

SWIFT ENERGY CO
Form 424B3
April 12, 2012
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Filed Pursuant to Rule 424(b)(3)
Registration No. 333-180237

PROSPECTUS

Offer to Exchange

Up To \$250,000,000 of

7⁷/₈% Senior Notes due 2022

That Have Not Been Registered Under

The Securities Act of 1933

(Old Notes)

for

Up To \$250,000,000 of

7⁷/₈% Senior Notes due 2022

That Have Been Registered Under

The Securities Act of 1933

(New Notes)

Terms of the new 7⁷/₈% senior notes due 2022 offered in the exchange offer:

The terms of the New Notes are identical to the terms of the Old Notes that were issued on November 30, 2011, except that the New Notes have been registered under the Securities Act of 1933 and will not contain restrictions on transfer, registration rights or provisions for additional interest.

Terms of the exchange offer:

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We are offering to exchange up to \$250,000,000 of our Old Notes for New Notes with materially identical terms that have been registered under the Securities Act of 1933 and are freely tradeable.

We will exchange all Old Notes that you validly tender and do not validly withdraw before the exchange offer expires for an equal principal amount of New Notes.

The exchange offer expires at 5:00 p.m., New York City time, on May 10, 2012, unless extended.

Tenders of Old Notes may be withdrawn at any time prior to the expiration of the exchange offer.

The exchange of Old Notes for New Notes will not be treated as a taxable event to holders for U.S. federal income tax purposes.

There is no existing market for the New Notes to be issued, and we do not intend to apply for their listing on any securities exchange or arrange for them to be quoted on any quotation system.

You should carefully consider the Risk Factors beginning on page 6 of this prospectus before participating in the exchange offer.

Each broker-dealer that receives New Notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. 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. See 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 11, 2012

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This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. In making your investment decision, you should rely only on the information contained or incorporated by reference in this prospectus and in the accompanying letter of transmittal. In this prospectus, the words Swift, we, us and our refer to Swift Energy Company and not to any of its subsidiaries. We have not authorized anyone to provide you with any other information. We are not making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where an offer or solicitation is not authorized or in which the person making that offer or solicitation is not qualified to do so or to anyone whom it is unlawful to make an offer or solicitation. You should not assume that the information contained in this prospectus, as well as the information we previously filed with the Securities and Exchange Commission that is incorporated by reference herein, is accurate as of any date other than its respective date. Our business, financial condition, results of operations and prospects may have changed since those dates.

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This prospectus incorporates important business and financial information about us that is not included or delivered with this prospectus. Such information is available without charge to holders of Old Notes upon written or oral request made to Swift Energy Company, Investor Relations Department, 16825 Northchase Drive, Suite 400, Houston, Texas 77060 (Telephone (281) 874-2700). To obtain timely delivery of any requested information, holders of Old Notes must make any request no later than five business days prior to the expiration of the exchange offer.

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Cautionary Note Regarding Forward-Looking Statements

This prospectus and the documents incorporated by reference contain forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this prospectus and the documents incorporated by reference, regarding our strategy, future operations, financial position, estimated revenues, production and reserves, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this prospectus, the words could, believe, anticipate, intend, estimate, expect, may, continue, predict, potential, project and similar are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Forward-looking statements may include statements about our:

business strategy;

reserves;

technology;

cash flows and liquidity;

financial strategy, budget, projections and operating results;

oil and natural gas realized prices;

timing and amount of future production of oil and natural gas;

availability of drilling and production equipment;

availability of oil field labor;

the amount, nature and timing of capital expenditures, including future development costs;

availability and terms of capital;

drilling of wells;

marketing of oil and natural gas;

property acquisitions;

costs of exploiting and developing our properties and conducting other operations;

general economic conditions;

competition in the oil and natural gas industry;

effectiveness of our risk management activities;

environmental liabilities;

counterparty credit risk;

governmental regulation and taxation of the oil and natural gas industry;

developments in oil-producing and natural gas-producing countries;

uncertainty regarding our future operating results;

estimated future net reserves and present value thereof; and

plans, objectives, expectations and intentions contained in this prospectus that are not historical.

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All forward-looking statements speak only as of the date they are made. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus and the documents incorporated by reference are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under Risk Factors in this prospectus on page 6 and in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2011. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. We undertake no obligation to publicly release the results of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events. See also Where You Can Find More Information; Incorporation by Reference.

Where You Can Find More Information; Incorporation by Reference

We are subject to the informational requirements of the Securities Exchange Act of 1934, which requires us to file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of its public reference room and its copy charges. You may view our SEC filings electronically at the SEC's Internet site at <http://www.sec.gov>, or at our own website at <http://www.swiftenergy.com>. We do not intend for information contained in our website to be part of this prospectus.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. Any information referred to in this way is considered part of this prospectus from the date we file that document. Any reports filed by us with the SEC after the date of this prospectus and before the date that the offering of the securities by means of this prospectus and any supplement thereto is terminated will automatically update and, where applicable, supersede any information contained in this prospectus or incorporated by reference in this prospectus. We incorporate by reference (excluding any information furnished pursuant to Items 2.02 or 7.01 of any report on Form 8-K) the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the date the exchange offer is terminated:

Our annual report on Form 10-K for the year ended December 31, 2011, filed February 23, 2012; and

Our current report on Form 8-K filed March 5, 2012.

You may request a copy of these filings at no cost, by writing or telephoning:

Swift Energy Company, Investor Relations Department

16825 Northchase Drive, Suite 400

Houston, TX 77060

Telephone number: (281) 874-2700

You should rely only on the information incorporated by reference or provided in this prospectus. We have not authorized anyone else to provide you with any information. You should not assume that the information provided in this prospectus or incorporated by reference is accurate as of any date other than the date on the front cover or the date of the incorporated material, as applicable.

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Prospectus Summary

This summary highlights some of the information contained in this prospectus and does not contain all of the information that may be important to you. You should read this entire prospectus and the documents incorporated by reference and to which we refer you before making an investment decision. You should carefully consider the information set forth under Risk Factors beginning on page 6 of this prospectus, the other cautionary statements described in this prospectus, and the risk factors and other cautionary statements, including those described under the heading Risk Factors, in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference in this prospectus, and, to the extent applicable, any subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. In addition, certain statements include forward-looking information that involves risks and uncertainties. See Cautionary note regarding forward-looking statements.

In this prospectus we refer to the notes to be issued in the exchange offer as the New Notes and the notes issued on November 30, 2011 as the Old Notes. We refer to the New Notes and the Old Notes collectively as the Notes.

The Company

Swift Energy Company, founded in 1979 and headquartered in Houston, engages in developing, exploring, acquiring and operating oil and gas properties, with a focus on oil and natural gas reserves onshore in Texas and Louisiana and in the inland waters of Louisiana. Swift is one of the largest producers of crude oil in the state of Louisiana, and holds a large acreage position in Texas prospective for Eagle Ford shale and Olmos tight sands development.

At December 31, 2011, Swift had estimated proved reserves from continuing operations of 159.6 MMBoe. Our total estimated proved reserves at year-end 2011 comprised approximately 20% crude oil, 64% natural gas, and 16% NGLs; and 35% of our total proved reserves were proved developed. At December 31, 2011, our proved reserves are concentrated, with 79% of the total in Texas and 21% in Louisiana.

Swift's executive offices are located at 16825 Northchase Drive, Suite 400, Houston, Texas 77060, and Swift's telephone number is (281) 874-2700.

The Subsidiary Guarantors

Any Subsidiary Guarantors may fully and unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus. Initially, Swift Energy Operating, LLC, our principal domestic operating subsidiary, will guarantee the Notes. Financial information concerning our Subsidiary Guarantors and any non-guarantor subsidiaries will be included in our consolidated financial statements filed as part of our periodic reports filed pursuant to the Exchange Act to the extent required by the rules and regulations of the SEC.

Risk Factors

Investing in the notes involves substantial risks. You should carefully consider all the information contained in this prospectus, including information in documents incorporated by reference, prior to participating in the exchange offer. In particular, we urge you to consider carefully the factors set forth under Risk Factors beginning on page 6 of this prospectus and those risk factors incorporated by reference to our Annual Report on Form 10-K for the year ended December 31, 2011 and, to the extent applicable, any subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. Occurrence of the events described in any of those risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

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Exchange Offer

On November 30, 2011, we completed a private offering of the Old Notes. We entered into a registration rights agreement with the initial purchasers in the private offering in which we agreed to deliver to you this prospectus and to use commercially reasonable efforts to complete the exchange offer within 360 days after the date we issued the Old Notes.

Exchange Offer	We are offering to exchange Old Notes for New Notes.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on, May 10, 2012, unless we decide to extend it.
Condition to the Exchange Offer	The registration rights agreement does 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 Securities and Exchange Commission. The exchange offer is not conditioned on a minimum aggregate principal amount of Old Notes being tendered.
Procedures for Tendering Old Notes	<p>Tender of Old Notes is to be made according to the Automated Tender Offer Program (ATOP) of The Depository Trust Company (DTC). DTC participants that are accepting the exchange offer must transmit their acceptance to DTC, which will verify the acceptance and execute a book-entry delivery to the exchange agent s DTC account. DTC will then send a computer generated message known as an agent s message to the exchange agent for its acceptance. For you to validly tender your Old Notes in the exchange offer the exchange agent must receive, prior to the expiration date, an agent s message under the ATOP procedures that confirms that:</p> <p>DTC has received your instructions to tender your Old Notes; and</p> <p>you agree to be bound by the terms of the letter of transmittal.</p> <p>For more information on tendering your Old Notes, see the section in this prospectus entitled Exchange Offer Terms of the Exchange Offer, Exchange Offer Procedures for Tendering, and Description of Notes Book Entry.</p>
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 may electronically transmit a request for withdrawal or revocation to DTC. DTC will then edit the request and send a request message (a request message) to the exchange agent. The request message must be received prior to the expiration date. See the section in this prospectus entitled Exchange Offer Withdrawal of Tenders.

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Acceptance of Old Notes and Delivery of New Notes If you fulfill all conditions required for proper acceptance of Old Notes and all conditions to the exchange offer are satisfied, we will

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accept any and all Old Notes that you properly tender in the exchange offer on or before 5:00 p.m. New York City time on the expiration date. We will return any old note that we do not accept for exchange to you without expense promptly after the expiration date and acceptance of the Old Notes for exchange. See the section in this prospectus entitled Exchange Offer Terms of the Exchange Offer.

Fees and Expenses

We will bear expenses related to the exchange offer. See the section in this prospectus entitled 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 this exchange offer solely to satisfy our obligations under our registration rights agreement.

Consequences of Failure to Exchange Old Notes

If you do not exchange your Old Notes in this exchange offer, you will no longer be able to require us to register the Old Notes under the Securities Act of 1933 except in limited circumstances provided under the registration rights agreement entered into as part of the original issuance of the Old Notes. 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 of 1933, 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 of 1933.

U.S. Federal Income Tax Consequences

Subject to the foregoing, the exchange of Old Notes for New Notes in the exchange offer will not be treated as an exchange for U.S. federal income tax purposes, because the New Notes will not be considered to differ materially in kind or extent from the Old Notes. Accordingly, the exchange of Old Notes for New Notes will not be a taxable event to holders for U.S. federal income tax purposes. Moreover, the New Notes will have the same tax attributes as the Old Notes and the same United States federal income tax consequences to holders as the Old Notes have to holders, including without limitation, the same issue price, adjusted issue price, adjusted tax basis and holding period.

Exchange Agent

We have appointed Wells Fargo Bank, National Association as exchange agent for the exchange offer. You should direct questions and requests for assistance, requests for additional copies of this prospectus or the letter of transmittal to the exchange agent addressed as follows: Wells Fargo Bank, National Association, Attn: Patrick Giordano, Vice President, 750 N. Saint Paul Place, Suite 1750, Dallas, Texas 75201. Eligible institutions may make requests by facsimile at (214) 756-7401 and may confirm facsimile delivery by calling (214) 756-7401.

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Terms of the New Notes

The New Notes will be identical to the Old Notes except that the New Notes are registered under the Securities Act of 1933 and will not have restrictions on transfer, registration rights or provisions for additional interest except as set forth in the indenture under which the Old Notes were issued and under the heading *Description of Notes*. 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.

The following summary contains basic information about the New Notes and is not intended to be complete. It does not contain all information that may be important to you. For a more complete understanding of the New Notes, see the section entitled *Description of Notes* in this prospectus.

Issuer	Swift Energy Company
Securities Offered	\$250 million aggregate principal amount of 7 ⁷ / ₈ % senior notes due 2022.
Maturity	March 1, 2022.
Interest Payment Dates	7 ⁷ / ₈ % per annum, payable March 1 and September 1 of each year, which commenced March 1, 2012. Interest will accrue on the notes from November 30, 2011. Interest on each new note will accrue from the last interest payment date on which interest was paid on the old note tendered in exchange thereof.
Optional Redemption	<p>On or after March 1, 2017, we may redeem some or all of the notes at any time at the prices listed under the heading <i>Description of Notes Optional Redemption</i>, together with any accrued and unpaid interest to, but excluding the date of such redemption.</p> <p>Before March 1, 2015, we may redeem up to 35% of the aggregate principal amount of the notes originally issued with the proceeds from certain equity offerings. In addition, we may redeem some or all of the notes prior to March 1, 2017 at a price equal to 100% of the principal amount plus the applicable make-whole premium set forth under the heading <i>Description of Notes Optional Redemption</i>, together with any accrued and unpaid interest to, but excluding, the date of such redemption.</p>
Change of Control	If a change of control of Swift occurs, we must offer to repurchase the notes at a purchase price of 101% of their face amount, plus accrued interest to the date we repurchase the notes.
Subsidiary Guarantee	Initially, Swift Energy Operating, LLC, our principal domestic operating subsidiary, will guarantee the notes. In the future, if any of our other domestic subsidiaries incurs debt, issues preferred stock or guarantees any of our debt, that subsidiary may be required to guarantee the notes.
Ranking	The New Notes will be our general senior unsecured obligations and will:

rank equally in right of payment with all our existing and future senior indebtedness;

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be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including indebtedness under our bank credit facility;

rank senior to all of our existing and future subordinated indebtedness; and

effectively be subordinated to all indebtedness of our non-guarantor subsidiaries.

The guarantee of Swift Energy Operating, LLC will rank equally in right of payment with all of its existing and future senior indebtedness, including its indebtedness under our bank credit facility.

As of December 31, 2011, we had no secured indebtedness outstanding under our revolving credit facility. As of December 31, 2011, our non-guarantor subsidiaries had no indebtedness outstanding.

Certain Covenants

We will issue the New Notes under the indenture containing covenants for your benefit. These covenants restrict our ability and the ability of our subsidiaries to:

incur, assume or guarantee additional debt or issue preferred stock;

create liens;

pay dividends or make other restricted payments;

make investments;

transfer or sell assets;

enter into transactions with affiliates;

incur dividend or other payment restrictions affecting subsidiaries; or

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

These covenants are subject to important exceptions and qualifications, which are described under the captions "Description of Notes - Certain Covenants" and "Merger, Consolidation and Sale of Substantially All Assets."

The indenture allows termination of many of the covenants discussed above if in the future the notes are rated investment grade by both Moody's and S&P and no default has occurred and is continuing under the indenture. See Description of Notes Certain Covenants Covenant Termination.

Investing in the New Notes involves risks. See Risk Factors beginning on page 6 for a discussion of certain factors you should consider in evaluating an investment in the New Notes.

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Risk Factors

*Investing in the notes involves risks. You should carefully consider the information included or incorporated by reference in this prospectus, including the matters addressed under **Cautionary Note Regarding Forward-Looking Statements**, and the following risks before investing in the notes. In addition, you should read the risk factors in our Annual Report on Form 10-K for the year ended December 31, 2011, which is incorporated by reference in this prospectus and, to the extent applicable, any subsequently filed Quarterly Reports on Form 10-Q or Current Reports on Form 8-K.*

We are subject to certain risks and hazards due to the nature of the business activities we conduct. The risks to which we allude in the previous paragraph, any of which could materially and adversely affect our business, financial condition, cash flows, and results of operations, are not the only risks we face. We may experience additional risks and uncertainties not currently known to us; or, as a result of developments occurring in the future, conditions that we currently deem to be immaterial may also materially and adversely affect our business, financial condition, cash flows, and results of operations.

Risks relating to the notes

If you fail to exchange your Old Notes, they will continue to be restricted securities and may become less liquid.

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 to the exchange agent 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.

If you do not exchange your Old Notes for New Notes pursuant to the exchange offer, the Old Notes you hold will continue to be subject to the existing transfer restrictions. In general, you may not offer or sell the Old Notes except under an exemption from, or in a transaction not subject to, the Securities Act of 1933 and applicable state securities laws. We do not plan to register Old Notes under the Securities Act of 1933 unless our registration rights agreement with the initial purchasers of the Old Notes requires us to do so. Further, if you continue to hold any Old Notes after the exchange offer is consummated, you may have trouble selling them because there will be fewer of these notes outstanding.

As a holding company, our only source of cash is distributions from our subsidiaries.

We are a holding company with no operations of our own and we conduct all of our business through our subsidiaries. We are wholly dependent on the cash flow of our subsidiaries and dividends and distributions to us from our subsidiaries in order to service our current indebtedness, including the notes, and any of our future obligations. Our subsidiaries are separate and distinct legal entities and will have no obligation, contingent or otherwise, to pay any amounts due pursuant to the notes or to make any funds available therefor. The ability of our subsidiaries to pay such dividends and distributions will be subject to, among other things, statutory or contractual restrictions. We cannot assure you that our subsidiaries will generate cash flow sufficient to pay dividends or distributions to us in order for us to pay interest or make other payments on the notes.

Holders of the notes will be effectively subordinated to all of our non-guarantor subsidiaries' indebtedness.

Initially, Swift Energy Operating, LLC is required to guarantee the notes offered by this prospectus. None of our other subsidiaries are required to guarantee the notes. In addition, we may be able to designate one or more subsidiaries in the future as unrestricted subsidiaries that would not be required to guarantee the notes. As a result, holders of the notes will be effectively subordinated to the indebtedness and other liabilities of these non-guarantor subsidiaries, including trade creditors. Therefore, in the event of the insolvency or liquidation of a non-guarantor subsidiary, following payment by that subsidiary of its liabilities, such subsidiary may not have

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sufficient remaining assets to make payments to us. In the event of a default by any such subsidiary under any credit arrangement or other indebtedness, its creditors could accelerate such debt, prior to such subsidiary distributing amounts to us that we could have used to make payments on the notes. As of December 31, 2011, our non-guarantor subsidiaries had no indebtedness outstanding.

The notes and the guarantee are not secured by our assets and are effectively subordinated to all of our secured indebtedness to the extent of the value of assets securing such indebtedness.

The notes and the guarantee will be the general unsecured obligations of Swift and Swift Energy Operating, LLC, respectively, and will be effectively subordinated in right of payment to all of the secured indebtedness of Swift and Swift Energy Operating, LLC, to the extent of the value of the assets securing such indebtedness. If we become insolvent or are liquidated, our assets that serve as collateral under our secured indebtedness would be made available to satisfy our obligations under any secured debt before any payments are made on the notes. Our obligations under our bank credit facility are secured by substantially all of our assets. As of December 31, 2011, we had no outstanding bank borrowings, excluding letters of credit. See Description of Notes Certain Covenants Limitation on Indebtedness.

We may not be able to generate enough cash flow to meet our debt obligations.

We expect our earnings and cash flow to vary significantly from year to year due to the nature of our industry. As a result, the amount of debt that we can manage in some periods may not be appropriate for us in other periods. Additionally, our future cash flow may be insufficient to meet our debt obligations and other commitments, including our obligations under the notes. Any insufficiency could negatively impact our business. A range of economic, competitive, business and industry factors will affect our future financial performance, and, as a result, our ability to generate cash flow from operations and to pay our debt, including our obligations under the notes. Many of these factors, such as oil and natural gas prices, economic and financial conditions in our industry and the global economy and initiatives of our competitors, are beyond our control. If we do not generate enough cash flow from operations to satisfy our debt obligations, we may have to undertake alternative financing plans, such as:

Selling assets;

Reducing or delaying capital investments;

Seeking to raise additional capital; or

Refinancing or restructuring our debt.

If for any reason we are unable to meet our debt service and repayment obligations, we would be in default under the terms of the agreements governing our debt, which would allow our creditors at that time to declare all outstanding indebtedness to be due and payable, which would in turn trigger cross-acceleration or cross-default rights between the relevant agreements. In addition, 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. If amounts outstanding under our revolving credit facility, the \$250 million principal amount of our 7¹/₈% Senior Notes due 2017, the \$225 million principal amount of our 8⁷/₈% Senior Notes due 2020 or the notes were to be accelerated, we cannot be certain that our assets would be sufficient to repay in full the money owed to our lenders or to our other debt holders, including you as a noteholder.

The indenture governing the notes and our revolving credit facility contain operating and financial restrictions that may restrict our business and financing activities.

The indenture governing the notes and our revolving credit facility contain, and any future indebtedness we incur may contain, a number of restrictive covenants that will impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

sell assets, including equity interests in our subsidiaries;

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pay distributions on, redeem or repurchase our common stock or redeem or repurchase our subordinated debt;

make investments;

incur or guarantee additional indebtedness or issue preferred stock;

create or incur certain liens;

make certain acquisitions and investments;

redeem or prepay other debt;

enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us;

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

engage in transactions with affiliates;

create unrestricted subsidiaries;

enter into sale and leaseback transactions; and

engage in certain business activities.

As a result of these covenants, we will be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

Our ability to comply with some of the covenants and restrictions contained in our revolving credit facility and the indenture governing the notes may be affected by events beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. A failure to comply with the covenants, ratios or tests in our revolving credit facility, the indenture governing the notes or any future indebtedness could result in an event of default under our revolving credit facility, the indenture governing the notes or our future indebtedness, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations. If an event of default under our revolving credit facility occurs and remains uncured, the lenders thereunder:

would not be required to lend any additional amounts to us;

could elect to declare all borrowings outstanding, together with accrued and unpaid interest and fees, to be due and payable;

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may have the ability to require us to apply all of our available cash to repay these borrowings; or

may prevent us from making debt service payments under our other agreements.

A payment default or an acceleration under our revolving credit facility could result in an event of default and an acceleration under the indenture for the notes.

If the indebtedness under the notes were to be accelerated, there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness in full. In addition, our obligations under our revolving credit facility are collateralized by first priority liens and security interests on substantially all of our assets, including mortgage liens on oil and natural gas properties having at least 80% of the reserve value as determined by reserve reports, and if we are unable to repay our indebtedness under the revolving credit facility, the lenders could seek to foreclose on our assets. Please see Description of notes.

If we experience a change of control, we may be unable to repurchase the notes as required under the indenture.

In the event of a change of control, holders of the notes will have the right to require us, subject to various conditions, to repurchase the notes, and the holders of our outstanding 7¹/₈% senior notes due 2017 and our

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outstanding 8^{7/8}% senior notes due 2020 would all have a similar right. We may not have sufficient financial resources to repurchase the notes, or we may be prohibited from doing so under our bank credit facility or other debt agreements.

If a change of control occurs and we fail to repurchase the notes, our failure to do so would constitute a default under the indenture, which in turn is likely to be a default under our bank credit facility and our other outstanding senior notes.

The term "change of control" is limited to certain specified transactions and may not include other events that might adversely affect our financial condition. Our obligation to repurchase the notes upon a change of control would not necessarily afford holders of notes protection in the event of a highly leveraged transaction, reorganization, merger or similar transaction.

Many of the covenants contained in the indenture governing the notes will terminate if the notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc.

Many of the covenants in the indenture governing the notes will terminate if the notes are rated investment grade by both Standard & Poor's Ratings Services and Moody's Investors Service, Inc., provided at such time no default under the indenture governing the notes has occurred and is continuing. These covenants restrict, among other things, our ability to pay dividends, to incur indebtedness and to enter into certain other transactions. There can be no assurance that the notes will ever be rated investment grade, or that if they are rated investment grade, that the notes will maintain such ratings. However, termination of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force. See "Description of Notes—Certain Covenants—Covenant Termination."

A guarantee could be avoided if the guarantor fraudulently transferred the guarantee at the time it incurred the indebtedness, which could result in the noteholders being able to rely on only us, and not the guarantor, to satisfy claims.

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be avoided, or claims under a guarantee may be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by its guarantee:

intended to hinder, delay or defraud any present or future creditor or received less than reasonably equivalent value or fair consideration for the incurrence of the guarantee;

was insolvent or rendered insolvent by reason of such incurrence;

was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they mature.

In addition, any payment by that guarantor under a guarantee could be avoided and required to be returned to the guarantor or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the governing law. Generally, a guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets;

the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they became absolute and mature; or

it could not pay its debts as they became due.

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On the basis of historical financial information, recent operating history and other factors, we believe that the subsidiary guarantee of the notes is being incurred for proper purposes and in good faith and that the subsidiary guarantor, after giving effect to its guarantee of the notes, will not be insolvent, have unreasonably small capital for the business in which it is engaged or have incurred debts beyond its ability to pay those debts as they mature. We cannot be certain, however, that a court would agree with our conclusions in this regard.

Your ability to sell the notes may be limited by the absence of a trading market.

The New Notes will be securities for which there currently is no trading market. The liquidity of any market for the New Notes will depend on the number of holders of the New Notes, the interest of securities dealers in making a market in the New Notes and other factors. Accordingly, we cannot assure you as to the development or liquidity of any market for the New Notes. Historically, the market for noninvestment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. We cannot assure you that the market, if any, for the New Notes will be free from similar disruptions. Any such disruption may adversely affect the noteholders' ability to sell the New Notes.

Because we anticipate that most holders of Old Notes will elect to exchange such Old Notes, we expect that the liquidity of the market for any Old Notes remaining after the completion of the exchange offer may be substantially limited. Any Old Notes tendered and exchanged will reduce the aggregate principal amount of the Old Notes outstanding. Following the exchange offer, if you did not tender your Old Notes you generally will not have any further registration rights, and such Old Notes will continue to be subject to certain transfer restrictions. Accordingly, the liquidity of the market for such Old Notes could be adversely affected.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and any rating assigned to the notes could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse financial changes, so warrant. Consequently, real or anticipated changes in our credit ratings would generally affect the market value of the notes. Credit ratings are not recommendations to purchase, hold or sell the notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the notes.

Any future lowering of our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your notes without a substantial discount.

A financial failure by us or our subsidiaries may result in the assets of any or all of those entities becoming subject to the claims of all creditors of those entities.

A financial failure by us or our subsidiaries could affect payment of the notes if a bankruptcy court were to substantively consolidate us and our subsidiaries. If a bankruptcy court substantively consolidated us and our subsidiaries, the assets of each entity would be subject to the claims of creditors of all entities. This would expose you not only to the usual impairments arising from bankruptcy, but also to potential dilution of the amount ultimately recoverable because of the larger creditor base. Furthermore, forced restructuring of the notes could occur through the cram-down provision of the bankruptcy code. Under this provision, the notes could be restructured over your objections as to their general terms, including their interest rate and maturity.

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Exchange Offer

Purpose and Effect of the Exchange Offer

At the closing of the offering of the Old Notes, we entered into a registration rights agreement with the initial purchasers pursuant to which we agreed, for the benefit of the holders of the Old Notes, at our cost, to use commercially reasonable efforts to:

file an exchange offer registration statement with the SEC with respect to the exchange offer for the New Notes, and

have the exchange offer completed by the 360th day following issuance of the notes.

Additionally, we agreed to offer the New Notes in exchange for surrender of the Old Notes upon the SEC's declaring the exchange offer registration statement effective. We agreed to use commercially reasonable efforts to cause the exchange offer registration statement to become and remain effective until 180 days after the last exchange date for use by one or more participating broker-dealers, and to keep the exchange offer open for a period of not less than 20 business days.

For each Old Note surrendered to us pursuant to the exchange offer, the holder of such Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. Interest on each New Note will accrue from the last interest payment date on which interest was paid on the surrendered Old Note.

Based on interpretations by the staff of the SEC set forth in no-action letters issued to third parties, we believe that the New Notes issued pursuant to the exchange offer would in general be freely tradable after the exchange offer without further registration under the Securities Act. However, any purchaser of Old Notes who is an affiliate of ours or who intends to participate in the exchange offer for the purpose of distributing the related New Notes:

will not be able to rely on the interpretation of the staff of the SEC,

will not be able to tender its Old Notes in the exchange offer, and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the Old Notes unless such sale or transfer is made pursuant to an exemption from such requirements.