cash equal to the net cash proceeds of such sales to repurchase a portion of the notes at a price in cash equal to 100% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase.
Certain Covenants	<p>The indenture governing the notes contains covenants that limit our ability and the ability of our restricted subsidiaries to, among other things:</p> <ul style="list-style-type: none"><li>transfer or sell assets or use asset sale proceeds;</li><li>pay dividends or make distributions, redeem subordinated debt or make other restricted payments;</li><li>make certain investments;</li><li>incur or guarantee additional debt or issue preferred equity securities;</li><li>create or incur certain liens on our assets;</li><li>incur dividend or other payment restrictions affecting our future restricted subsidiaries;</li><li>merge, consolidate or transfer all or substantially all of our assets;</li><li>enter into certain transactions with affiliates; and</li><li>enter into certain sale and leaseback transactions.</li></ul> <p>These covenants are subject to a number of important exceptions and qualifications and are described in more detail in <a href="#">Description of New Notes</a> <a href="#">Certain Covenants</a>.</p>
Absence of a Public Market for the Notes	The new notes are a new series of securities for which there is currently no established trading market. A market for the new notes may not develop, or if one does develop, it may not provide adequate liquidity.

We do not intend to apply for a listing of the new notes on any securities exchange or any automated dealer quotation system.

Transfer Restrictions

The new notes generally will be freely tradeable.

Risk Factors

You should carefully consider all of the information set forth in this prospectus and, in particular, you should evaluate the risks described under Risk Factors.

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**RISK FACTORS**

*You should consider carefully these risks together with all of the other information included or incorporated by reference in this prospectus and the documents to which we have referred you before deciding whether to exchange your old notes. All of the risks described below could materially and adversely affect our business prospects, financial condition, operating results and cash flows, which in turn could adversely affect our ability to satisfy our obligations under the notes.*

**Risks Related to the Exchange Offer**

*If you do not properly tender your old notes, you will continue to hold unregistered outstanding notes and your ability to transfer outstanding notes will be adversely affected.*

We will only issue new notes in exchange for old notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the old notes and you should carefully follow the instructions on how to tender your old notes. Neither we nor the exchange agent is required to tell you of any defects or irregularities with respect to your tender of old notes. Please read Exchange Offer Procedures for Tendering and Description of New Notes.

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes described in the legend on the certificates for your old notes. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or offer and sell under an exemption from these requirements. We do not plan to register any sale of the old notes under the Securities Act. For further information regarding the consequences of failing to exchange your old notes in the exchange offer, please read Exchange Offer Consequences of Failure to Exchange.

*You may find it difficult to sell your new notes.*

The new notes are a new issue of securities and, although the new notes will be registered under the Securities Act, the new notes will not be listed on any securities exchange. Because there is no public market for the new notes, you may not be able to resell them.

We cannot assure you that an active market will develop for the new notes or that any trading market that does develop will be liquid. If an active market does not develop or is not maintained, the market price and liquidity of the new notes may be adversely affected. If a market for the new notes develops, they may trade at a discount from their initial offering price. The trading market for the new notes may be adversely affected by:

changes in the overall market for non-investment grade securities;

changes in our financial performance or prospects;

the financial performance or prospects for companies in our industry generally;

the number of holders of the new notes;

the interest of securities dealers in making a market for the new notes; and

prevailing interest rates and general economic conditions.

Historically, the market for non-investment grade debt has been subject to substantial volatility in prices. The market for the new notes, if any, may be subject to similar volatility. Prospective investors in the new notes should be aware that they may be required to bear the financial risks of such investment for an indefinite period of time.

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*Some holders who exchange their old notes may be deemed to be underwriters.*

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

## **Risks Related to the Notes**

*Our substantial level of indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.*

As of December 31, 2013, we had approximately \$325.0 million of total debt outstanding and an additional \$100.0 million of borrowing availability under our revolving credit facility.

Our substantial indebtedness could have important consequences for your investment in the notes and significant effects on our business. For example, it could:

make it more difficult for us to satisfy our financial obligations, including with respect to the notes;

increase our vulnerability to general adverse economic, industry and competitive conditions;

reduce the availability of our cash flow to fund working capital and capital expenditures because we will be required to dedicate a substantial portion of our cash flow from operations to the payment of principal and interest on our indebtedness;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

prevent us from raising funds necessary to repurchase notes tendered to us if there is a change of control, which would constitute a default under the indenture governing the notes and under any future permitted first lien indebtedness;

place us at a competitive disadvantage compared to our competitors that are less highly leveraged and that, therefore, may be able to take advantage of opportunities that our leverage prevents us from exploiting; and

limit our ability to borrow additional funds.

Each of these factors may have a material and adverse effect on our financial condition and viability. Our ability to make payments with respect to the notes and to satisfy any other debt obligations will depend on our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors affecting our company and industry, many of which are beyond our control.

***Despite current indebtedness levels, we may still be able to incur substantially more debt, which would increase the risks associated with our substantial leverage.***

Even with our existing debt levels, we may be able to incur substantial additional indebtedness in the future. Although the indenture governing the notes and the documentation governing our revolving credit facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we incur additional indebtedness, the related risks that we now face would intensify and could further exacerbate the risks associated with our substantial leverage.

***We may not be able to generate sufficient cash flow to meet our debt service and other obligations, including the notes, due to events beyond our control.***

Our ability to generate cash flows from operations and to make scheduled payments on or refinance our indebtedness, including the notes, and to fund working capital needs and planned capital expenditures will

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depend on our future financial performance and our ability to generate cash in the future. Our future financial performance will be affected by a range of economic, financial, competitive, business and other factors that we cannot control, such as general economic and financial conditions. A significant reduction in operating cash flows resulting from adverse changes in general economic conditions, increased competition or other events beyond our control could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on our business, financial condition, results of operations, prospects and our ability to service our debt and other obligations, including the notes. If we are unable to service our indebtedness or to fund our other liquidity needs, we may be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, seeking additional capital, or any combination of the foregoing. If we raise additional debt, it would increase our interest expense, leverage and our operating and financial costs. We cannot assure you that any of these alternative strategies could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on the notes and any other indebtedness or to fund our other liquidity needs. Reducing or delaying capital expenditures or selling assets could delay future cash flows. In addition, the terms of existing or future debt agreements, including the indenture governing the notes and the documentation governing our revolving credit facility, may restrict us from adopting any of these alternatives. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available in an amount sufficient to enable us to pay our indebtedness, including the notes, or to fund our other liquidity needs.

The failure to generate sufficient cash flow or to effect any of these alternatives could significantly adversely affect the value of the notes and our ability to pay amounts due under the notes. If for any reason we are unable to meet our debt service and repayment obligations, including under the notes and under our revolving credit facility, we would be in default under the terms of the agreements governing our indebtedness, which would allow our creditors at that time to declare all outstanding indebtedness to be due and payable. This would likely in turn trigger cross-acceleration or cross-default rights between our applicable debt agreements. Under these circumstances, our lenders could compel us to apply all of our available cash to repay our borrowings or they could prevent us from making payments on the notes. In addition, these lenders could then seek to foreclose on our assets that are their collateral. If the amounts outstanding under the notes or under our revolving credit facility were to be accelerated, or were the subject of foreclosure actions, we cannot assure you that our assets would be sufficient to repay in full the money owed to our debt holders, including you as a noteholder.

***The indenture governing the notes and the agreement governing our revolving credit facility impose significant operating and financial restrictions, which may prevent us from pursuing certain business opportunities and restrict our ability to operate our business.***

The indenture governing the notes and the agreement governing our revolving credit facility contain customary restrictions on our activities, including covenants that limit our and our subsidiaries' ability to:

transfer or sell assets or use asset sale proceeds;

incur or guarantee additional debt or issue preferred equity securities;

pay dividends, redeem subordinated debt or make other restricted payments;

make certain investments;

create or incur certain liens on our assets;

incur dividend or other payment restrictions affecting our restricted subsidiaries;

enter into certain transactions with affiliates;

merge, consolidate or transfer all or substantially all of our assets;

enter into certain sale and leaseback transactions; and

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take or omit to take any actions that would adversely affect or impair in any material respect the collateral securing the notes.

In addition, our revolving credit facility requires us to meet a fixed charge coverage ratio when excess availability under our revolving credit facility is less than a specified level or a specified event of default occurs for a specified duration.

The restrictions in the indenture governing the notes and in the agreement governing our revolving credit facility may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We also may incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility. We cannot assure you that we will be granted waivers or amendments to these agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all. The breach of any of these covenants and restrictions could result in a default under the indenture governing the notes or under the agreement governing our revolving credit facility. An event of default under our revolving credit facility could permit some of our lenders to declare all amounts borrowed from them to be due and payable.

***Our ability to repurchase the notes with cash upon a change of control or upon an offer to repurchase the notes in the case of an asset sale, as required by the indenture governing the notes, may be limited.***

Upon the occurrence of a change of control, as defined in the indenture governing the notes, we will be required to offer to repurchase all of the outstanding notes at 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest to the date of repurchase. See Description of New Notes Repurchase at the Option of Holders Change of Control. In addition, upon the occurrence of certain asset sales, as defined in the indenture governing the notes, we will be required to offer to repurchase all of the outstanding notes at 100% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest to the date of repurchase. See Description of New Notes Repurchase at the Option of Holders Asset Sales.

However, it is possible that we will not have sufficient funds at the time of the change of control or upon an asset sale to make the required repurchase of notes, or that restrictions in the agreement governing our revolving credit facility will not allow such repurchases. Our failure to purchase tendered notes would constitute an event of default under the indenture governing the notes, which, in turn, would likely constitute a default under the agreement governing our revolving credit facility. In that event, we would need to cure or refinance our revolving credit facility before making an offer to purchase.

Moreover, the agreement governing our revolving credit facility and the agreements governing any future indebtedness we incur may restrict our ability to repurchase the notes, including following a change of control event or upon an asset sale, as required by the indenture governing the notes. As a result, following such an event, we would not be able to repurchase notes unless we first repaid all such indebtedness or obtained a waiver from the holders of such indebtedness to permit us to repurchase the notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase outstanding notes may therefore require us to refinance any other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. These repurchase requirements may also delay or make it more difficult for others to obtain control of us.

In addition, certain important corporate events, such as takeovers, recapitalizations, restructurings, mergers or similar transactions, may not constitute a change of control under the indenture governing the notes and, therefore, would not permit the holders of the notes to require us to repurchase the notes. See Description of New Notes Repurchase at the Option of Holders Change of Control.



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In addition, the definition of change of control includes a phrase relating to the sale or other transfer of all or substantially all of the properties or assets of the Company and its subsidiaries, taken as a whole. There is no precise definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty in ascertaining whether a particular transaction would involve a disposition of all or substantially all of the assets of the Company, and, therefore, it may be unclear as to whether a change of control has occurred and whether the holders of the notes have the right to require us to repurchase such notes.

***The value of the noteholders' security interest in the collateral may not be sufficient to satisfy all our obligations under the notes.***

The notes and our obligations under our revolving credit facility are secured on a senior secured basis by a lien on substantially all of our current proved reserves and certain other assets, subject to certain permitted liens and certain excluded assets. See Description of New Notes Collateral.

No appraisals of any of the collateral securing the notes have been prepared by us or on behalf of us in connection with this exchange offer. The fair market value of the collateral is subject to fluctuations based on factors that include, among others, our ability to implement our business strategy, the ability to sell the collateral in an orderly sale, general economic conditions, the availability of buyers and similar factors. In addition, courts could limit recovery if they apply non-New York law to a proceeding and deem a portion of the interest claim usurious in violation of public policy. The amount to be received upon the sale of any collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, general market and economic conditions and the timing and the manner of the sale.

In the event of a foreclosure on the collateral (or a distribution in respect thereof in a bankruptcy or insolvency proceeding), the proceeds from such collateral may not be sufficient to satisfy the notes because such proceeds would, under the intercreditor agreement, first be applied to satisfy our obligations under our revolving credit facility and certain hedging and cash management obligations. Only after all of our obligations under our revolving credit facility and such other obligations have been satisfied will proceeds from such collateral be applied to satisfy our obligations under the notes. In addition, in the event of a foreclosure on the notes collateral, the proceeds from such foreclosure may not be sufficient to satisfy our obligations under the notes. In particular, we have not obtained any valuation for the notes collateral.

If we default on the notes, the holders of the notes will be secured only to the extent of the value of the assets underlying their security interest. To prevent foreclosure, we may be motivated to commence voluntary bankruptcy proceedings, or the holders of the notes and/or various other interested persons may be motivated to institute bankruptcy proceedings against us. The commencement of such bankruptcy proceedings would expose the holders of the notes to additional risks, including additional restrictions on exercising rights against collateral. See Rights of holders of notes in the collateral may be adversely affected by bankruptcy proceedings.

The agreement governing our revolving credit facility and the indenture governing the notes allow us to incur additional obligations secured by liens in amounts that may be significant. Any additional indebtedness or obligations secured by a lien on the collateral securing the notes could adversely affect the relative position of the holders of the notes with respect to the collateral securing the notes.

The collateral may be subject to exceptions, defects, encumbrances, liens and other imperfections. Further, the value of the collateral at any time will depend on market and other economic conditions, including the availability of suitable buyers for the collateral. By its nature, some or all of the collateral may be illiquid and may have no readily ascertainable market value. The value of the assets pledged as collateral for the notes could be impaired in the future

as a result of changing economic conditions, our failure to implement our business strategy, competition or other future trends. There also can be no assurance that the collateral will be saleable, and, even if saleable, the timing of its liquidation would be uncertain.

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Accordingly, there may not be sufficient collateral to pay all or any of the amounts due on the notes. Any claim for the difference between the amount, if any, realized by holders of the notes from the sale of the collateral securing the notes and the obligations under the notes will rank equally in right of payment with all of our other unsecured unsubordinated indebtedness and other obligations, including trade payables.

With respect to some of the collateral, the collateral agent's security interest and ability to foreclose will also be limited by the need to meet certain requirements, such as obtaining third-party consents and making additional filings. If we are unable to obtain these consents or make these filings, the security interests may be invalid and the holders will not be entitled to the collateral or any recovery with respect thereto. We cannot assure you that any such required consents can be obtained on a timely basis or at all. These requirements may limit the number of potential bidders for certain collateral in any foreclosure and may delay any sale, either of which events may have an adverse effect on the sale price of the collateral. Therefore, the practical value of realizing on the collateral may, without the appropriate consents and filings, be limited.

***Other secured indebtedness, including indebtedness under our revolving credit facility, will be senior to the notes to the extent of the value of the collateral securing such indebtedness on a first-priority basis.***

Obligations under our revolving credit facility are secured by a first-priority lien on substantially all of our current proved and probable reserves and certain other assets. The notes and any future guarantees will be secured by a second-priority lien on the assets. Any rights to payment and claims by the holders of the notes will, therefore, be fully subordinated to any rights to payment and claims by our creditors under our revolving credit facility with respect to distributions of such collateral. Only when our obligations under our revolving credit facility are satisfied in full will the proceeds of the collateral be available, subject to other permitted liens, to satisfy obligations under the notes and any future guarantees. Consequently, the notes and any future guarantees are effectively subordinated to our revolving credit facility to the extent of the value of the collateral. In addition, the indenture governing the notes allows us to incur other permitted liens on our assets, as well as additional indebtedness that may be secured by liens on the collateral, which liens may be prior to the liens securing the notes. Any such indebtedness or other obligations secured by such permitted liens may further limit the recovery from the realization of the value of such collateral available to satisfy holders of the notes.

***The security interest in after-acquired property may not be perfected promptly or at all.***

Applicable law requires that security interests in certain property acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. If additional subsidiaries are formed or acquired that are required to guarantee the notes pursuant to the terms of the indenture governing the notes, additional financing statements may be required to be filed to perfect the security interests in the assets of such subsidiaries. Depending on the type of the assets constituting after-acquired collateral, additional action may be required to be taken with respect to the notes, or our revolving credit facility, to perfect the security interests in such assets, such as the delivery of physical collateral, the execution of account control agreements or the execution and recordation of mortgages or deeds of trust. Applicable law requires that certain property and rights acquired after the grant of a general security interest can only be perfected at the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral agent will monitor, or that we will inform the trustee or collateral agent of, the future acquisition of property and rights that constitute collateral, and that the necessary action will be taken to properly perfect the security interest in such after-acquired collateral. Neither the trustee nor the collateral agent has an obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interest. Such failure may result in the loss of the security interest in certain of the after-acquired collateral or the priority of the security interest in favor of the notes against third parties.



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*There are circumstances other than repayment or discharge of the notes under which the collateral securing the notes and any future guarantees will be released automatically, without holders consent or the consent of the trustee under the indenture governing the notes.*

Under various circumstances, al