Midstates Petroleum Company, Inc.
Form S-4
October 02, 2015

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**As filed with the Securities and Exchange Commission on October 2, 2015**

**Registration No. 333-**

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM S-4

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

# Midstates Petroleum Company, Inc.*

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware** | **1311** | **45 3691816** |
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (IRS Employer Identification Number) |

**321 South Boston Avenue, Suite 1000
Tulsa, Oklahoma 74103
(918) 947-8550**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Scott C. Weatherholt
Vice President Land, Legal and Corporate Secretary
321 South Boston Avenue, Suite 1000
Tulsa, Oklahoma 74103
(918) 947-8550**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Copy to:**

**Matthew R. Pacey
Kirkland & Ellis LLP
600 Travis, Suite 3300
Houston, Texas 77002
(713) 835 3600**

**Approximate date of commencement of proposed sale of the securities to the public:**
**As soon as practicable after the effective date of this registration statement.**

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer ý | Non-accelerated filer o (Do not check if a smaller reporting company) | Smaller reporting company o |

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e 4(i) (Cross Border Issuer Tender Offer) o

Exchange Act Rule 14d 1(d) (Cross Border Third Party Tender Offer) o

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**CALCULATION OF REGISTRATION FEE**

| **Title of Each Class of Securities to be Registered** | **Amount to be Registered** | **Proposed Maximum Offering Price Per Note(1)** | **Proposed Maximum Aggregate Offering Price(1)** | **Amount of Registration Fee** |
|---|---|---|---|---|
| 12% Senior Secured Third Lien Notes due 2020(2) | $524,121,000 | 100% | $524,121,000 | $52,778.98 |

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f)(2) of the rules and regulations under the Securities Act of 1933, as amended.

(2) Midstates Petroleum Company LLC, a wholly-owned subsidiary of Midstates Petroleum Company, Inc., will co-issue the 12% Senior Secured Third Lien Notes due 2020 registered hereby.

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**Each registrant hereby amends this registration statement on such date as may be necessary to delay its effective date until the respective registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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***TABLE OF ADDITIONAL REGISTRANTS**

| Exact Name of Additional Registrant as Specified in its Charter(1) | State of Other Jurisdiction of Incorporation or Organization | I.R.S. Employee Identification No. |
|---|---|---|
| Midstates Petroleum Company LLC | Delaware | 26-3162434 |

(1) The address for Midstates Petroleum Company LLC is 321 South Boston Avenue, Suite 1000, Tulsa, Oklahoma 74103 and the telephone number for Midstates Petroleum Company LLC is (918) 947-8550. The Primary Industrial Classification Code for Midstates Petroleum Company LLC is 1311.

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**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.**

**SUBJECT TO COMPLETION, DATED October 2, 2015**

**PROSPECTUS**

# Midstates Petroleum Company, Inc.

# Midstates Petroleum Company LLC

**Offer to exchange up to**

**$524,121,000 aggregate principal amount of 12% Senior Secured Third Lien Notes due 2020 that have been registered under the Securities Act of 1933**

**for**

**$524,121,000 aggregate principal amount of 12% Senior Secured Third Lien Notes due 2020 that have not been registered under the Securities Act of 1933**

**The exchange offer and withdrawal rights will expire at 5:00 p.m., New York City time, on , 2015 unless extended.**

We are offering to exchange up to $524,121,000 aggregate principal amount of our new 12% Senior Secured Third Lien Notes due 2020, 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 12% Senior Secured Third Lien Notes due 2020, referred to in this prospectus as the "old notes." We issued the old notes on May 21, 2015 and June 2, 2015 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 from that previous transaction. 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 10 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 the 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. 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.

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 , 2015.**

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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 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 is 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.

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## FORWARD-LOOKING STATEMENTS

Various statements contained in this prospectus are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (the "Securities Act") and Section 21E of the Exchange Act. 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 any prospectus supplement are forward looking statements, including, without limitation, statements regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management. When used in this prospectus, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. In particular, the factors discussed in this prospectus could affect our actual results and cause our actual results to differ materially from expectations, estimates, or assumptions expressed in, forecasted in, or implied in such forward-looking statements.

Forward-looking statements may include statements about our:

- business strategy;
- estimated future net reserves and present value thereof;
- technology;
- financial condition, revenues, cash flows and expenses;
- levels of indebtedness, liquidity and compliance with debt covenants;
- 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 oilfield labor;
- availability of third party natural gas gathering and processing capacity;
- the amount, nature and timing of capital expenditures, including future development costs;
- availability and terms of capital;

drilling of wells, including our identified drilling locations;

successful results from our identified drilling locations;

marketing of oil, natural gas liquids and natural gas;

the integration and benefits of asset and property acquisitions or the effects of asset and property acquisitions or dispositions on our cash position and levels of indebtedness;

infrastructure for salt water disposal and electrical power;

sources of electricity utilized in operations and the related infrastructures;

costs of developing our properties and conducting other operations;

general economic conditions;

effectiveness of our risk management activities;

environmental liabilities;

counterparty credit risk;

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- the outcome of pending and future litigation;
- 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; and
- plans, objectives, expectations and intentions contained in this prospectus that are not historical.

All forward-looking statements speak only as of the date of this prospectus. You should not place undue reliance on these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this prospectus are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors".

These factors include:

- variations in the market demand for, and prices of, oil, natural gas liquids and natural gas;
- uncertainties about our estimated quantities of oil, natural gas liquids and natural gas reserves;
- the adequacy of our capital resources and liquidity including, but not limited to, access to additional borrowing capacity under our revolving credit facility;
- access to capital and general economic and business conditions;
- uncertainties about our ability to replace reserves and economically develop our current reserves;
- risks in connection with acquisitions;
- risks related to the concentration of our operations onshore in Oklahoma, Texas and Louisiana;
- drilling results;
- the potential adoption of new governmental regulations;
- possible exposure to additional tax liabilities; and

our ability to satisfy future cash obligations and environmental costs.

These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.

Reserve engineering is a process of estimating underground accumulations of oil, natural gas liquids and natural gas that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by our reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ from the quantities of oil, natural gas liquids and natural gas that are ultimately recovered.

## SUMMARY

*This summary highlights selected information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before deciding whether to exchange your old notes for new notes. For a more complete understanding of us and the exchange offer, we encourage you to read this entire document, including "Risk Factors" and the financial and other information included in this prospectus.*

### Overview

We are an independent exploration and production company focused on the application of modern drilling and completion techniques to oil-focused resources in the United States. Our operations originally focused on the Upper Gulf Coast Tertiary trend onshore in Louisiana, which we refer to as our "Gulf Coast" operating area. We began operations in the Mississippian Lime trend in Oklahoma on October 1, 2012 with our acquisition of interests in producing oil and natural gas assets and unevaluated leasehold acreage in Oklahoma and unevaluated leasehold acreage in Kansas. On May 31, 2013, we acquired producing properties and undeveloped acreage in the Anadarko Basin in Texas and Oklahoma. We subsequently acquired additional oil and gas operations and properties in Louisiana, Oklahoma and Texas.

Our principal executive offices are located at 321 South Boston Avenue, Suite 1000, Tulsa, Oklahoma 74103, and our telephone number at that address is (918) 947-8550. Our website address is http://www.midstatespetroleum.com. The information on our website is not part of this prospectus.

As used in this prospectus, "we," "us," "our" and "Midstates" mean Midstates Petroleum Company, Inc. and its only subsidiary, Midstates Petroleum Company LLC, unless we state otherwise or the context otherwise requires, and "Midstates Sub" means Midstates Petroleum Company LLC.

For additional information on our business, properties and financial condition, please refer to the documents cited in "Available Information."

### 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, together with all of the other information included in this prospectus.

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**Exchange Offer**

*On May 21, 2015 and June 2, 2015, we completed private placements of $504.121 million and $20 million, respectively, in aggregate principal amount of our 12% Senior Secured Third Lien Notes due 2020, or the "old notes." As part of the private placement, we entered into a registration rights agreement with the holders of the old notes in which we agreed, among other things, to deliver this prospectus to you and to use commercially reasonable efforts to cause an exchange offer to be completed within 270 days after the issuance of the old notes. The following is a summary of the exchange offer.*

| | |
|---|---|
| **Old Notes** | On May 21, 2015 and June 2, 2015, we issued $504.121 million and $20 million, respectively, in aggregate principal amount of 12% Senior Secured Third Lien Notes due 2020. |
| **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 $524.121 million 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 agreement that we entered into when we issued the old notes in a transaction exempt from registration under the Securities Act. |
| **Expiration Time** | The exchange offer will expire at 5:00 p.m., New York City time, on , 2015, unless we decide to extend it. |
| **Conditions 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 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. |

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| **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 in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration time of the exchange offer, a computer-generated message known as an "agent's message" that is transmitted through ATOP, and that DTC confirm that:<br><br>DTC has received instruction to exchange your old notes; and<br><br>you agree to be bound by the terms of the letter of transmittal in Annex A hereto.<br>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 time. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before the expiration time 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 old notes, we will accept any and all old notes that you properly tender and do not validly withdraw before the expiration time 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 time of the exchange offer. We will deliver the new notes promptly after the expiration time 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 agreement. |

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**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 agreement. 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.

**U.S. Federal Income Tax and Estate 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 "Material U.S. Federal Income Tax and Estate Tax Consequences."

**Exchange Agent**

We have appointed Wilmington Trust, National Association 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:*
Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-1626
Attn: Workflow Management 5th Floor

*By regular mail or overnight courier:*
Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-1626
Attn: Workflow Management 5th Floor

*In person by hand only:*
Wilmington Trust, National Association
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-1626
Attn: Workflow Management 5th Floor

Eligible institutions may make requests by facsimile at (302) 636-4139 and may confirm facsimile delivery by calling (302) 636-6470.

**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."*

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| **Issuers** | Midstates Petroleum Company, Inc. and Midstates Petroleum Company LLC.<br>Midstates Petroleum Company LLC is a wholly owned sole subsidiary of Midstates Petroleum Company, Inc. through which Midstates Petroleum Company, Inc. conducts its business. |
| **Securities Offered** | $524.121 million aggregate principal amount of 12% Senior Secured Third Lien Notes due 2020. |
| **Maturity Date** | The earlier of (i) June 1, 2020 and (ii) twelve months after the maturity date of the revolving credit agreement (the "Credit Agreement") and any credit facility that refinances the Credit Agreement. |
| **Interest Payment Dates** | Interest is payable on the new notes on June 1 and December 1 of each year commencing December 1, 2015. Interest on each new note will accrue from the date of original issuance of the old note tendered in exchange thereof or, if interest has already been paid, from the date the interest on the old note was most recently paid. |
| **Guarantees** | The new notes will be unconditionally guaranteed, jointly and severally, on a senior secured basis (the "new note guarantees") by each of our future restricted subsidiaries (except our unrestricted subsidiaries and certain immaterial subsidiaries) that guarantees or is otherwise obligated with respect to certain indebtedness (the "new note guarantors"). As of the date of this prospectus, Midstates Sub is our only subsidiary. |

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| **Note Collateral** | The new notes and the new note guarantees will be initially secured on a third-priority basis by liens, subject in priority only to certain exceptions and permitted liens, on substantially all of our and our new note guarantors' assets that are subject to liens securing our revolving credit facility (the "note collateral"). Pursuant to the terms of the Intercreditor Agreement (as defined below), the liens on the assets securing the new notes and the new note guarantees will be contractually subordinated to liens thereon that secure our revolving credit facility (and future indebtedness incurred to replace or refinance our revolving credit facility) and contractually subordinated to the liens securing our 10% Senior Secured Second Lien Notes due 2020 (the "Second Lien Notes"). Consequently, the new notes and the new note guarantees will be effectively subordinated to the revolving credit facility (and future indebtedness incurred to replace or refinance our revolving credit facility) and contractually subordinated to the liens securing our Second Lien Notes to the extent of the value of the assets securing such indebtedness. Please read "Description of New Notes Security for New Notes." |
| **Intercreditor Agreement** | The trustee and the collateral agent appointed under the indenture, the trustee and the collateral agent appointed under the indenture governing our Second Lien Notes and the collateral agent under our revolving credit facility are parties to an intercreditor agreement (the "Intercreditor Agreement") which governs the relationship of holders of the notes, the lenders under our revolving credit facility and holders of any junior lien debt that we may issue in the future, with respect to collateral and certain other matters relating to the administration of security interests, exercise of remedies, certain bankruptcy-related provisions and other intercreditor matters. The Intercreditor Agreement also provides that in the event of a foreclosure on the note collateral or of insolvency proceedings, the holders of the notes will receive proceeds from the note collateral only after obligations under our revolving credit facility (and future indebtedness incurred to replace or refinance our revolving credit facility) and our Second Lien Notes have been paid in full. Certain terms of the Intercreditor Agreement are set forth under "Description of New Notes Intercreditor Agreement." |

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**Ranking**

The new notes and the new note guarantees will be:

effectively junior, pursuant to the terms of the Intercreditor Agreement, to our and the note guarantors' obligations under our revolving credit facility (and future indebtedness incurred to replace or refinance our revolving credit facility), to the extent of the value of the collateral securing such indebtedness, which will be secured on a first priority basis by liens on the same collateral that secure the notes (and any additional notes) and the note guarantees;

effectively junior, pursuant to the terms of the Intercreditor Agreement, to our and the note guarantors' obligations under our Second Lien Notes (and future indebtedness incurred to replace or refinance our Second Lien Notes), to the extent of the value of the collateral securing such indebtedness, which will be secured on a second-priority basis by liens on the same collateral that secure the notes (and any additional notes) and the note guarantees;

effectively senior to all of our existing and future unsecured indebtedness, including our 10.75% senior notes due 2020 (the "2020 Senior Notes") and our 9.25% senior notes due 2021 (the "2021 Senior Notes" and together with the 2020 Senior Notes, the "Senior Unsecured Notes") and the guarantees thereof, to the extent of the value of the collateral securing our secured indebtedness;

effectively senior to all of our future junior lien obligations that rank below a third-priority basis to the extent of the value of the note collateral;

effectively junior to all existing and future secured indebtedness secured by assets not constituting note collateral to the extent of the value of the collateral securing such indebtedness;

equal in right of payment to all of our existing and future senior indebtedness, including our existing Senior Unsecured Notes and our Second Lien Notes;

structurally subordinated to all existing and future indebtedness of any non-guarantor subsidiaries; and

senior in right of payment to all of our future subordinated indebtedness.

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| **Optional Redemption** | At any time prior to June 1, 2017, we may, from time to time, redeem up to 35% of the aggregate principal amount of the notes (including any additional notes) with an amount not greater than the net cash proceeds of certain equity offerings at the redemption price set forth under "Description of New Notes Optional Redemption," if at least 50% of the aggregate principal amount of the notes issued under the indenture remains outstanding immediately after such redemption and the redemption occurs within 180 days after the closing date of such equity offering.<br>At any time prior to June 1, 2017, we may redeem the notes, in whole or in part, at a "make whole" redemption price set forth under "Description of New Notes Optional Redemption."<br>On and after June 1, 2017, we may redeem the notes, in whole or in part, at the redemption prices set forth under "Description of New Notes Optional Redemption." |
| **Change of Control** | Upon a change of control (as defined in "Description of New Notes Certain Definitions"), unless we exercise our change of control redemption rights as set forth above, we must offer to repurchase the new notes at 101% of the principal amount, plus accrued and unpaid interest to the purchase date. |
| **Certain Covenants** | We will issue the new notes under an indenture, dated May 21, 2015, with Wilmington Trust, National Association, as trustee. The indenture contains certain covenants, including, but not limited to, limitations and restrictions on our ability to:<br>pay dividends or make other distributions on capital stock or subordinated indebtedness;<br>make investments;<br>incur additional indebtedness or issue preferred stock;<br>create certain liens;<br>enter into agreements that restrict dividends or other payments from our restricted subsidiaries to us;<br>consolidate, merge or transfer all or substantially all of our assets;<br>engage in transactions with affiliates; and<br>create unrestricted subsidiaries.<br>These covenants are subject to important exceptions and qualifications. See "Description of New Notes Certain Covenants." |

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| | Many of the covenants in the indenture will be suspended if the notes are rated investment grade by both Standard & Poor's Rating Services ("S&P") and Moody's Investor Services, Inc. ("Moody's") and no default has occurred and is continuing. |
| **No Public Market** | The new notes are a series of securities for which there is currently no established trading market. A liquid market for the new notes may not be available if you try to sell your notes. 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 tradable. |
| **Risk Factors** | Please see "Risk Factors" beginning on page 10 herein and the other information in this prospectus for a discussion of factors you should carefully consider before participating in the exchange offer. |

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## RISK FACTORS

*You should carefully consider the risk factors and all of the other information included in this prospectus and the documents we have filed with the SEC, including those in "Risk Factors," in evaluating an investment in the new notes. If any of these risks were actually to occur, our business, financial condition or results of operations could be materially adversely affected.*

### Risks Relating 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 Relating to the Notes**

***We may not be able to generate sufficient cash flows to service all of our indebtedness, including the notes, our Second Lien Notes and our Senior Unsecured Notes, and may be forced to take other actions in order to satisfy our obligations under our indebtedness, which may not be successful. If we are unable to repay or refinance our existing and future debt as it becomes due, we may be unable to continue as a going concern.***

Our ability to make scheduled payments on, or to refinance, our debt obligations, including the notes, our Second Lien Notes and our Senior Unsecured Notes, will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and certain financial, business and other factors beyond our control. Our existing and future debt agreements could create issues as interest payments become due and the debt matures that will threaten our ability to continue as a going concern. We cannot assure you that our business will generate sufficient cash flows from operating activities or that future sources of capital will be available to us in an amount sufficient to permit us to service our indebtedness, including the notes, our Second Lien Notes and our Senior Unsecured Notes, or to fund our other liquidity needs. Our credit facility and the indentures governing the notes, our Second Lien Notes and the Senior Unsecured Notes restrict our ability to dispose of assets and our use of any of the proceeds. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the notes.

We have substantial interest payments due during the remainder of 2015. If we cannot make scheduled payments on our debt, we will be in default and, as a result:

- our debt holders could declare all outstanding principal and interest to be due and payable;
- the lenders under our revolving credit facility could terminate their commitments to lend us money and foreclose against the assets securing their borrowings; and
- we could be forced into bankruptcy or liquidation.

All of these events could result in you losing your investment in the notes. While we will attempt to take appropriate mitigating actions to refinance any indebtedness prior to its maturity or otherwise extend the maturity dates, and to cure any potential defaults, there is no assurance that any particular actions with respect to refinancing existing indebtedness, extending the maturity of existing indebtedness or curing potential defaults in our existing and future debt agreements will be sufficient.

Despite our current level of indebtedness, we may incur substantially more debt in the future, which could further exacerbate the risks described above. Furthermore, we are permitted to incur additional debt, under the terms of the credit agreements governing our credit facility, subject to borrowing base availability, and the indentures governing the notes, our Second Lien Notes and our Senior Unsecured Notes, subject to certain limitations, which in each case could intensify the related risks that we and our subsidiary now face. See "Description of New Notes."

The consolidated financial statements included in this prospectus have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not reflect any adjustments that might result if we are unable to continue as a going concern.

***We may be able to incur substantially more debt. This could exacerbate the risks associated with our indebtedness.***

Our total consolidated indebtedness consists of $524.121 million in aggregate principal amount of the notes, $625 million in aggregate principal amount of our Second Lien Notes, $293.6 million in aggregate principal amount of our 2020 Senior Notes and $347.7 million in aggregate principal amount of our 2021 Senior Notes. The covenants contained in the agreements governing our outstanding indebtedness, including the indenture for the notes, our Second Lien Notes, our 2020 Senior Notes and 2021 Senior Notes, limit, among other things, our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments. Any borrowings under the revolving credit facility will be secured on a first lien basis, and, as a result, will be effectively senior to the notes and the guarantees of the notes by any guarantors, to the extent of the value of the collateral securing that indebtedness.

In addition, the holders of any future secured debt we may incur that ranks equally with the notes may be entitled to share with the holders of the notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of us. This may have the effect of reducing the amount of proceeds paid to you in such an event. If new debt is added to our current debt levels, the related risks that we now face could intensify.

***Our substantial indebtedness, liquidity issues and potential to seek restructuring transactions may have a material adverse effect on our business and operations.***

Our substantial indebtedness, liquidity issues and potential to seek restructuring transactions may result in uncertainty about our business and cause, among other things:

- third parties' to lose confidence in our ability to explore and produce oil and natural gas, resulting in a significant decline in our revenues, profitability and cash flow;

- difficulty retaining, attracting or replacing key employees;

- employees to be distracted from performance of their duties or more easily attracted to other career opportunities; and

- our suppliers, vendors, hedge counterparties and service providers to renegotiate the terms of our agreements, terminate their relationship with us or require financial assurances from us.

These events may have a material adverse effect on our business and operations.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.***

We are subject to interest rate risk in connection with borrowings under our credit facility, which bears interest at variable rates. Interest rate changes will not affect the market value of any debt incurred under such facility, but could affect the amount of our interest payments, and accordingly, our future earnings and cash flows, assuming other factors are held constant. We currently do not have any interest rate hedging arrangements with respect to the credit facility. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility; however, any swaps we enter into may not fully mitigate our interest rate risk. A significant increase in prevailing interest rates, which results in a substantial increase in the interest rates applicable to our interest expense could have a material adverse effect on our financial condition and results of operations.

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***Our revolving credit facility and the indentures governing the notes, our Second Lien Notes and our Senior Unsecured Notes contain certain covenants that may inhibit our ability to make certain investments, incur additional indebtedness and engage in certain other transactions, which could adversely affect our ability to meet our future goals.***

Our revolving credit facility and the indentures governing the notes, our Second Lien Notes and our Senior Unsecured Notes include certain covenants that, among other things, restrict:

- our ability to incur or assume additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- create or incur liens;
- restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- consolidate or merge with or into another entity, or sell all or substantially all of our assets; and
- enter into new lines of business.

A breach of the covenants under the indenture governing the notes, the revolving credit facility or the indentures governing the notes, our Second Lien Notes and our Senior Unsecured Notes could result in an event of default under the applicable indebtedness. An event of default may allow the creditors to accelerate the related debt and may result in an acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our credit facility would permit the lenders under the facility to terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under our revolving credit facility could proceed against the collateral granted to them to secure that debt.

In addition, our revolving credit facility requires us to maintain certain financial ratios, including a leverage ratio. All of these restrictive covenants may restrict our ability to expand or pursue our business strategies. Our ability to comply with these and other provisions of our revolving credit facility may be impacted by changes in economic or business conditions, results of operations or events beyond our control. The breach of any of these covenants could result in a default under our revolving credit facility, in which case, depending on the actions taken by the lenders thereunder or their successors or assignees, such lenders could elect to declare all amounts borrowed under our revolving credit facility, together with accrued interest, to be due and payable. If we were unable to repay such borrowings or interest, our lenders could proceed against their collateral. If the indebtedness under our revolving credit facility were to be accelerated, our assets may not be sufficient to repay in full such indebtedness.

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***Our level of indebtedness may increase and reduce our financial flexibility.***

In the future, we may incur significant additional indebtedness in order to make future acquisitions or to develop our properties. Our current level of indebtedness could affect our operations in several ways, including the following:

- causing a significant portion of our cash flows to be used to service our indebtedness, thereby reducing the availability of cash flows for working capital, capital expenditures and other general business activities;

- increasing our vulnerability to general adverse economic and industry conditions;

- limiting our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;

- placing us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, such competitors may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;

- causing our debt covenants to affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;

- making it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then outstanding bank borrowings;

- impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; and

- making it more difficult for us to satisfy our obligations under the indentures governing our Senior Unsecured Notes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control.

If we are unable to repay our debt out of our cash on hand, we could attempt to refinance such debt, obtain additional borrowings, sell assets or repay such debt with the proceeds from an equity offering. We cannot assure you that refinancing, additional borrowings, proceeds from the sale of assets or equity financing will be available to pay or refinance such debt. Factors that may affect our ability to raise cash through an offering of our capital stock, a refinancing of our debt or a sale of assets include financial market conditions, our market value, our reserve levels and our operating performance at the time of such offering or other financing. The inability to repay or refinance our debt could have a material adverse effect on our operations and could result in a reduction in our capital program or lead us to pursue other alternatives to develop our assets.

In addition, our bank borrowing base is subject to periodic redeterminations on a semi-annual basis, effective October 1 and April 1 and up to one additional time per six-month period following each scheduled borrowing base redetermination, as may be requested by either us or the administrative agent under our revolving credit facility. In the future we could be forced to repay a portion of our then outstanding bank borrowings due to future redeterminations of our borrowing base. If we are forced to do so, we may not have sufficient funds to make such repayments. If we do not have sufficient funds and are unable to arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

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***We may be unable to maintain compliance with certain financial ratio covenants of our outstanding indebtedness which could result in an event of default that, if not cured or waived, would have a material adverse effect on our business, financial condition and results of operations.***

We are in compliance with our financial covenants; however, we cannot guarantee that we will be able to comply with such terms at all times in the future. Any failure to comply with the conditions and covenants in our revolving credit facility that is not waived by our lenders or otherwise cured could lead to a termination of our revolving credit facility, acceleration of all amounts due under our revolving credit facility, or trigger cross-default provisions under other financing arrangements. These restrictions may limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our indebtedness impose on us.

***The liens securing the notes and the guarantees are contractually subordinated to our and our guarantors, existing and future obligations under our revolving credit facility and certain other permitted liens to the extent of the value of the collateral securing such obligations.***

The liens securing the indebtedness evidenced by the notes and the guarantees are contractually subordinated, pursuant to the terms of the Intercreditor Agreement, to all of our and the guarantors' existing and future obligations under our revolving credit facility and certain other permitted liens, to the extent of the collateral securing such obligations. Obligations outstanding under our revolving credit facility (including hedges entered into in connection therewith) are secured by a first-priority security interest on the collateral. Although the notes will rank equally in right of payment with all of our existing and future obligations under our revolving credit facility, pursuant to the terms of the Intercreditor Agreement all proceeds of collateral realized after an event of default are required to be applied first to the satisfaction of our priority lien debt until repaid in full.

***The value of the collateral securing the notes may not be sufficient to ensure repayment of the notes because the holders of our revolving credit facility debt, other first-priority lien obligations and second-priority lien obligations will be paid first from the proceeds of the collateral.***

Our indebtedness and other obligations under our revolving credit facility are secured by a first-priority lien, and our indebtedness and other obligations under the indenture governing our Second Lien Notes are secured by a second-priority lien, on the collateral securing the notes. The liens securing the notes and the guarantees are contractually subordinated to the liens securing obligations under our revolving credit facility, our Second Lien Notes and other priority lien obligations, so that proceeds of the collateral will be applied first to repay those obligations before we use any such proceeds to pay any amounts due on the notes. Accordingly, if we default on the notes, we cannot assure you that the trustee would receive enough money from the sale of the collateral to repay you. In addition, we have specified rights to issue additional notes and other parity lien obligations that would be secured by liens on the collateral on an equal and ratable basis with the notes issued in this offering. If the proceeds of any sale of the collateral are not sufficient to repay all amounts due on the notes, then your claims against our remaining assets to repay any amounts still outstanding under the notes would be unsecured.

The collateral has not been appraised in connection with this offering. Our revolving credit facility permits us to incur additional indebtedness thereunder, and the indenture governing the notes permits us to incur additional obligations secured by liens that have priority over the notes in certain circumstances. 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. The value of the assets pledged as collateral for the notes could be impaired in the future as a result of changing economic conditions, commodity prices, competition or other future trends. Likewise, we cannot assure you that the pledged assets will be saleable or, if saleable, that there will not be substantial delays in their liquidation.

In addition, the collateral securing the notes is subject to other liens permitted under the terms of the indenture and the Intercreditor Agreement, whether arising on or after the date the notes are issued. To the extent that third parties hold prior liens, such third parties may have rights and remedies with respect to the property subject to such liens that, if exercised, could adversely affect the value of the collateral securing the notes. The indenture does not require that we maintain the current level of collateral or maintain a specific ratio of indebtedness to asset values.

With respect to some of the collateral, the collateral trustee's security interest and ability to foreclose on the collateral is also limited by the need to meet certain requirements, such as obtaining third party consents, paying court fees that may be based on the principal amount of the parity lien obligations and making additional filings. If we are unable to obtain these consents, pay such fees or make these filings, the security interests may be invalid and the applicable holders and lenders will not be entitled to the collateral or any recovery with respect thereto. We cannot assure you that any such required consents, fee payments or filings 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, fees and filings, be limited.

In the event of a foreclosure on the collateral under our revolving credit facility (or a distribution in respect thereof in a bankruptcy or insolvency proceeding), the proceeds from the collateral may not be sufficient to satisfy the notes and other parity lien obligations because such proceeds would, under the Intercreditor Agreement, first be applied to satisfy our obligations under our revolving credit facility, our Second Lien Notes or other priority lien obligations. Only after all of our obligations under our revolving credit facility, our Second Lien Notes and such other obligations have been satisfied will proceeds from the collateral under our revolving credit facility be applied to satisfy our obligations under the notes and other parity lien obligations. In addition, in the event of a foreclosure on the collateral, the proceeds from such foreclosure may not be sufficient to satisfy our obligations under the notes and other parity lien obligations.

Pursuant to the terms of the indenture governing the notes, we and our restricted subsidiaries may sell assets so long as such sales comply with the asset sales covenant or any other applicable provision of the indenture. Upon any such sale, all or a portion of the interest in any asset sold may no longer constitute collateral. Although we may seek to reinvest proceeds from any asset sales, any assets in which we reinvest may not constitute collateral or be as profitable to us as the assets sold.

The equity interests in our subsidiaries pledged as part of the collateral to secure the notes may also have limited value at the time of any attempted realization. In particular, in any bankruptcy or similar proceeding, all obligations of the entity whose equity interest has been pledged must be satisfied before any value will be available to the owner of or the creditor secured by such equity interest. If any subsidiary whose equity interest has been pledged as part of the collateral has liabilities that exceed its assets, there may be no remaining value in such subsidiary's equity interest.

***The collateral securing the notes and related guarantees may be diluted under certain circumstances.***

The indenture governing our notes and agreements governing our revolving credit facility permit us to incur additional secured indebtedness, including additional notes subject to our compliance with the restrictive covenants in the indenture governing the notes and the agreements governing our revolving credit facility at the time we incur such additional secured indebtedness.

Any additional notes issued under the indenture governing the notes would be guaranteed by the same guarantors and would have the same security interests, with the same priority, as the notes offered hereby. As a result, the collateral securing the notes would be shared by any additional notes we may issue under the applicable indenture, and an issuance of such additional notes would dilute the value of the collateral compared to the aggregate principal amount of notes issued.

***The realizable value of our proved reserves may not be sufficient to pay the notes and other future parity obligations in full after repayment of all priority lien obligations.***

Proved reserves constitute a substantial portion of the value of the collateral securing the notes and priority lien obligations. The PV-10 of our proved reserves estimated at December 31, 2014 may significantly exceed the realizable fair market value of such reserves. Our estimated proved reserves as of December 31, 2014 and related PV-10 and Standardized Measure were calculated under SEC rules using twelve-month trailing average benchmark commodity prices, which are substantially above recent WTI spot oil and HH natural gas prices. There is no assurance that oil and natural gas prices will not decline further and our ability to hedge against future commodity price declines may be significantly limited in time and price. Using more recent prices in estimating proved reserves would likely result in a reduction in proved reserve volumes as determined under SEC rules due to economic limits, which would further reduce PV-10 of our proved reserves. In addition, sustained periods with oil and natural gas prices at recent or lower levels and the resultant impact such prices may have on our drilling economics and our ability to raise capital would likely require us to re-evaluate and postpone or eliminate our development drilling, which would likely result in the reduction of some of our proved undeveloped reserves and related PV-10.

Under the indenture, we could incur a substantial amount of additional priority lien obligations and parity lien obligations. In the event of a default or liquidation, there may not be sufficient realizable value of proved reserves to first repay all priority lien obligations outstanding at such time and then repay the notes and any other outstanding parity obligations.

***The provisions of the Intercreditor Agreement relating to the collateral securing the notes limit the rights of holders of the notes with respect to that collateral, even during an event of default.***

Under the Intercreditor Agreement, the parties are generally entitled to receive and apply all proceeds of any collateral to the repayment in full of the obligations under our revolving credit facility and our Second Lien Notes before any such proceeds will be available to repay obligations under the notes. In addition, the priority lien collateral agent is generally entitled to sole control of all decisions and actions, including foreclosure, with respect to collateral, even if an event of default under the notes has occurred, and neither the holders of notes nor the collateral trustee is generally entitled to independently exercise remedies with respect to the collateral until specified time periods have elapsed, if at all. In addition, the priority lien collateral agent is entitled, without the consent of holders of notes or the collateral trustee, to amend the terms of the security documents securing the notes and to release the liens of the secured parties on any part of the collateral in certain circumstances. Please read "Description of New Notes The Intercreditor Agreement." Furthermore, because the holders of priority lien obligations control the disposition of the collateral securing such first-priority obligations and the notes, if there were an event of default under the notes, the holders of the first-priority obligations can decide, for a specified time period, not to proceed against the collateral, regardless of whether or not there is a default under such first-priority obligations. During such time period, unless and until discharge of the first-priority obligations, including our revolving credit facility, has occurred, the sole right of the holders of the notes would be to hold a lien on the collateral.

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***Security over certain collateral on which a lien in favor of the collateral trustee is required, may not have been perfected on the issue date.***

Security interests over certain collateral, including mortgages on oil and gas properties, which are required under the indenture governing the notes, may not have been perfected on the Issue Date. To the extent such security interests were not perfected on the Issue Date, we would have been required to have such security interests thereafter perfected promptly, but in no event later than the date that is 30 days after the Issue Date. In the event that more than a reasonable time passes between the issuance of the notes and the perfection of the security interests on the oil and gas properties, such security interests may be set aside or avoided as a preferential transfer if the owner of the collateral becomes a debtor that is the subject of a voluntary or involuntary bankruptcy case under the U.S. Bankruptcy Code (or under certain similar state law insolvency proceedings) on or before 90 days from the perfection of the security interests. In the event of such a determination in such bankruptcy case or insolvency proceeding, the collateral trustee will not have a perfected security interest in that collateral. Recordation of the mortgages after the issuance date of the notes materially increases the risk that the liens granted by those mortgages could be avoided, in the event of such a bankruptcy.

***The collateral will be subject to casualty risks.***

We are obligated under the indenture and collateral arrangements governing the notes to maintain adequate insurance or otherwise insure against hazards as is customarily done by companies having assets of a similar nature in the same or similar localities. There are, however, certain losses that may be either uninsurable or not economically insurable, in whole or in part. As a result, it is possible that the insurance proceeds will not compensate us fully for our losses. If there is a total or partial loss of any of the collateral, we cannot assure you that any insurance proceeds received by us or any of the subsidiary guarantors will be sufficient to satisfy all of our obligations, including the notes. We may be required to apply the proceeds from any such loss to repay our obligations under our revolving credit facility.

***Rights of holders of notes in the collateral may be adversely affected by bankruptcy proceedings.***

The right of the collateral trustee to repossess and dispose of the collateral upon acceleration is likely to be significantly impaired by federal bankruptcy law if bankruptcy proceedings are commenced in the United States by or against us prior to or possibly even after the collateral trustee has repossessed and disposed of the collateral. Under the U.S. Bankruptcy Code, a secured creditor, such as the collateral trustee for the holders of the notes, is prohibited from repossessing its security from a debtor, such as us, in a bankruptcy case, or from disposing of security repossessed from a debtor, without bankruptcy court approval. Moreover, bankruptcy law permits the debtor to continue to retain and to use collateral, and the proceeds, products, rents or profits of the collateral, even though the debtor is in default under the applicable debt instruments, provided that the secured creditor is given "adequate protection." The meaning of the term "adequate protection" may vary according to circumstances, but it is intended in general to protect the value of the secured creditor's interest in the collateral and may include cash payments or the granting of additional security, if and at such time as the court in its discretion determines, for any diminution in the value of the collateral as a result of the stay of repossession or disposition or any use of the collateral by the debtor during the pendency of the bankruptcy case. In light of the broad discretionary powers of a bankruptcy court, it is impossible to predict how long payments under the notes could be delayed following commencement of a bankruptcy case, whether or when the collateral trustee would repossess or dispose of the collateral, and whether or to what extent holders of the notes would be compensated for any delay in payment of loss of value of the collateral through the requirements of "adequate protection." Furthermore, in the event the bankruptcy court determines that the value of the collateral is not sufficient to repay all amounts due under the revolving credit facility and on the parity lien obligations, the holders of the notes would

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have "undersecured claims." Federal bankruptcy laws do not permit the payment or accrual of interest, costs and attorneys' fees for "undersecured claims" during the debtor's bankruptcy case. Additionally, the collateral trustee's ability to foreclose on the collateral on your behalf may be subject to the consent of third parties, prior liens and practical problems associated with the realization of the collateral trustee's security interest in the collateral. The debtor or trustee in a bankruptcy case may seek to void an alleged security interest in collateral for the benefit of the bankruptcy estate, and it may be able to successfully do so if the security interest is not properly perfected or was perfected within a specified period of time (generally 90 days) prior to the initiation of such proceeding. If the security interest is avoided, a creditor may hold no security interest and be treated as holding a general unsecured claim in the bankruptcy case. It is impossible to predict what recovery (if any) would be available for such an unsecured claim if we became a debtor in a bankruptcy case. While U.S. bankruptcy law generally invalidates provisions restricting a debtor's ability to assume and/or assign a contract, there are exceptions to this rule which could be applicable in the event that we become subject to a U.S. bankruptcy proceeding.

In addition, a bankruptcy court may decide to substantively consolidate us and some or all of our subsidiaries in the bankruptcy proceeding. If a bankruptcy court substantively consolidated us and some or all of our subsidiaries, the assets of each entity would become subject to the claims of creditors of all entities. Such a ruling would expose holders of notes 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, a forced restructuring of the notes could occur through the "cramdown" provisions of the U.S. Bankruptcy Code. Under those provisions, the notes could be restructured over holders' objections as to their interest rate, maturity and other general terms.

***Any future pledge of collateral may be avoidable in bankruptcy.***

Any future pledge of collateral in favor of the collateral agent, including pursuant to security documents delivered after the date of the indenture governing the notes, may be avoidable by the pledgor (a debtor in possession) or by its trustee in bankruptcy under U.S. law if certain events or circumstances exist or occur, including, among others, if:

- the pledgor is insolvent at the time of the pledge;
- the pledge permits the holder of the notes to receive a greater recovery than if the pledge had not been given; and
- a bankruptcy proceeding in respect of the pledgor is commenced within 90 days following the pledge, or, in certain circumstances, a longer period.

***The value of the collateral securing the notes may not be sufficient for a bankruptcy court to grant post-petition interest on the notes in a bankruptcy case of the issuer or any of the guarantors. Should our obligations under the notes, together with our obligations under our revolving credit facility, our Second Lien Notes and any other priority lien obligations or parity lien obligations, equal or exceed the fair market value of the collateral securing the notes, the holders of the notes may be deemed to have an unsecured claim for the difference between the fair market value of the collateral, on the one hand, and the aggregate amount of the obligations under our revolving credit facility, any other secured debt and the notes, on the other hand.***

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding against us or the subsidiary guarantors, holders of the notes will be entitled to post-petition interest under the U.S. Bankruptcy Code only if the value of their security interest in the collateral, taken in order of priority with other obligations secured by the collateral, is greater than the amount of their pre-bankruptcy claim. Holders of the notes may be deemed to have an unsecured claim if our obligations under the notes, together with our obligations under our revolving credit facility, the Second Lien Notes and any other priority lien obligations, parity lien obligations or junior lien obligations, exceed the fair market value of the collateral securing the notes. Holders of the notes that have a security interest in the collateral with a value less than their pre-bankruptcy claim will not be entitled to post-petition interest under the U.S. Bankruptcy Code. The bankruptcy trustee, the debtor-in-possession or competing creditors could possibly assert that the fair market value of the collateral with respect to the notes on the date of the bankruptcy filing (or on the date of confirmation of a chapter 11 plan) was less than the then-current principal amount of the notes. Upon a finding by a bankruptcy court that the notes are under-collateralized, the claims in the bankruptcy proceeding with respect to the notes would be bifurcated between a secured claim equal to the value of the interest in the collateral and an unsecured claim, and the unsecured claim would not be entitled to the benefits of security in the collateral. Other consequences of a finding of under-collateralization would be, among other things, a lack of entitlement on the part of holders of the notes to receive post-petition interest, fees or expenses and a lack of entitlement on the part of the unsecured portion of the notes to receive other "adequate protection" under U.S. bankruptcy laws. In addition, if any payments of post-petition interest were made at the time of such a finding of under-collateralization, such payments could be re-characterized by the bankruptcy court as a reduction of the principal amount of the secured claim with respect to notes. No appraisal of the fair market value of the collateral securing the notes has been prepared in connection with this offering of the notes and, therefore, the value of the collateral trustee's interests in the collateral may not equal or exceed the principal amount of the notes and other secured claims. We cannot assure you that there will be sufficient collateral to satisfy our and the subsidiary guarantors' obligations under the notes.

***Rights of holders of notes in the collateral may be adversely affected by the failure to perfect liens on collateral acquired in the future.***

Pursuant to the indenture governing the notes and the collateral documents, subject to certain limited exceptions, our obligations to perfect the liens on the collateral are limited to specified actions. See "Description of New Notes Provisions of the Indenture Relating to Security."

The failure to properly perfect liens on collateral could adversely affect the collateral agent's ability to enforce its rights with respect to the collateral for the benefit of the holders of the notes. In addition, applicable law requires that certain property and rights acquired after the grant of a general security interest or lien can be perfected only at or after the time such property and rights are acquired and identified. There can be no assurance that the trustee or the collateral trustee will monitor, or that we, any subsidiary guarantor will inform the trustee or the collateral trustee 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. The trustee and the collateral trustee for the notes have no obligation to monitor the acquisition of additional property or rights that constitute collateral or the perfection of any security interests therein. Such failure may result in the loss of the practical benefits of the liens thereon or of the priority of the liens securing the notes against third parties.

***There are circumstances other than repayment or discharge of the notes under which the collateral will be released.***

Under various circumstances, liens on the collateral securing the notes may be released without your consent, including:

- a sale, transfer or other disposal of such collateral in a transaction not prohibited under the indenture governing the notes and the delivery of a certificate to the collateral trustee;
- with respect to the collateral held by a subsidiary guarantor, upon the release of such subsidiary guarantor from its guarantee;
- to the extent we have defeased or satisfied and discharged the indenture governing the notes;

with the consent of the holders of the requisite percentage of notes in accordance with the provisions described under "Description of New Notes Amendments and Waivers"; and

in other circumstances specified in the Intercreditor Agreement, including in connection with the exercise of remedies by the collateral trustee.

In addition, a guarantee will be automatically released in connection with a sale of such subsidiary guarantor or a sale of all or substantially all of the assets of that subsidiary guarantor, in each case, in a transaction not prohibited under the indenture governing the notes.

***We may not be able to repurchase the notes upon a change of control.***

Upon the occurrence of a change of control (as defined in the indenture governing the notes), unless we exercise our change of control redemption right (as described in "Description of New Notes Optional Redemption"), we will be required to make an offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest. The holders of the Second Lien Notes, our outstanding 2020 Senior Notes and 2021 Senior Notes have substantially the same right. We may not be able to repurchase the notes upon a change of control because we may not have sufficient funds and our credit facility may restrict us from making such a repurchase. Accordingly, we may not be able to satisfy our obligations to purchase your notes unless we are able to refinance or obtain waivers under our credit facility or other senior debt, as applicable. Our failure to repurchase the notes upon a change of control would cause a default under the indenture governing the notes and a cross-default under our credit facility. Our credit facility also provides that a change of control, as defined in our credit facility, will be an event of default that permits lenders to accelerate the maturity of borrowings under the agreement and, if that debt is not paid, to enforce security interests in the collateral securing that debt, thereby limiting our ability to raise cash to purchase the notes, and reducing the practical benefit of the offer-to-purchase provisions to the holders of the notes. Accordingly, to avoid the obligation to repurchase the notes, events of default and potential breaches of our credit facility, we may decline business opportunities that could involve a change of control that would otherwise be beneficial to us.

***You may not be able to determine when a change of control giving rise to your right to have the notes repurchased by us has occurred following a sale of "substantially all" of our assets.***

A change of control, as defined in the indenture governing the notes, will require us to make an offer to repurchase all notes. The definition of change of control includes a phrase relating to the sale, lease or transfer of "all or substantially all" of our assets. There is no precisely established definition of the phrase "substantially all" under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase their notes as a result of a sale, lease or transfer of less than all of our assets to another individual, group or entity may be uncertain.

***Many of the covenants contained in the indenture will be suspended if the notes are rated investment grade by both S&P and Moody's and no default has occurred and is continuing.***

Many of the covenants in the indenture governing the notes will be suspended if the notes are rated investment grade by both S&P and Moody's, provided at such time no default with respect to the notes has occurred and is continuing. 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, suspension 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 New Notes Certain Covenants Covenant Suspension."

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***Any guarantees by our subsidiaries of the notes could be deemed fraudulent conveyances under certain circumstances, and a court may try to subordinate or void these subsidiary guarantees.***

Under U.S. bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee can be voided, 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 voided 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 these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred.

Generally, however, a subsidiary 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 saleable value of its assets was less than the amount that would be required to pay its probable liability, including contingent liabilities, on its existing debts as they become absolute and mature; or
- it could not pay its debts as they became due.

***Your ability to transfer the notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the notes.***

The notes are new issues of securities for which there is no established public market. We do not intend to have the notes listed on a national securities exchange or to arrange for quotation on any automated dealer quotation systems. We cannot assure you that an active trading market for the notes will develop or, if developed, that it will continue. In that case, the holders of the notes may not be able to sell their notes at a particular time or at a favorable price. The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of notes;
- our operating performance and financial condition;
- the market for similar securities;

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

- prevailing interest rates.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt, such as the notes, 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 notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your notes.

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***We may be unable to repay or repurchase the notes at maturity.***

At maturity, the entire outstanding principal amount of the notes, together with accrued and unpaid interest, will become due and payable. We may not have the funds to fulfill these obligations or the ability to renegotiate these obligations. If upon the maturity date other arrangements prohibit us from repaying the notes, we could try to obtain waivers of such prohibitions from the lenders and holders under those arrangements, or we could attempt to refinance the borrowings that contain the restrictions. In these circumstances, if we were not able to obtain such waivers or refinance these borrowings, we would be unable to repay the notes.

***Liquidity concerns could result in a downgrade in our debt ratings which could restrict our access to, and negatively impact the terms of, current or future financings or trade credit.***

Our ability to obtain financings and trade credit and the terms of any financings or trade credit is, in part, dependent on the credit ratings assigned to our debt by independent credit rating agencies. We cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities, liquidity, asset quality, cost structure, product mix and commodity pricing levels. A ratings downgrade could adversely impact our ability to access financings or trade credit, increase our borrowing costs and potentially require us to post letters of credit for certain obligations.

***A downgrade, suspension or withdrawal of the rating assigned by a rating agency to our company or the notes, if any, could cause the liquidity or market value of the notes to decline.***

Credit rating agencies continually revise their ratings for the companies that they follow, including us. The credit rating agencies also evaluate our industry as a whole and may change their credit ratings for us based on their overall view of the industry. In addition, the notes have been rated by Moody's and S&P and may in the future be rated by additional rating agencies. We cannot assure you that any rating assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant. Any downgrade, suspension or withdrawal of a rating by a rating agency of us or the notes (or any anticipated downgrade, suspension or withdrawal) could reduce the liquidity or market value of the notes. Any future lowering of our ratings or the ratings of the notes may 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, or there is a negative change to our ratings, you may lose some or all of the value of your investment in the notes.

***The market price for the notes may be volatile.***

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market for the notes, if any, may be subject to similar disruptions. Any such disruptions may adversely affect the value of your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

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**Risks Related to the Oil and Gas Industry and Our Business**

***Due to reduced commodity prices and lower operating cash flows, coupled with substantial interest payments, there is doubt about our ability to maintain adequate liquidity through 2015 and our ability to make interest payments in respect of our indebtedness.***

During the past year, NYMEX-WTI oil prices fell from in excess of $100 per Bbl to below $50 per Bbl, the lowest price since 2009. The substantial reduction in oil and NGL prices has caused a reduction in our forecast of available liquidity and we may not have the ability to maintain our current borrowing base under our reserve based credit facility at its current levels or generate sufficient cash flows from operations and, therefore, sufficient liquidity to meet our anticipated working capital, debt service and other liquidity needs. A sustained material decline in oil, NGL and natural gas prices or a reduction in our oil and natural gas production and reserves would reduce our ability to fund our capital expenditure program and negatively impact our liquidity on an ongoing basis.

***Our substantial indebtedness, liquidity issues and potential to seek restructuring transactions may have a material adverse effect on our business and operations.***

Our substantial indebtedness, liquidity issues and potential to seek restructuring transactions may result in uncertainty about our business and cause, among other things:

- third parties' to lose confidence in our ability to explore and produce oil and natural gas, resulting in a significant decline in our revenues, profitability and cash flow;
- difficulty retaining, attracting or replacing key employees;
- employees to be distracted from performance of their duties or more easily attracted to other career opportunities; and
- our suppliers, vendors, hedge counterparties and service providers to renegotiate the terms of our agreements, terminate their relationship with us or require financial assurances from us.

These events may have a material adverse effect on our business and operations.

***If we are unable to repay or refinance our existing and future debt as it becomes due, we may be unable to continue as a going concern.***

Our existing and future debt agreements could create issues as interest payments become due and the debt matures that will threaten our ability to continue as a going concern. For example, absent any action with respect to the repayment or refinancing of our existing indebtedness or any waivers or amendments to the agreements governing our existing indebtedness, our reserve based revolving credit facility is scheduled to mature in 2018 and our senior notes are scheduled to mature in 2020 and 2021. Additionally, the borrowing base under our reserve based revolving credit facility is subject to at least semi-annual redetermination and as a result, availability thereunder could be reduced and advances in excess of the new availability would need to be repaid. We have substantial interest payments due during the next twelve months. If we fail to satisfy our obligations with respect to our indebtedness or fail to comply with the financial and other restrictive covenants contained in the revolving credit facility, the indentures governing our senior notes, or other agreements governing our indebtedness, an event of default could result, which would permit acceleration of such debt and which could result in an event of default under and acceleration of our other debt and could permit our secured lenders to foreclose on any of our assets securing such debt. Any accelerated debt would become immediately due and payable. While we will attempt to take appropriate mitigating actions to refinance any indebtedness prior to its maturity or otherwise extend the maturity dates, and to cure any potential defaults, there is no assurance that any particular actions with respect to refinancing existing indebtedness, extending the

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maturity of existing indebtedness or curing potential defaults in our existing and future debt agreements will be sufficient.

The consolidated financial statements included in this prospectus have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The consolidated financial statements do not reflect any adjustments that might result if we are unable to continue as a going concern.

***A substantial or extended decline in oil and, to a lesser extent, natural gas, prices may adversely affect our business, financial condition or results of operations and our ability to meet our capital expenditure obligations and financial commitments.***

The price we receive for our oil and, to a lesser extent, natural gas, heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for oil and natural gas have been volatile. The spot natural gas prices during 2014 ranged from a high of $8.15 to a low of $2.99 per MMBtu and the spot oil prices during 2014 ranged from a high of $107.95 to a low of $53.45 per Bbl. Thus far in 2015, commodity prices have continued to be depressed and volatile. These markets will likely continue to be volatile in the future.

The prices we receive for our production and the levels of our production depend on numerous factors beyond our control. These factors include the following:

- worldwide and regional economic conditions impacting the global supply and demand for oil and natural gas;
- the actions of the Organization of Petroleum Exporting Countries;
- the price and quantity of imports of foreign oil and natural gas;
- political conditions in or affecting other oil and natural gas-producing countries;
- the level of global oil and natural gas exploration and production;
- the level of global oil and natural gas inventories;
- localized supply and demand fundamentals and transportation availability;
- weather conditions and natural disasters;
- domestic, local and foreign governmental regulations and taxes;
- speculation as to the future price of oil and natural gas and the speculative trading of oil and natural gas futures contracts;
- price and availability of competitors' supplies of oil and natural gas;
- technological advances affecting energy consumption; and

the price and availability of alternative fuels.

Substantially all of our production is currently sold to purchasers under short-term (less than 12-month) contracts at market based prices. Lower oil and natural gas prices will reduce our cash flows, borrowing ability and the present value of our reserves. If oil and natural gas prices deteriorate, we anticipate that the borrowing base under our revolving credit facility, which is revised periodically, may be reduced. Lower oil and natural gas prices may also reduce the amount of oil and natural gas that we can produce economically. Substantial decreases in oil and natural gas prices could render uneconomic a significant portion of our identified drilling locations. This may result in our having to make significant downward adjustments to our estimated proved reserves. As a result, a substantial or extended decline in oil or natural gas prices may materially and adversely affect our future business, financial condition, results of operations, liquidity or ability to finance planned capital expenditures.

***We may not be able to obtain funding under our revolving credit facility because of a decrease in our borrowing base or obtain funding in the capital markets on terms we find acceptable.***

Historically, we have used our cash flows from operations and borrowings under our revolving credit facility to fund our capital expenditures and have relied on the capital markets and asset monetization transactions to provide us with additional capital for large or exceptional transactions or to refinance debt obligations. At June 30, 2015, we had no amounts drawn on the credit facility and had outstanding letters of credit obligations totaling $1.5 million. The borrowing base under our revolving credit facility is subject to semiannual redeterminations in April and October and up to one additional time per six month period following each scheduled borrowing base redetermination, as may be requested by us or the administrative agent, acting on behalf of lenders holding at least two-thirds of the outstanding loans and other obligations. Should prices for oil and natural gas remain weak or deteriorate, if we have a downward revision in estimates of our proved reserves, or if we sell oil and natural gas reserves, our borrowing base may be reduced. Any reduction in the borrowing base will reduce our available liquidity, and, if the reduction results in the outstanding amount under the facility exceeding the borrowing base, we will be required to repay the deficiency within 30 days or in six equal monthly installments thereafter, at our election. We may not have the financial resources in the future to make any mandatory deficiency principal prepayments required under our revolving credit facility, which could result in an event of default.

In the future, we may not be able to access adequate funding under our revolving credit facility as a result of (i) a decrease in our borrowing base due to the outcome of a subsequent borrowing base redetermination, or (ii) an unwillingness or inability on the part of our lending counterparties to meet their funding obligations. Since the process for determining the borrowing base under our revolving credit facility involves evaluating the estimated value of some of our oil and natural gas properties using pricing models determined by the lenders at that time, a decline in those prices used, or further downward reductions of our reserves, likely will result in a redetermination of our borrowing base and a decrease in the available borrowing amount at the time of the next scheduled redetermination. In such case, we would be required to repay any indebtedness in excess of the borrowing base.

Volatility in the public and private capital markets may make it more difficult to obtain funding. There is a risk that the cost of obtaining money from the credit markets may increase in the future as lenders and institutional investors may increase interest rates, impose tighter lending standards, refuse to refinance existing debt at maturity on terms similar to existing debt or at all, or reduce or cease to provide any new funding. Due to these factors, we cannot be certain that funding, if needed, will be available to the extent required, or on acceptable terms. If we are unable to access funding when needed on acceptable terms, we may not be able to fully implement our business plans, take advantage of business opportunities, respond to competitive pressures, or refinance our debt obligations as they come due, any of which could have a material adverse effect on our operations and financial results.

Our ability to access funds under our revolving credit facility is based on a borrowing base, which is subject to periodic redeterminations based on our proved reserves and commodity prices that will be determined by our lenders using the bank pricing prevailing at such time.

***Our level of indebtedness may increase and reduce our financial flexibility.***

As of June 30, 2015, we had $250.9 million available and a borrowing base of $252.4 million under our revolving credit facility, $293.6 million in 2020 Senior Notes, $347.7 million in 2021 Senior Notes,

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$625.0 million in Second Lien Notes and $524.121 million in Third Lien Notes outstanding. In the future, we may incur significant additional indebtedness in order to make future acquisitions or to develop our properties.

Our current level of indebtedness could affect our operations in several ways, including the following:

- causing a significant portion of our cash flows to be used to service our indebtedness, thereby reducing the availability of cash flows for working capital, capital expenditures and other general business activities;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;
- placing us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, such competitors may be able to take advantage of opportunities that our indebtedness would prevent us from pursuing;
- causing our debt covenants to affect our flexibility in planning for, and reacting to, changes in the economy and in our industry;
- making it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then outstanding bank borrowings;
- impairing our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, general corporate or other purposes; and
- making it more difficult for us to satisfy our obligations under the indentures governing our Senior Notes.

A high level of indebtedness increases the risk that we may default on our debt obligations. Our ability to meet our debt obligations and to reduce our level of indebtedness depends on our future performance. General economic conditions, oil and natural gas prices and financial, business and other factors affect our operations and our future performance. Many of these factors are beyond our control.

If we are unable to repay our debt out of our cash on hand, we could attempt to refinance such debt, obtain additional borrowings, sell assets or repay such debt with the proceeds from an equity offering. We cannot assure you that refinancing, additional borrowings, proceeds from the sale of assets or equity financing will be available to pay or refinance such debt. Factors that may affect our ability to raise cash through an offering of our capital stock, a refinancing of our debt or a sale of assets include financial market conditions, our market value, our reserve levels and our operating performance at the time of such offering or other financing. The inability to repay or refinance our debt could have a material adverse effect on our operations and could result in a reduction in our capital program or lead us to pursue other alternatives to develop our assets.

In addition, our bank borrowing base is subject to periodic redeterminations on a semi-annual basis, effective October 1 and April 1 and up to one additional time per six-month period following each scheduled borrowing base redetermination, as may be requested by either us or the administrative agent under our revolving credit facility. In the future we could be forced to repay a portion of our then outstanding bank borrowings due to future redeterminations of our borrowing base. If we are forced to do so, we may not have sufficient funds to make such repayments. If we do not have sufficient funds and are unable to arrange new financing, we may have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

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***Our revolving credit facility and the indentures governing our Senior Notes contains certain covenants that may inhibit our ability to make certain investments, incur additional indebtedness and engage in certain other transactions, which could adversely affect our ability to meet our future goals.***

Our revolving credit facility and the indentures governing our Senior Notes includes certain covenants that, among other things, restrict:

- our ability to incur or assume additional debt or provide guarantees in respect of obligations of other persons;
- issue redeemable stock and preferred stock;
- pay dividends or distributions or redeem or repurchase capital stock;
- prepay, redeem or repurchase certain debt;
- make loans and investments;
- create or incur liens;
- restrict distributions from our subsidiaries;
- sell assets and capital stock of our subsidiaries;
- consolidate or merge with or into another entity, or sell all or substantially all of our assets; and
- enter into new lines of business.

A breach of the covenants under the indentures governing the Senior Notes or under the revolving credit facility could result in an event of default under the applicable indebtedness. An event of default may allow the creditors to accelerate the related debt and may result in an acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default under our credit facility would permit the lenders under the facility to terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under our revolving credit facility could proceed against the collateral granted to them to secure that debt.

In addition, our revolving credit facility requires us to maintain certain financial ratios, including a leverage ratio. All of these restrictive covenants may restrict our ability to expand or pursue our business strategies. Our ability to comply with these and other provisions of our revolving credit facility may be impacted by changes in economic or business conditions, results of operations or events beyond our control. The breach of any of these covenants could result in a default under our revolving credit facility, in which case, depending on the actions taken by the lenders thereunder or their successors or assignees, such lenders could elect to declare all amounts borrowed under our revolving credit facility, together with accrued interest, to be due and payable. If we were unable to repay such borrowings or interest, our lenders could proceed against their collateral. If the indebtedness under our revolving credit facility were to be accelerated, our assets may not be sufficient to repay in full such indebtedness.

***We may be unable to maintain compliance with certain financial ratio covenants of our outstanding indebtedness which could result in an event of default that, if not cured or waived, would have a material adverse effect on our business, financial condition and results of operations.***

Our revolving credit facility requires us to maintain certain financial ratios or to reduce our indebtedness if we are unable to comply with such ratios. As of June 30, 2015 we are in compliance with our financial covenants; however, we cannot guarantee that we will be able to comply with such terms at all times in the future. Any failure to comply with the conditions and covenants in our revolving credit facility that is not waived by our lenders or otherwise cured could lead to a termination of our revolving credit facility, acceleration of all amounts due under our revolving credit facility, or

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trigger cross-default provisions under other financing arrangements. These restrictions may limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of the limitations that the restrictive covenants under our indebtedness impose on us.

***Liquidity concerns could result in a downgrade in our debt ratings which could restrict our access to, and negatively impact the terms of, current or future financings or trade credit.***

Our ability to obtain financings and trade credit and the terms of any financings or trade credit is, in part, dependent on the credit ratings assigned to our debt by independent credit rating agencies. We cannot provide assurance that any of our current ratings will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. Factors that may impact our credit ratings include debt levels, planned asset purchases or sales and near-term and long-term production growth opportunities, liquidity, asset quality, cost structure, product mix and commodity pricing levels. A ratings downgrade could adversely impact our ability to access financings or trade credit, increase our borrowing costs and potentially require us to post letters of credit for certain obligations.

***Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.***

Our future financial condition and results of operations will depend on the success of our development, drilling and production activities. Our oil and natural gas drilling and production activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas production. Our decisions to purchase, explore or develop drilling locations or properties will depend in part on the evaluation of data obtained through 2D and 3D seismic data, geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The production and operating data that is available with respect to our operating areas based on modern drilling and completion techniques is relatively limited compared to trends where multiple operators have been active for a significant period of time. As a result, we face more uncertainty in evaluating data than operators in more developed trends. For a discussion of the uncertainty involved in these processes, see " Our estimated proved reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these assumptions will materially affect the quantities and present value of our reserves." Our costs of drilling, completing and operating wells are often uncertain before drilling commences. In addition, the application of new techniques in these trends, such as high-graded stimulation designs and horizontal completions, some of which we may not have previously employed, may make it more difficult to accurately estimate these costs. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or cancel our scheduled drilling projects, including the following:

- shortages of, or delays in, obtaining equipment and qualified personnel;
- facility or equipment malfunctions;
- unexpected operational events;
- pressure or irregularities in geological formations;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- delays imposed by or resulting from compliance with regulatory requirements;

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- proximity to and capacity of transportation facilities;
- title problems; and
- limitations in the market for oil and natural gas.
- cost associated with developing and operating oil and gas properties

In addition, our hydraulic fracturing operations require significant quantities of water. Regions where we operate have recently experienced drought conditions. These conditions could persist in the future, diminishing our access to water for hydraulic fracturing operations. Any diminished access to water for use in hydraulic fracturing, whether due to usage restrictions or drought or other weather conditions, could curtail our operations or otherwise result in delays in operations or increased costs.

***The standardized measure of discounted future net cash flows from our proved reserves will not be the same as the current market value of our estimated oil and natural gas reserves. If the standardized measure of discounted future net cash flows was run at current strip prices, our total estimated proved reserves would be significantly below the standardized measure of discounted future net cash flows at December 31, 2014.***

You should not assume that the standardized measure of discounted future net cash flows from our proved reserves is the current market value of our estimated oil and natural gas reserves. In accordance with SEC requirements in effect at December 31, 2014, 2013 and 2012, we based the discounted future net cash flows from our proved reserves on the 12-month unweighted arithmetic average of the first-day-of-the-month price for the preceding twelve months without giving effect to derivative transactions. Actual future net cash flows from our oil and natural gas properties will be affected by factors such as:

- actual prices we receive for oil and natural gas;
- actual cost of development and production expenditures;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both our production and our incurrence of expenses in connection with the development and production of oil and natural gas properties will affect the timing and amount of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating standardized measure may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general. Prior to our corporate reorganization in April 2012 in connection with our initial public offering, we were not subject to entity level taxation. Accordingly, our standardized measure for periods prior to such reorganization does not provide for federal or state corporate income taxes because taxable income was passed through to our equity holders. However, as a result of our corporate reorganization, we are now treated as a taxable entity for federal income tax purposes and our income taxes are dependent upon our taxable income. Actual future prices and costs may differ materially from those used in the present value estimates included in this report which could have a material effect on the value of our reserves.

***Due to the recent decrease in oil and natural gas prices and if prices continue to decrease, we may be required to take write-downs of the carrying values of our oil and natural gas properties.***

We use the full cost method of accounting for our oil and gas properties. Accordingly, we capitalize and amortize all productive and nonproductive costs directly associated with property acquisition, exploration and development activities. Under the full cost method, the capitalized cost of oil and gas properties, less accumulated amortization and related deferred income taxes may not exceed

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the "cost center ceiling" which is equal to the sum of the present value of estimated future net revenues from proved reserves, less estimated future expenditures to be incurred in developing and producing the proved reserves computed using a discount factor of 10%, plus the costs of properties not subject to amortization, plus the lower of the cost or estimated fair value of unproved properties included in the costs being amortized, less related income tax effects. If the net capitalized costs exceed the cost center ceiling, we recognize the excess as an impairment of oil and gas properties. During the six months ended June 30, 2015, we recognized an impairment of $673.1 million, for the amount by which our net capitalized costs exceeded the cost center ceiling. This impairment does not impact cash flows from operating activities but does reduce our earnings and shareholders' equity. The risk that we will be required to recognize impairments of our oil and natural gas properties increases during periods of low commodity prices. In addition, impairments would occur if we were to experience sufficient downward adjustments to our estimated proved reserves or the present value of estimated future net revenues. An impairment recognized in one period will not be reversed in a subsequent period even if higher oil and gas prices increase the cost center ceiling applicable to the subsequent period. We expect to recognize an impairment for the three months ended September 30, 2015, and such impairment is anticipated to be material. We could incur further impairments of oil and natural gas properties in the future, particularly as a result of sustained or further decline in commodity prices.

***Oil and natural gas prices are volatile. A substantial portion of our hedges are set to expire in 2015. If we choose not to replace hedges as those contracts expire, our cash flows from operations will be subjected to increased volatility.***

We enter into hedging transactions of our oil and natural gas production revenues to reduce our exposure to fluctuations in the price of oil and natural gas. A substantial portion of our hedges are set to expire in 2015. As our hedges expire, more of our future production will be sold at market prices, exposing us to the fluctuations in the price of oil and natural gas, unless we enter into additional hedging transactions. We may choose not to replace existing hedges as those contracts expire, which will subject our cash flows from operations to increased volatility.

***We have incurred losses from operations during certain periods since the beginning of 2008 and may continue to do so in the future.***

We incurred losses from operations of $407.4 million, $15.6 million and $11.8 million for the years ended December 31, 2013, 2010 and 2009, respectively. Our development of and participation in an increasingly larger number of drilling locations has required and will continue to require substantial capital expenditures. The uncertainty and risks described in this report may impede our ability to economically acquire and develop oil and natural gas reserves. As a result, we may not be able to achieve or sustain profitability or positive cash flows provided by operating activities in the future.

***Our estimated proved reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these assumptions will materially affect the quantities and present value of our reserves.***

The process of estimating oil and natural gas reserves is complex. It requires interpretations of available technical data and many assumptions, including assumptions relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these assumptions could materially affect the estimated quantities and present value of reserves shown in this report.

In order to prepare our estimates, we must estimate production rates and the timing of development expenditures. We must also analyze available geological, geophysical, production and engineering data. The extent, quality and reliability of this data can vary. The process also requires economic assumptions about matters such as oil and natural gas prices, drilling and operating expenses, capital expenditures, taxes and availability of funds. Estimates of oil and natural gas reserves are

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inherently imprecise. In addition, reserve estimates for properties that do not have a lengthy production history, including the areas in which we operate, are less reliable than estimates for fields with lengthy production histories. There can be no assurance that analysis of previous production data relating to the Mississippian Lime, Anadarko Basin or Upper Gulf Coast Tertiary trend will accurately predict future production, development expenditures or operating expenses from wells drilled and completed using modern techniques. In addition, this data is partially based on vertically drilled wells, which may not accurately reflect production, development expenditures or operating expenses that may result from the application of horizontal drilling techniques.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and natural gas reserves may vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this report. In addition, we may adjust estimates of proved reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

***The development of our proved undeveloped reserves in our areas of operation may take longer and may require higher levels of capital expenditures than we currently anticipate. Therefore, our undeveloped reserves may not be ultimately developed or produced.***

Approximately 52% of our total estimated proved reserves were classified as proved undeveloped as of December 31, 2014. Development of these reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the future net revenues estimated for such reserves and may result in some projects becoming uneconomic. In addition, pursuant to existing SEC rules and guidance, subject to limited exceptions, proved undeveloped reserves may only be booked if they relate to wells scheduled to be drilled within five years of the date of booking. Accordingly, delays in the development of such reserves, increases in capital expenditures required to develop such reserves and changes in commodity prices could cause us to have to reclassify our proved undeveloped reserves as unproved reserves, which may materially adversely affect our business, results of operations and financial condition.

***Unless we replace our oil and natural gas reserves, our reserves and production will decline, which would adversely affect our business, financial condition and results of operations.***

Unless we conduct successful development and exploration activities or acquire properties containing proved reserves, our proved reserves will decline as those reserves are produced. Producing oil and natural gas reservoirs generally are characterized by declining production rates that vary depending upon reservoir characteristics and other factors. Our future oil and natural gas reserves and production, and therefore our cash flows and income, are highly dependent on our success in efficiently developing our current reserves and economically finding or acquiring additional recoverable reserves. We may not be able to develop, find or acquire additional reserves to replace our current and future production at acceptable costs. If we are unable to replace our current and future production, the value of our reserves will decrease, and our business, financial condition and results of operations will be adversely affected.

***Drilling locations that we have identified may not yield oil or natural gas in commercially viable quantities.***

We describe some of our drilling locations and our plans to explore those drilling locations in this report. Our drilling locations are in various stages of evaluation, ranging from a location which is ready to drill to a location that will require substantial additional interpretation. There is no way to predict in advance of drilling and testing whether any particular location will yield oil or natural gas in sufficient quantities to recover drilling or completion costs or to be economically viable. The use of technologies and the study of producing fields in the same area will not enable us to know conclusively prior to drilling whether oil or natural gas will be present or, if present, whether oil or natural gas will be present in sufficient quantities to be economically viable. Even if sufficient amounts of oil or natural gas exist, we may damage the potentially productive hydrocarbon bearing formation or experience mechanical difficulties while drilling or completing the well, resulting in a reduction in production from or abandonment of the well. If we drill additional wells that we identify as dry holes in our current and future drilling locations, our drilling success rate may decline and materially harm our business. In sum, the cost of drilling, completing and operating any well is often uncertain, and new wells may not be productive.

***Our identified drilling locations are scheduled out over many years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling, which in certain instances could prevent production prior to the expiration date of leases for such locations. In addition, we may not be able to raise the amount of capital that would be necessary to drill a substantial portion of our identified drilling locations.***

Our management team has identified and scheduled certain drilling locations as an estimation of our future multi-year drilling activities on our existing acreage and acreage currently under option. These drilling locations represent a significant part of our growth strategy. Our ability to drill and develop these drilling locations depends on a number of uncertainties, including oil and natural gas prices, the availability and cost of capital, drilling and production costs, the availability of drilling services and equipment, drilling results, lease expirations, gathering systems, marketing and pipeline transportation constraints, regulatory approvals and other factors. Because of these uncertain factors, we do not know if the numerous drilling locations we have identified will ever be drilled or if we will be able to produce oil or natural gas from these or any other drilling locations. In addition, unless production is established within the spacing units covering the undeveloped acres on which some of the potential locations are obtained, the leases for such acreage will expire. As such, our actual drilling activities may materially differ from those presently identified.

***Part of our strategy involves using some of the latest available horizontal drilling and completion techniques. The results of our horizontal drilling activities are subject to drilling and completion technique risks, and actual drilling results may not meet our expectations for reserves or production. As a result, we may incur material impairment of the carrying value of our unevaluated properties, and the value of our undeveloped acreage could decline if drilling results are unsuccessful.***

Risks that we face while horizontally drilling include, but are not limited to, landing our well bore in the desired drilling zone, staying in the desired drilling zone while drilling horizontally through the formation, running our casing the entire length of the well bore and being able to run tools and other equipment consistently through the horizontal well bore. Risks that we face while completing our horizontal wells include, but are not limited to, being able to fracture stimulate the planned number of stages, being able to run tools the entire length of the well bore during completion operations and successfully cleaning out the well bore after completion of the final fracture stimulation stage. Ultimately, the success of these horizontal drilling and completion techniques can only be evaluated over time as more wells are drilled in the Mississippian Lime, Anadarko Basin and Upper Gulf Coast Tertiary trend and production profiles are established over a sufficiently long time period. If our horizontal drilling results in these trends are less than anticipated, the return on our investment in this area may not be as attractive as we anticipate. The carrying value of our unevaluated properties could become impaired, which would increase our depletion rate per Boe or result in a ceiling test impairment if there were no corresponding additions to recoverable reserves, and the value of our undeveloped acreage in this area could decline in the future.

***Our business depends on the availability of water and the ability to dispose of water. Limitations or restrictions on our ability to obtain or dispose of water may have an adverse effect on our financial condition, results of operations and cash flows.***

With current technology, water is an essential component of drilling and hydraulic fracturing processes. Limitations or restrictions on our ability to secure sufficient amounts of water, or to dispose of or recycle water after use, could adversely impact our operations. In some cases, water may need to be obtained from new sources and transported to drilling sites, resulting in increased costs. Moreover, the introduction of new environmental initiatives and regulations related to water acquisition or waste water disposal, including produced water, drilling fluids and other wastes associated with the exploration, development or production of hydrocarbons, could limit or prohibit our ability to utilize hydraulic fracturing or waste water injection control wells.

In addition, concerns have been raised about the potential for earthquakes to occur from the use of underground injection control wells, a predominant method for disposing of waste water from oil and gas activities. New rules and regulations may be developed to address these concerns, possibly limiting or eliminating the ability to use disposal wells in certain locations and increasing the cost of disposal in our operations. We operate injection wells and utilize injection wells owned by third parties to dispose of waste water associated with our operations.

Compliance with environmental regulations and permit requirements governing the withdrawal, storage, and use of water necessary for hydraulic fracturing of wells or the disposal of water may increase our operating costs or may cause us to delay, curtail or discontinue our exploration and development plans, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***The unavailability or high cost of additional drilling rigs, equipment, supplies, personnel and oilfield services could adversely affect our ability to execute our exploration and development plans within our budget and on a timely basis.***

We utilize third-party services to maximize the efficiency of our organization. The cost of oilfield services may increase or decrease depending on the demand for services by other oil and gas companies. There is no assurance that we will be able to contract for such services on a timely basis or that the cost of such services will remain at a satisfactory or affordable level. Shortages or the high cost of frac crews, drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect our development and exploration operations or cause us to incur significant expenditures that are not provided for in our capital budget, which could have a material adverse effect on our business, financial condition or results of operations.

***Our business depends on transportation by truck for our oil and condensate production, and our natural gas production depends on transportation facilities that are owned by third parties.***

We transport all of our oil and condensate production by truck, which is more expensive and less efficient than transportation via pipeline. Our natural gas production depends in part on the availability, proximity and capacity of pipeline systems and processing facilities owned by third parties. Federal and state regulation of oil and natural gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, damage to or destruction of pipelines and general economic conditions could adversely affect our ability to produce, gather and transport oil and natural gas.

The disruption of third-party facilities due to maintenance, capacity constraints, or weather could negatively impact our ability to market and deliver our products. We have no control over when or if such facilities are restored or what prices will be charged. A total shut-in of production could materially affect us due to a lack of cash flows, and if a substantial portion of the production is hedged at lower than current market prices, those financial hedges would have to be paid from borrowings absent sufficient cash flows.

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***Our drilling and production programs may not be able to obtain access on commercially reasonable terms or otherwise to truck transportation, pipelines, gas gathering, transmission, storage and processing facilities to market our oil and gas production.***

The marketing of oil and gas production depends in large part on the capacity and availability of trucks, pipelines and storage facilities, gas gathering systems and other transportation, processing and refining facilities. Access to such facilities is, in many respects, beyond our control. If these facilities were unavailable to us on commercially reasonable terms or otherwise, we could be forced to shut in some production or delay or discontinue drilling plans and commercial production following a discovery of hydrocarbons. We rely (and expect to rely in the future) on facilities developed and owned by third parties in order to store, process, transmit and sell our oil and gas production. Our plans to develop and sell our oil and gas reserves could be materially and adversely affected by the inability or unwillingness of third parties to provide sufficient facilities and services to us on commercially reasonable terms or otherwise. The amount of oil and gas that can be produced is subject to limitation in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the gathering, transportation, refining or processing facilities, or lack of capacity on such facilities. The curtailments arising from these and similar circumstances may last from a few days to several months, and in many cases, we may be provided only limited, if any, notice as to when these circumstances will arise and their duration.

***We may incur substantial losses and be subject to substantial liability claims as a result of our oil and natural gas operations. Additionally we may not be insured for, or our insurance may be inadequate to protect us against, these risks.***

We are not insured against all risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- environmental hazards, such as unauthorized releases of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oilfield drilling and service tools and casing collapse;
- fires, explosions and ruptures of pipelines;
- personal injuries and death; and
- natural disasters.

Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to us as a result of:

- injury or loss of life;
- damage to and destruction of property, natural resources and equipment;
- pollution and other environmental damage;
- regulatory investigations and penalties;

- suspension of our operations; and
- repair and remediation costs.

We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. The occurrence of an event that is not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations.

***We have received a notice of non-compliance with a continued listing standard from The New York Stock Exchange ("NYSE") for our common stock. If we are unable to avoid the delisting of our common stock from the NYSE, it could have a substantial effect on our liquidity and results of operations.***

On April 1, 2015, we received notification from the NYSE that the price of our common stock had fallen below the NYSE's continued listing standard. Subsequent to April 1, 2015, we regained compliance with the NYSE continued listing requirement; however on July 16, 2015, we received another notification from the NYSE that the price of our common stock had fallen below the NYSE's continued listing standard. Subsequently, we regained compliance with this continued listing standard. The NYSE requires that the average closing price of a listed company's common stock not be less than $1.00 per share for a period of over 30 consecutive trading days.

Under NYSE rules, a company can avoid delisting if, during the six month period following receipt of the NYSE notice and on the last trading day of any calendar month, a company's common stock price per share and 30 trading-day average share price is at least $1.00. During this six month period, a company's common stock will continue to be traded on the NYSE, subject to compliance with other continued listing requirements. On August 3, the Company announced a 1-for-10 reverse stock split of the Company's common stock to cure the price deficiency, and we subsequently regained compliance within the requisite time period.

On August 13, 2015, we received another notification from NYSE that our market capitalization and last reported stockholders equity had fallen below the NYSE's continued listing standards. The NYSE requires that a listed company's total market capitalization not be less than $50 million for a period of over 30 consecutive trading days and that our last reported stockholder equity not be less than $50 million. In accordance with NYSE procedures, we have 45 days from our receipt of the notice to submit a business plan to the NYSE demonstrating how we intend to regain compliance with the NYSE's continued listing standards within 18 months. The Listings and Compliance Committee of the NYSE (the "Committee") will then review the business plan for final disposition. In the event the Committee accepts the plan, the Company will be subject to quarterly monitoring for compliance with the business plan and the Company's compliance with other NYSE continued listing requirements. In the event the Committee does not accept the business plan, the Company will be subject to delisting procedures and suspension by the NYSE.

The NYSE notifications did not affect our business operations or our SEC reporting requirements and did not conflict with or cause an event of default under any of our material debt or other agreements.

In the future, if our common stock ultimately were to be delisted for any reason, it could negatively impact us by (i) reducing the liquidity and market price of our common stock; (ii) reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; (iii) limiting our ability to use a registration statement to offer and sell freely tradable securities, thereby preventing us from accessing the public capital markets; and (iv) impairing our ability to provide equity incentives to our employees.

***Increased costs of capital could adversely affect our business.***

Our business and operating results can be harmed by factors such as the availability, terms and cost of capital, or increases in interest rates. Changes in any one or more of these factors could cause our cost of doing business to increase, limit our access to capital, limit our ability to drill our identified locations and pursue acquisition opportunities, reduce our cash flows available for drilling and place us at a competitive disadvantage. Recent disruptions and continuing volatility in the global financial

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markets may lead to an increase in interest rates or a contraction in credit availability impacting our ability to finance our operations. We require continued access to capital. A significant reduction in the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results.

***We are subject to risks in connection with acquisitions and the integration of significant acquisitions may be difficult.***

We have previously acquired reserves, properties, prospects and leaseholds from third parties, including the Eagle Property Acquisition and the Anadarko Basin Acquisition. In addition, we will continue to evaluate other acquisitions of reserves, properties, prospects and leaseholds and other strategic transactions that appear to fit within our overall business strategy. The successful acquisition of assets and other producing properties requires an assessment of several factors, including:

- recoverable reserves;
- future oil and natural gas prices and their appropriate differentials;
- development and operating costs;
- potential for future drilling and production;
- validity of the sellers' title to the properties, which may be less than expected at the time of signing the purchase agreement; and
- potential environmental issues, litigation and other liabilities.

The accuracy of these assessments is inherently uncertain. In connection with these assessments, we perform a review of the subject properties that we believe to be generally consistent with industry practices. Our review will not reveal all existing or potential problems nor will it permit us to become sufficiently familiar with the properties to fully assess their deficiencies and potential recoverable reserves. Inspections may not always be performed on every well, and environmental problems are not necessarily observable even when an inspection is undertaken. Even when problems are identified, the sellers may be unwilling or unable to provide effective contractual protection against all or part of the problems. We often are not entitled to contractual indemnification for environmental liabilities and acquire properties on an "as is" basis.

Significant acquisitions and other strategic transactions may involve other risks, including:

- diversion of our management's attention to evaluating, negotiating and integrating significant acquisitions and strategic transactions;
- the challenge and cost of integrating acquired operations, information management and other technology systems and business cultures with those of our operations while carrying on our ongoing business;
- difficulty associated with coordinating geographically separate organizations;
- an inability to secure, on acceptable terms, sufficient financing that may be required in connection with expanded operations and unknown liabilities; and
- the challenge of attracting and retaining personnel associated with acquired operations.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of our business. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage our business. If our senior management is not able to effectively manage the integration process, or if any

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significant business activities are interrupted as a result of the integration process, our business could suffer.

In addition, even if we successfully integrate operations acquired in acquisitions, we may not be possible to realize the full benefits we may expect in estimated proved reserves, production volume, cost savings from operating synergies or other benefits anticipated from an acquisition or realize these benefits within the expected time frame. Anticipated benefits of an acquisition may be offset by operating losses relating to changes in commodity prices in oil and natural gas industry conditions, risks and uncertainties relating to the exploratory prospects of the combined assets or operations, failure to retain key personnel, an increase in operating or other costs or other difficulties. We may experience additional challenges integrating the assets of privately operated companies. If we fail to realize the benefits we anticipate from an acquisition, our results of operations and stock price may be adversely affected.

***The inability of our significant customers to meet their obligations to us may adversely affect our financial results.***

We are subject to credit risk due to concentration of our oil, NGL and natural gas receivables with several significant customers. The largest purchaser of our oil, NGLs and natural gas during the year ended December 31, 2014 was Plains Marketing, L.P., accounting for 28%, and for the year ended December 31, 2013 the largest purchaser was ConocoPhillips, accounting for 28% of our total revenues for these periods. Chevron accounted for 41% of our revenues for the year ended December 31, 2012. We generally do not require our customers to post collateral. The inability or failure of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial condition and results of operations.

***Our derivative activities could result in financial losses or could reduce our earnings.***

To achieve a more predictable cash flow and to reduce our exposure to adverse fluctuations in the prices of oil, we enter into derivative instruments for a portion of our oil, NGL and natural gas production. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures about Market Risk" and Note 5 to our Audited Consolidated Financial Statements for a summary of our oil commodity derivative positions. We did not designate any of our derivative instruments as hedges for accounting purposes, and we record all derivative instruments in our balance sheet at fair value. Changes in the fair value of our derivative instruments are recognized in current earnings. Accordingly, our earnings may fluctuate significantly as a result of changes in the fair value of our derivative instruments.

Derivative instruments expose us to the risk of financial loss in some circumstances, including when:

- production is less than the volume covered by the derivative instruments;
- the counter-party to the derivative instrument defaults on its contractual obligations; or
- there is an increase in the differential between the underlying price in the derivative instrument and actual prices received for basis differentials.

In addition, our derivative arrangements limit the benefit we would receive from increases in the prices for oil, NGLs and natural gas.

***Large competitors may be attracted to our core operating areas, which may increase our costs.***

Our operations in the Mississippian Lime formation in northwestern Oklahoma, the Anadarko Basin in Texas and Oklahoma and the Upper Gulf Coast tertiary trend in Louisiana may attract

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companies that have greater resources than we do. These companies may be able to pay more for productive oil and natural gas properties and exploratory prospects or identify, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. Their presence in our areas of operations may also restrict our access to, or increase the cost of, oil and natural gas infrastructure, drilling rigs, equipment, supplies, personnel and oilfield services, including fracking equipment and crews. In addition, these companies may have a greater ability to continue exploration activities during periods of low oil and natural gas prices. Our larger competitors may be able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which would adversely affect our competitive position. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. See "Business Competition" for additional discussion of the competitive environment in which we operate.

***The volatility in commodity prices and business performance may affect our ability to retain key management. The loss of senior management or technical personnel could adversely affect our operations.***

We depend on the services of our senior management and technical personnel. The volatility in commodity prices and business performance may affect our ability to retain key management. The loss of the services of additional members of our senior management or technical personnel could have a material adverse effect on our operations. We do not maintain, nor do we plan to obtain, any insurance against the loss of any of these individuals. Furthermore, if we are unable to find, hire and retain needed key personnel in the future, our business, financial condition and results of operations could be materially and adversely affected.

***Title to the properties in which we have an interest may be impaired by title defects.***

We do not obtain title insurance and have not necessarily obtained drilling title opinions on all of our oil and natural gas properties. The existence of title deficiencies with respect to our oil and natural gas properties could reduce the value or render such properties worthless, which could have a material adverse effect on our business and financial results. A significant portion of our acreage is undeveloped leasehold acreage, which has a greater risk of title defects than developed acreage. Frequently, as a result of title examinations, certain curative work may be required to correct identified title defects, and such curative work entails time and expense. Our inability or failure to cure title defects could render some locations undrillable or cause us to lose our rights to some or all production from some of our oil and natural gas properties, which could have a material adverse effect on our business and financial results if a comparable additional location to drill a development well cannot be identified.

***The proposed U.S. federal budget for fiscal year 2015 and proposed legislation contain certain provisions that, if passed as originally submitted, will have an adverse effect on our financial position, results of operations and cash flows.***

The Obama administration's budget proposals for fiscal year 2015 contains numerous proposed tax changes, and from time to time, legislation has been introduced that would enact many of these proposed changes. The proposed budget and legislation would repeal many tax incentives and deductions that are currently available to U.S. oil and gas companies. Among others, the provisions include: elimination of the ability to fully deduct intangible drilling and development costs in the year incurred; repeal of the percentage depletion deduction for oil and gas properties; repeal of the domestic manufacturing tax deduction for oil and gas companies; and increase in the geological and geophysical amortization period for independent producers. Should some or all of these provisions become law our taxes could increase, potentially significantly, after net operating losses are exhausted,

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which would have a negative impact on our net income and cash flows and could reduce our drilling activities. We do not know the ultimate impact these proposed changes may have on our business.

***We are subject to various governmental regulations that may cause us to incur substantial costs.***

From time to time, in varying degrees, political developments and federal and state laws and regulations affect our operations. In particular, price controls, taxes and other laws relating to the oil and natural gas industry, changes in these laws and changes in administrative regulations have affected, and in the future could affect, oil and natural gas production, operations and economics. We cannot predict how agencies or courts will interpret existing laws and regulations or the effect of these adoptions and interpretations may have on our business or financial condition.

Our business is subject to laws and regulations promulgated by federal, state and local authorities relating to the exploration for, and the development, production and marketing of, oil and natural gas, as well as safety matters. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures to comply with governmental laws and regulations. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to significant liabilities on our part to the government, and third parties and may require us to incur substantial costs of remediation.

***Our sales of oil and gas may expose us to extensive regulation.***

The FERC, the Commodity Futures Trading Commission and the Federal Trade Commission hold statutory authority to monitor certain segments of the physical energy commodities markets relevant to our business. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to our physical sales, if any, of oil and gas, we are required to observe the market-related regulations enforced by these agencies.

***Our operations are subject to stringent environmental laws and regulations that may expose us to significant costs and liabilities.***

Our oil and natural gas exploration, production and development operations are subject to stringent and complex federal, regional, state and local laws and regulations governing the release or disposal of materials into the environment or otherwise relating to environmental protection. These laws and regulations may, among other things, require the acquisition of a permit before drilling commences, restrict the types, quantities and concentration of substances that can be released into the environment in connection with drilling, completion and production activities, limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, and other protected areas, and impose substantial liabilities for pollution resulting from our operations. We may be required to make significant capital and operating expenditures to prevent releases, manage wastewater discharges and control air emissions or perform remedial or other corrective actions at our wells and properties to comply with the requirements of these environmental laws and regulations or the terms or conditions of permits issued pursuant to such requirements. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, loss of our leases, incurrence of investigatory or remedial obligations and the issuance of orders limiting or prohibiting some or all of our operations.

There is inherent risk of incurring significant environmental costs and liabilities in the performance of our operations due to our handling of petroleum hydrocarbons and other hazardous substances and wastes, as a result of air emissions and wastewater discharges related to our operations, and because of historical operations and waste disposal practices at our leased and owned properties. Spills or other releases of regulated substances, including such spills and releases that occur in the future, could

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expose us to material losses, expenditures and liabilities under applicable environmental laws and regulations. Under certain of such laws and regulations, we could be subject to strict, joint and several liability for the removal or remediation of previously released materials or property contamination, regardless of whether we were responsible for the release or contamination and even if our operations met previous standards in the industry at the time they were conducted.

Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly well drilling, construction, completion or water management activities, air emissions control or waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on our industry in general in addition to our own results of operations, competitive position or financial condition. For example, in 2012, the EPA published final rules that subject certain oil and natural gas sources, including production operations, to regulation under the NSPS and NESHAP programs that, among other things, require performance of green completions on certain fractured and re-fractured natural gas wells and establish specific requirements regarding emissions from certain production-related wet seal and reciprocating compressors and from pneumatic controllers and storage vessels. Compliance with these or other new regulations could, among other things, require installation of new emission controls on some of our equipment, result in longer permitting timelines, and significantly increase our expenditures and operating costs, which could adversely impact our business. We may not be able to recover some or any of these costs from insurance.

***Climate change legislation or regulations restricting emissions of GHGs could result in increased operating costs and reduced demand for the oil and natural gas we produce.***

Based on the EPA's determination that emissions of GHGs present an endangerment to public health and the environment because emissions of such gases are contributing to warming of the earth's atmosphere and other climatic changes, the EPA has regulations under existing provisions of the CAA that, among other things, establish pre-construction and operating permit reviews for GHG emissions from certain large stationary sources that already are potential major sources of certain principal, or criteria, pollutant emissions. Facilities required to obtain permits for their GHG emissions also will be required to meet "best available control technology" standards that typically will be established by the states. In addition, the EPA has adopted regulations requiring the monitoring and annual reporting of GHGs from certain sources in the United States, including, among others, certain onshore and offshore oil and natural gas production facilities.

In addition, the U.S. Congress has from time to time considered adopting legislation to reduce emissions of GHGs and a number of states have already taken legal measures to reduce emissions of GHGs primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. The adoption of legislation or regulatory programs to reduce emissions of GHGs could require us to incur increased operating costs, such as costs to purchase and operate emissions control systems, to acquire emissions allowances or comply with new regulatory or reporting requirements. For example, in January 2015, the Obama Administration announced plans for the EPA to issue final standards in 2016 that would reduce methane emissions from new and modified oil and natural gas production and natural gas processing and transmission facilities by up to 45 percent from 2012 levels by 2025. Any such legislation or regulatory programs could also increase the cost of consuming, and thereby reduce demand for, the oil and natural gas we produce. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have an adverse effect on our business, financial condition and results of operations. Finally, it should be noted that some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of

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storms, droughts and floods and other climatic events. If any such effects were to occur, they could have an adverse effect on our financial condition and results of operations.

***Federal and state legislative and regulatory initiatives relating to hydraulic fracturing as well as governmental reviews of such activities could result in increased costs, additional operating restrictions or delays, which could adversely affect our production.***

Hydraulic fracturing is an important and common practice that is used to stimulate production of natural gas and/or oil from dense subsurface rock formations. The process involves the injection of water, sand and chemicals under pressure into the formation to fracture the surrounding rock and stimulate production. We routinely utilize hydraulic fracturing techniques in many of our oil and natural gas drilling and completion programs. The process is typically regulated by state oil and natural gas commissions or similar state agencies, but several federal agencies have asserted regulatory authority over certain aspects of the process. For example, the EPA has issued final CAA regulations governing performance standards, including standards for the capture of air emissions released during hydraulic fracturing; announced its intent to propose in the first half of 2015 effluent limit guidelines that wastewater from shale gas extraction operations must meet before discharging to a treatment plant; and issued in May 2014 a prepublication of its Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. Also, the BLM issued a revised proposed rule containing disclosure requirements and other mandates for hydraulic fracturing on federal lands and the agency is now analyzing comments to the proposed rulemaking and is expected to promulgate a final rule in the first half of 2015. Compliance with these requirements could increase our costs of development and production, which costs may be significant.

From time to time, Congress has considered legislation to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the fracturing process. Moreover, some states, including Louisiana, Texas and Oklahoma, where we operate, have adopted, and other states are considering adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations under certain circumstances. States could elect to prohibit hydraulic fracturing altogether, such as the State of New York announced in December 2014. In addition, local government may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where we operate, we could incur potentially significant added costs to comply with such requirements, and experience delays or curtailment in the pursuit of exploration, development, or production activities. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that we are ultimately able to produce from our reserves.

In addition, there are also certain governmental reviews underway that focus on environmental aspects of hydraulic fracturing practices. For example, the White House Council on Environmental Quality is coordinating an administration wide review of hydraulic fracturing practices. Also, the EPA is pursuing a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater and is expected to issue a draft report for public comment and peer review sometime in the first half of 2015. These existing or any future studies could spur initiatives to further regulate hydraulic fracturing under the SDWA or otherwise.

***Studies by both state or federal agencies demonstrating a correlation between earthquakes and oil and natural gas activities could result in increased regulatory and operational burdens.***

On April 21, 2015, the Oklahoma Geologic Survey ("OGS") issued a document entitled "Statement of Oklahoma Seismicity," in which the agency states "[t]he OGS considers it very likely that the majority of recent earthquakes, particularly those in central and north-central Oklahoma, are triggered by the injection of produced water in disposal wells." This development may result in additional levels of regulation, or increased complexity with respect to existing regulations, that could lead to operational delays or increased operating costs and could result in additional regulatory burdens that could make it more difficult to inject produced water into disposal wells, and may increase our costs of compliance and doing business.

***Our operations are dependent on our rights and ability to receive or renew the required permits and other approvals from governmental authorities and other third parties.***

Performance of our operations require that we obtain and maintain numerous environmental and land use permits and other approvals authorizing our regulated activities. A decision by a governmental authority or other third party to deny, delay or restrictively condition the issuance of a new or renewed permit or other approval, or to revoke or substantially modify an existing permit or other approval, could have a material adverse effect on our ability to initiate or continue operations at the affected location or facility. Expansion of our existing operations is also predicated on securing the necessary environmental or land use permits and other approvals, which we may not receive in a timely manner or at all.

***The enactment of derivatives legislation could impede our ability to manage business and financial risks by restricting our use of derivative instruments as hedges against fluctuating commodity prices.***

On July 21, 2010 new comprehensive financial reform legislation, known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), was enacted that establishes federal oversight and regulation of the over-the-counter derivatives market and entities, including us, that participate in that market. The Dodd-Frank Act requires the CFTC, the SEC and other regulators to promulgate rules and regulations implementing the Dodd-Frank Act. Although the CFTC has finalized certain regulations, others remain to be finalized or implemented and it is not possible at this time to predict when this will be accomplished.

In October 2011, the CFTC issued regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. The initial position limits rule was vacated by the United States District Court for the District of Columbia in September 2012. However, in November 2013, the CFTC proposed new rules that would place limits on positions in certain core futures and equivalent swaps contracts for, or linked to, certain physical commodities, subject to exceptions for certain bona fide hedging transactions. As these new position limit rules are not yet final, the impact of those provisions on us is uncertain at this time.

The CFTC has designated certain interest rate swaps and credit default swaps for mandatory clearing and exchange trading. To the extent we engage in such transactions or transactions that become subject to such rules in the future, we will be required to comply or to take steps to qualify for an exemption to such requirements. In addition, the Dodd-Frank Act requires that regulators establish margin rules for uncleared swaps. Although we expect to qualify for the end-user exceptions to the mandatory clearing and margin requirements for swaps entered to hedge our commercial risks, the application of the requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use for hedging.

The Dodd-Frank Act also may require the counterparties to our derivative instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty.

Additionally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the Dodd-Frank Act and regulations is to lower commodity prices.

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The full impact of the Dodd-Frank Act and related regulatory requirements upon our business will not be known until the regulations are implemented and the market for derivatives contracts has adjusted. The Dodd-Frank Act and any new regulations could significantly increase the cost of derivative contracts (including from swap recordkeeping and reporting requirements, materially alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks we encounter, and reduce our ability to monetize or restructure our existing derivative contracts. If we reduce our use of derivatives as a result of the Dodd-Frank Act and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Any of these consequences could have a material adverse effect on our financial condition and results of operations.

In addition, the European Union and other non-U.S. jurisdictions are implementing regulations with respect to the derivatives market. To the extent we transact with counterparties in foreign jurisdictions, we may become subject to such regulations. At this time, the impact of such regulations is not clear.

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## USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer. In consideration for issuing the new notes as contemplated by this prospectus, we will receive old notes in a like principal amount. The form and terms of the new notes are substantially identical to the form and terms of the old notes, except the new notes do not include certain transfer restrictions, registration rights or provisions for additional interest. Old notes surrendered in exchange for the new notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of the new notes will not result in any change to our outstanding indebtedness.

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## SELECTED FINANCIAL DATA

The following table sets forth selected financial data of the Company and its consolidated subsidiary over the five-year period ended December 31, 2014, which information has been derived from the Company's audited financial statements. This information should be read in conjunction with, and is qualified in its entirety by, the more detailed information in the Company's financial statements set forth herein.

| | As of and for the Six Months Ended June 30, | | As of and for the Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2014(1) | 2013(2) | 2012(3) | 2011 | 2010 |
| | (in thousands, except per share amounts) | | | | | | |
| **Income Statement Data** | | | | | | | |
| Total revenues | $ 185,928 | $ 292,652 | $ 794,183 | $ 469,506 | $ 247,673 | $ 209,433 | $ 63,052 |
| Net income (loss) | (791,989) | (85,743) | 116,929 | (343,985) | (150,097) | 16,657 | (15,635) |
| Net income (loss) attributable to common shareholders(4) | (792,789) | (93,169) | 67,271 | (359,574) | (156,597) | 16,657 | (15,635) |
| Net income (loss) per share attributable to common shareholders | | | | | | | |
| Basic and diluted(5)(6) | $ (117.45) | $ (14.07) | $ 10.13 | $ (54.70) | $ (26.11) | N/A | N/A |
| **Balance Sheet Data** | | | | | | | |
| Cash and cash equivalents | $ 151,037 | $ 29,660 | $ 11,557 | $ 33,163 | $ 18,878 | $ 7,344 | $ 11,917 |
| Net property and equipment | 1,454,236 | 2,002,558 | 2,123,116 | 2,094,894 | 1,567,408 | 574,079 | 397,126 |
| Total assets | 1,796,238 | 2,243,284 | 2,475,793 | 2,342,107 | 1,684,010 | 624,656 | 427,004 |
| Long-term debt | 1,924,412 | 1,654,150 | 1,735,150 | 1,701,150 | 694,000 | 234,800 | 89,600 |
| Stockholders'/members' equity (deficit) | (322,797) | 257,583 | 465,862 | 339,999 | 677,469 | 285,502 | 255,879 |
| Weighted average number of common shares outstanding(6) | 6,750 | 6,622 | 6,644 | 6,576 | 5,997 | N/A | N/A |
| **Other Financial Data** | | | | | | | |
| Net cash provided by operating activities(7) | $ 138,650 | $ 173,561 | $ 351,544 | $ 237,588 | $ 145,019 | $ 141,550 | $ 50,768 |
| Net cash used in investing activities(7) | (149,994) | (128,028) | (404,264) | (1,204,332) | (781,378) | (242,619) | (139,618) |
| Net cash provided by financing activities | 150,824 | (49,036) | 31,114 | 981,029 | 647,893 | 96,496 | 96,414 |
| Adjusted EBITDA(8) | | | 474,098 | 330,759 | 144,619 | 152,616 | 53,274 |

(1) The year ended December 31, 2014 reflects the Pine Prairie sale, which closed on May 1, 2014. For a discussion of significant divestitures, see Note 7 Acquisitions and Divestitures of Oil and Gas Properties in the Notes to the Audited Consolidated Financial Statements included in this prospectus.

(2) The year ended December 31, 2013 reflects the Anadarko Basin Acquisition, which closed on May 31, 2013. For a discussion of significant, see Note 7 Acquisitions and Divestitures of Oil and Gas Properties in the Notes to the Audited Consolidated Financial Statements included in this prospectus.

(3) The year ended December 31, 2012 reflects the Eagle Property Acquisition, which closed on October 1, 2012. For a discussion of significant acquisitions, see Note 7 Acquisitions and Divestitures of Oil and Gas Properties in the Notes to the Audited Consolidated Financial Statements included in this prospectus.

(4) The years ended December 31, 2014, 2013 and 2012 includes the effect of an undeclared Series A Preferred Stock dividend of $10.4 million, $15.6 million and $6.5 million, which is, at the Company's option, to be paid in cash or in shares upon conversion. See Note 10 Preferred Stock in the Notes to the Audited Consolidated Financial Statements included in this prospectus.

(5) The net loss per share attributable to common shareholders for the year ended December 31, 2012 is on a pro forma basis, as our common stock did not trade for the entirety of 2012 (trading began on the NYSE on April 20, 2012).

(6) On August 3, 2015, the Company completed a 1-for-10 reverse stock split of its outstanding common stock. Net income (loss) per share attributable to common shareholders and the weighted average number of

common shares outstanding have been adjusted retrospectively to reflect the reverse stock split for all periods presented.

(7) In the first quarter of 2015, the Company determined it had incorrectly presented non-cash accrued capital expenditures in its Consolidated Statements of Cash Flows since December 31, 2012. The Company corrected the cash flow presentation and reported restated amounts within Item 5. *Other Information* in its Quarterly Report on Form 10-Q for the interim period ended March 31, 2015. During the second quarter of 2015, the Company determined the restated amounts for the years ended December 31, 2013 and 2012 included in Item 5. *Other Information* of its Quarterly Report on Form 10-Q for the interim period ended March 31, 2015 required revision. As such, the Company revised the restated amounts within Item 5. *Other Information* in its Quarterly Report on Form 10-Q for the interim period ended June 30, 2015. Net cash provided by operating activities and net cash used in investing activities, as presented above, have been restated to reflect the aforementioned revisions.

(8) Adjusted EBITDA is a non GAAP financial measure. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to our net income (loss) and net cash provided by operating activities, see "Non GAAP Financial Measures and Reconciliations" below.

**Non-GAAP Financial Measures and Reconciliations**

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our consolidated financial statements, such as industry analysts, investors, lenders and rating agencies.

The Company defines Adjusted EBITDA as earnings before interest income and expense, income taxes, depreciation, depletion and amortization, property impairments, asset retirement obligation accretion, unrealized derivative gains and losses and non-cash share-based compensation expense. Adjusted EBITDA is not a measure of net income or cash flows as determined by United States generally accepted accounting principles, or GAAP. The Company believes Adjusted EBITDA is useful because it allows it to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to its financing methods or capital structure. The Company excludes items such as property and inventory impairments, asset retirement obligation accretion, unrealized derivative gains and losses and non-cash share-based compensation expense, net of amounts capitalized, from net income in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within its industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income or cash flows from operating activities as determined in accordance with GAAP or as an indicator of the Company's operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. The Company's computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. The Company believes Adjusted EBITDA is a widely followed measure of operating performance and may also be used by investors to measure its ability to meet debt service requirements.

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The following table presents a reconciliation of the non-GAAP financial measure of Adjusted EBITDA to the GAAP measure of net income (loss) and net cash provided by operating activities, respectively.

| | As of and for the Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2014 | 2013 | 2012 | 2011 | 2010 |
| | (in thousands) | | | | |
| **Adjusted EBITDA reconciliation to net cash provided by operating activities:** | | | | | |
| Net cash provided by operating activities(1) | $ 351,544 | $ 237,588 | $ 145,019 | $ 141,550 | $ 50,768 |
| Changes in working capital(1)(2) | (7,098) | 16,021 | (11,624) | 9,845 | 2,829 |
| Interest income | (39) | (33) | (245) | (23) | (9) |
| Interest expense, net of amounts capitalized and accrued but not paid | 137,548 | 83,138 | 12,999 | 2,094 | |
| Amortization of deferred financing costs | (7,857) | (5,955) | (1,530) | (850) | (314) |
| **Adjusted EBITDA** | **$ 474,098** | **$ 330,759** | **$ 144,619** | **$ 152,616** | **$ 53,274** |
| Acquisition and transaction costs | 4,129 | 11,803 | 14,884 | | |
| Adjusted EBITDA, before acquisition and transaction costs | **$ 478,227** | **$ 342,562** | **$ 159,503** | **$ 152,616** | **$ 53,274** |
| **Adjusted EBITDA reconciliation to net income (loss):** | | | | | |
| Net income (loss) | $ 116,929 | $ (343,985) | $ (150,097) | $ 16,657 | $ (15,635) |
| Depreciation, depletion and amortization | 269,935 | 250,396 | 125,561 | 91,699 | 41,827 |
| Impairment in carrying value of oil and gas properties | 86,471 | 453,310 | | | |
| Loss on sale/impairment of field equipment inventory | 4,056 | 615 | | | |
| (Gains) Losses on commodity derivative contracts net | (139,189) | 44,284 | 11,158 | 4,844 | 26,268 |
| Net cash paid for commodity derivative contracts not designated as hedging instruments | (18,332) | (17,585) | (15,825) | (16,733) | (870) |
| Income tax expense (benefit) | 6,395 | (146,529) | 157,886 | | |
| Interest income | (39) | (33) | (245) | (23) | (9) |
| Interest expense, net of amounts capitalized | 137,548 | 83,138 | 12,999 | 2,094 | |
| Asset retirement obligation accretion | 1,706 | 1,435 | 723 | 334 | 175 |
| Share-based compensation, net of amounts capitalized | 8,618 | 5,713 | 2,459 | 53,744 | 1,518 |
| **Adjusted EBITDA** | **$ 474,098** | **$ 330,759** | **$ 144,619** | **$ 152,616** | **$ 53,274** |

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(1) In the first quarter of 2015, the Company determined it had incorrectly presented non-cash accrued capital expenditures in its Consolidated Statements of Cash Flows since December 31, 2012. The Company corrected the cash flow presentation and reported restated amounts within Item 5. *Other Information* in its Quarterly Report on Form 10-Q for the interim period ended March 31, 2015. During the second quarter of 2015, the Company determined the restated amounts for the years ended December 31, 2013 and 2012 included in Item 5. *Other Information* of its Quarterly Report on Form 10-Q for the interim period ended March 31, 2015 required revision. As such, the Company revised the restated amounts within Item 5. *Other Information* in its Quarterly Report on Form 10-Q for the interim period ended June 30, 2015. Net cash provided by operating activities and changes in working capital, as presented above, have been restated to reflect the aforementioned revisions.

(2) Changes in working capital for all periods have been adjusted for the loss on sale/impairment of field equipment inventory and current taxes.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended December 31, 2014 and the unaudited condensed consolidated financial statements and notes thereto included in this prospectus.*

### Overview

We are an independent exploration and production company focused on the application of modern drilling and completion techniques to oil-prone resources. Our operations originally focused on the Upper Gulf Coast Tertiary trend onshore in Louisiana, which we refer to as our "Gulf Coast" operating area. We began operations in the Mississippian Lime trend in Oklahoma and Kansas with the October 1, 2012 closing of our acquisition ("Eagle Property Acquisition") of interests in producing oil and natural gas assets and unevaluated leasehold acreage in Oklahoma and Kansas and related hedging instruments from Eagle Energy Production, LLC ("Eagle Energy"). On May 31, 2013, the Company closed on the acquisition of producing properties and undeveloped acreage in the Anadarko Basin in Texas and Oklahoma from Panther Energy Company, LLC and its partners for approximately $618.0 million in cash (the "Anadarko Basin Acquisition"), before customary post-closing adjustments. Subsequent to the closing of the Eagle Property Acquisition and the Anadarko Basin Acquisition, the Company has oil and gas operations and properties in Louisiana, Oklahoma and Texas.

Our financial results depend upon many factors, but are largely driven by the volume of our oil and natural gas production and the price that we receive for that production. The amount we realize for our production depends predominantly upon commodity prices and our related commodity price hedging activities, which are affected by changes in market demand and supply, as impacted by overall economic activity, weather, pipeline capacity, constraints, inventory storage levels, basis differentials, and other factors. Accordingly, finding and developing oil and natural gas reserves at economical costs is critical to our long-term success.

### Recent Developments

#### *Debt Restructuring*

On May 21, 2015, we conducted a debt restructuring transaction which included the issuance of $625.0 million of 10.0% Senior Secured Second Lien Notes due 2020 and the use of the proceeds to repay the outstanding balance of our reserve based revolving credit facility in an amount of approximately $468.2 million, with the remainder to be utilized for general corporate purposes. Further, we exchanged approximately $504.121 million of 12.0% Third Lien Senior Secured Notes due 2020 for approximately $279.8 million of 10.75% Senior Notes due 2020 and $350.3 million of 9.25% Senior Notes due 2021, representing an exchange at 80.0% of the exchanged Senior Unsecured Notes' par value. Additionally, on June 2, 2015, we exchanged approximately $20.0 million of Third Lien Notes for approximately $26.6 million of 2020 Senior Notes and $2.0 million of 2021 Senior Notes, representing an exchange at 70.0% of the exchanged Senior Unsecured Notes' par value. Approximately $63.9 million of the principal amount of 2020 Senior Notes and $70.7 million of the principal amount of 2021 Senior Notes were extinguished as a result of the exchanges occurring at a percentage of the Senior Unsecured Notes' par value.

Additionally, we entered into the Seventh Amendment which provided that upon completion of the offering of the Second Lien Notes and Third Lien Notes, the borrowing base of the credit facility would be reduced to $252.4 million. The Seventh Amendment also provided additional covenant flexibility. Further discussion regarding the Second Lien Notes, Third Lien Notes and Seventh Amendment can be found below under "  Liquidity and Capital Resources."

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***Reverse Stock Split***

On August 3, 2015, we completed a 1-for-10 reverse stock split of our outstanding common stock. To effect the reverse stock split, we filed a Certificate of Amendment to our Restated Certificate of Incorporation, which provides for the reverse stock split and for the corresponding reduction in our authorized capital stock to 100 million shares of common stock, $0.01 par value per share, following the reverse stock split. The consolidated financial statements and notes to the consolidated financial statements included in this document give retrospective effect to the reverse stock split for all periods presented.

***Dequincy Divestiture***

On April 21, 2015, we closed on the sale of ownership interest in developed and undeveloped acreage in the Dequincy area located in Beauregard and Calcasieu Parishes, Louisiana for $44.0 million to Pintail Oil and Gas LLC. The net proceeds of approximately $42.4 million, which is net of customary closing adjustments, was reflected as a reduction of oil and natural gas properties, with no gain or loss recognized. The proceeds from the sale will be used for general corporate purposes. With the Dequincy Divestiture, we no longer have any proved reserves or production in our Gulf Coast operating area.

**Risks, Uncertainties and Going Concern**

As a result of substantial declines in oil, natural gas liquids and natural gas prices during the latter half of 2014 and continuing into 2015, the liquidity outlook of the Company has been impacted. Decreases in commodity prices directly impact our revenues and associated operating cash flows and consequently our ability to fund our capital program and service our debt. As a result, we expect lower operating cash flows than previously experienced and if commodity prices continue to remain low, our liquidity will be further impacted as current hedging contracts expire. During the three and six months ended June 30, 2015, we received cash payments on settled derivative contracts of $42.2 million and $94.8 million, respectively. Such cash payments will not be received in 2016 and future periods due to the expiration of our hedging contracts.

Our interest payment obligations are substantial and the uncertainty associated with our ability to meet commitments as they come due or to repay outstanding debt raises substantial doubt about our ability to continue as a going concern. We received a going concern qualification from our independent registered public accounting firm for the year ended December 31, 2014, but obtained a waiver to the credit facility waiving any default as a result of receiving such qualification. The accompanying financial statements do not include any adjustments that might result from the uncertainty associated with our ability to meet obligations as they come due.

As a result of the commodity price decline and our substantial debt burden, the Company took steps to increase its liquidity and amend certain debt covenants. As discussed above, we completed the Dequincy Divestiture on April 21, 2015, for approximately $42.4 million, net of post-closing adjustments. Additionally, on May 21, 2015, we issued $625.0 million of Second Lien Notes and on May 21, 2015 and June 2, 2015 we exchanged an aggregate of approximately $524.121 million of Third Lien Notes for an aggregate of approximately $306.4 million of 2020 Senior Notes and $352.3 million of 2021 Senior Notes. Approximately $63.9 million of 2020 Senior Notes and $70.7 million of 2021 Senior Notes were extinguished as a result of the exchanges occurring at a percentage of the Senior Unsecured Notes' par value. For additional detail, please see " Liquidity and Capital Resources" below.

We also entered into the Seventh Amendment which provided that upon completion of the Second Lien Notes offering and Third Lien Notes exchange, the borrowing base of the credit facility would be reduced to $252.4 million. The Seventh Amendment also provided additional covenant flexibility. Further discussion regarding the Second Lien Notes, Third Lien Notes and Seventh Amendment can be

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found in Note 10 Long-Term Debt in the Notes to the Unaudited Consolidated Financial Statements included in this prospectus. Additionally, further discussion on liquidity can be found below under " Liquidity and Capital Resources."

**Operations Update**

***Mississippian Lime***

For the three months ended June 30, 2015 and March 31, 2015, our average daily production from the Mississippian Lime area was as follows:

| | Three Months Ended June 30, 2015 | Three Months Ended March 31, 2015 | Increase (Decrease) in Production |
|---|---|---|---|
| **Average daily production:** | | | |
| Oil (Bbls) | 10,828 | 10,675 | 1.4% |
| Natural gas liquids (Bbls) | 5,314 | 5,367 | (1.0)% |
| Natural gas (Mcf) | 65,324 | 62,933 | 3.8% |
| Net boe/day | 27,029 | 26,531 | 1.9% |

The following table shows our total number of horizontal wells spud and brought into production in the Mississippian Lime area during the second quarter of 2015:

| | Total Number of Gross Horizontal Wells Spud(1) | Total Number of Gross Horizontal Wells Brought into Production |
|---|---|---|
| Mississippian Lime | 17 | 19 |

(1) We had four rigs drilling in the Mississippian Lime horizontal well program at June 30, 2015. Of the 17 wells spud, six were producing, seven were awaiting completion and four were being drilled at quarter-end.

In the second quarter of 2015, we invested approximately $67.7 million on completions and drilling new wells.

***Anadarko Basin***

For the three months ended June 30, 2015 and March 31, 2015, our average daily production from our Anadarko Basin area was as follows:

| | Three Months Ended June 30, 2015 | Three Months Ended March 31, 2015 | Increase (Decrease) in Production |
|---|---|---|---|
| **Average daily production:** | | | |
| Oil (Bbls) | 2,937 | 3,028 | (3.0)% |
| Natural gas liquids (Bbls) | 1,404 | 1,240 | 13.2% |
| Natural gas (Mcf) | 13,468 | 12,734 | 5.8% |
| Net boe/day | 6,586 | 6,390 | 3.1% |

We did not spud any wells in the Anadarko Basin area and did not have any operated drilling rigs in the area during the second quarter of 2015.

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***Gulf Coast***

For the three months ended June 30, 2015 and March 31, 2015, our average daily production from the Gulf Coast area was as follows:

| | Three Months Ended June 30, 2015 | Three Months Ended March 31, 2015 | Decrease in Production |
|---|---|---|---|
| **Average daily production:** | | | |
| Oil (Bbls) | 194 | 858 | (77.4)% |
| Natural gas liquids (Bbls) | 55 | 274 | (79.9)% |
| Natural gas (Mcf) | 177 | 664 | (73.3)% |
| Net boe/day | 278 | 1,243 | (77.6)% |

Overall production decreased by 77.6% versus the first quarter of 2015 as a result of the Dequincy Divestiture, which occurred on April 21, 2015. The Dequincy Divestiture represented all of our remaining production and proved reserves in the Gulf Coast region.

No wells were spud or brought into production in our Gulf Coast area of operation during the second quarter of 2015.

***Capital Expenditures***

During the three and six months ended June 30, 2015, we incurred operational capital expenditures of $70.4 million and $163.3 million, respectively, which consisted primarily of:

| | For the Three Months Ended June 30, 2015 | For the Six Months Ended June 30, 2015 |
|---|---|---|
| | (in thousands) | |
| Drilling and completion activities | $ 69,348 | $ 160,399 |
| Acquisition of acreage and seismic data | 1,005 | 2,929 |
| **Operational capital expenditures incurred** | **$ 70,353** | **$ 163,328** |
| Capitalized G&A, Office, ARO,& Other | 2,576 | 4,336 |
| Capitalized interest | 1,082 | 2,066 |
| **Total capital expenditures incurred** | **$ 74,011** | **$ 169,730** |

Operational capital expenditures were incurred in the following areas:

| | For the Three Months Ended June 30, 2015 | For the Six Months Ended June 30, 2015 |
|---|---|---|
| | (in thousands) | |
| Mississippian Lime | $ 67,700 | $ 156,589 |
| Anadarko Basin | 1,493 | 4,656 |
| Gulf Coast | 1,160 | 2,083 |
| **Total capital expenditures incurred** | **$ 70,353** | **$ 163,328** |

We expect to invest between $250.0 million to $275.0 million of capital for exploration, development and lease and seismic acquisition during the year ended December 31, 2015.

**Factors that Significantly Affect our Results**

Our revenue, profitability and future growth rate depend substantially on factors beyond our control, such as economic, political and regulatory developments, as well as competition from other

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sources of energy. Oil and natural gas prices historically have been volatile and may fluctuate widely in the future. Sustained periods of low prices for oil or natural gas could materially and adversely affect our financial position, our results of operations, our cash flows, the quantities of oil and natural gas reserves that we can economically produce and our access to capital.

We generally hedge a portion of our expected future oil and gas production to reduce our exposure to fluctuations in commodity price. By removing a portion of commodity price volatility, we expect to reduce some of the variability in our cash flow from operations. See "Quantitative and Qualitative Disclosures About Market Risk Commodity Price Exposure" below for discussion of our hedging and hedge positions. We plan to continue our strategy of hedging the risks associated with commodity price volatility; however, given the current low commodity price environment, we may limit the extent of our hedging program in the near-term as appropriate.

Like all businesses engaged in the exploration and production of oil and natural gas, we face the challenge of natural production declines. As initial reservoir pressures are depleted, oil and natural gas production from any given well is expected to decline. As a result, oil and natural gas exploration and production companies deplete their asset base with each unit of oil or natural gas they produce. We attempt to overcome this natural production decline by developing additional reserves through our drilling operations, acquiring additional reserves and production and implementing secondary recovery techniques. Our future growth will depend on our ability to enhance production levels from our existing reserves and to continue to add reserves in excess of production. We will maintain our focus on the capital investments necessary to produce our reserves as well as to add to our reserves through drilling and acquisition. Our ability to make the necessary capital expenditures is dependent on cash flow from operations as well as our ability to obtain additional debt and equity financing. That ability can be limited by many factors, including the cost and terms of such capital and operational considerations.

The volumes of oil and natural gas that we produce are driven by several factors, including:

- success in the drilling of new wells, including exploratory wells, and the recompletion of existing wells;
- the amount of capital we invest in the leasing and development of our oil and natural gas properties;
- facility or equipment availability and unexpected downtime;
- delays imposed by or resulting from compliance with regulatory requirements; and
- the rate at which production volumes on our wells naturally decline.

We follow the full cost method of accounting for our oil and gas properties. In the first quarter and second quarter of 2015, the results of our full cost "ceiling test" required us to recognize an impairment of our oil and gas properties. While these impairments did not impact cash flow from operating activities, they did reduce our earnings and shareholders' equity. We may be required to recognize additional impairments of oil and gas properties in future periods if we experience an extended period of low commodity prices, a downward adjustment to our estimated proved reserves or the present value of estimated future net revenues, or incur actual development costs in excess of those estimates utilized in preparing our reserve reports. Additionally, the expiration of unevaluated acreage leaseholds may increase the probability of future impairments, as the costs associated with the expiring leases would be immediately included in the full cost pool and become subject to the ceiling test limitation without any corresponding increase in reserves or future net revenues.

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**Results of Operations Three and Six Months Ended June 30, 2015 Compared to Three and Six Months Ended June 30, 2014**

The following tables summarize our revenue, production and price data for the periods indicated.

***Revenues***

| | For the Three Months Ended June 30, | | | | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| | (in thousands) | | | | (in thousands) | | | |
| **REVENUES:** | | | | | | | | |
| Oil sales | $ 67,498 | 72% | $ 131,273 | 73% | $ 126,755 | 69% | $ 247,495 | 71% |
| Natural gas liquid sales | 10,239 | 11% | 23,020 | 13% | 21,249 | 12% | 48,539 | 14% |
| Natural gas sales | 15,995 | 17% | 24,994 | 14% | 35,167 | 19% | 50,379 | 15% |
| **Total oil, natural gas liquids, and natural gas sales** | **93,732** | **100%** | **179,287** | **100%** | **183,171** | **100%** | **346,413** | **100%** |
| Realized gain/(losses) on commodity derivative contracts, net | 42,189 | (219)% | (17,138) | 54% | 94,797 | 4,560% | (31,948) | 59% |
| Unrealized gains/(losses) on commodity derivative contracts, net | (61,482) | 319% | (14,329) | 46% | (92,718) | (4,460)% | (22,192) | 41% |
| **Gains (losses) on commodity derivative contracts net** | **(19,293)** | **100%** | **(31,467)** | **100%** | **2,079** | **100%** | **(54,140)** | **100%** |
| Other | 315 | | 170 | | 678 | | 379 | |
| **Total revenues** | **$ 74,754** | | **$ 147,990** | | **$ 185,928** | | **$ 292,652** | |

***Production***

| | For the Three Months Ended June 30 | | | For the Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| **PRODUCTION DATA:** | | | | | | |
| Oil (MBbls) | 1,270 | 1,300 | (2)% | 2,581 | 2,508 | 3% |
| Natural gas liquids (MBbls) | 616 | 601 | 3% | 1,236 | 1,134 | 9% |
| Natural gas (MMcf) | 7,186 | 6,013 | 20% | 14,056 | 11,237 | 25% |
| Oil equivalents (MBoe) | 3,084 | 2,904 | 6% | 6,160 | 5,514 | 12% |
| Oil (Bbls/day) | 13,959 | 14,290 | (2)% | 14,258 | 13,856 | 3% |
| Natural gas liquids (Bbls/day) | 6,773 | 6,609 | 2% | 6,827 | 6,263 | 9% |
| Natural gas (Mcf/day) | 78,969 | 66,078 | 20% | 77,657 | 62,085 | 25% |
| Average daily production (Boe/day) | 33,893 | 31,912 | 6% | 34,028 | 30,466 | 12% |

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***Prices***

| | For the Three Months Ended June 30 | | | For the Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | 2015 | 2014 | % Change | 2015 | 2014 | % Change |
| **AVERAGE SALES PRICES:** | | | | | | |
| Oil, without realized derivatives (per Bbl) | $ 53.14 | $ 100.95 | (47)% | $ 49.12 | $ 98.69 | (50)% |
| Oil, with realized derivatives (per Bbl) | $ 81.19 | $ 89.12 | (9)% | $ 80.30 | $ 88.13 | (9)% |
| Natural gas liquids, without realized derivatives (per Bbl) | $ 16.61 | $ 38.27 | (57)% | $ 17.20 | $ 42.82 | (60)% |
| Natural gas liquids, with realized derivatives (per Bbl) | $ 16.61 | $ 38.52 | (57)% | $ 17.20 | $ 42.88 | (60)% |
| Natural gas, without realized derivatives (per Mcf) | $ 2.23 | $ 4.16 | (46)% | $ 2.50 | $ 4.48 | (44)% |
| Natural gas, with realized derivatives (per Mcf) | $ 3.14 | $ 3.84 | (18)% | $ 3.52 | $ 3.99 | (12)% |

Three Months Ended June 30, 2015 as Compared to the Three Months Ended June 30, 2014

*Oil, natural gas liquids and natural gas sales revenues*

Our oil, NGL and natural gas sales revenues decreased by $85.6 million, or 47.7%, to $93.7 million during the three months ended June 30, 2015, as compared to $179.3 million during the three months ended June 30, 2014. The major contributing factor to this decrease was the substantially lower commodity prices for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014.

Our oil sales revenues decreased by $63.8 million, or 48.6%, to $67.5 million during the three months ended June 30, 2015, as compared to $131.3 million for the three months ended June 30, 2014. Oil volumes sold decreased 331 Bbls/d, or 2.3%, to 13,959 Bbls/d for the three months ended June 30, 2015, from 14,290 Bbls/d for the three months ended June 30, 2014. The decrease in oil volumes sold was primarily attributable to lower production in our Gulf Coast area due to the Dequincy Divestiture, which impacted sales by 1,494 Bbls/d, as well as lower production from our Anadarko Basin area of 1,443 Bbls/d attributable to a decrease in drilling activity. These decreases were largely offset by increased production in the Mississippian Lime area of 2,606 Bbls/d.

Our NGL sales revenues decreased by $12.8 million, or 55.5%, to $10.2 million during the three months ended June 30, 2015, as compared to $23.0 million for the three months ended June 30, 2014. NGL volumes sold increased 164 Bbls/day, or 2.5%, to 6,773 Bbls/d for the three months ended June 30, 2015, from 6,609 Bbls/d for the three months ended June 30, 2014. This increase in NGL volumes sold was attributable to the increased production in the Mississippian Lime area of 869 Bbls/d partially offset by a 329 Bbls/d decrease in production from our Gulf Coast area due to the Dequincy Divestiture and reduced development drilling activity in our Anadarko Basin area, which resulted in lower NGL production of 376 Bbls/d.

Our natural gas sales revenues decreased by $9.0 million, or 36.0%, to $16.0 million during the three months ended June 30, 2015, as compared to $25.0 million for the three months ended June 30, 2014. Natural gas volumes sold increased 12,891 Mcf/d or 19.5%, to 78,969 Mcf/day for the three months ended June 30, 2015, from 66,078 Mcf/d for the three months ended June 30, 2014. The increase in natural gas volumes sold was attributable to increased production of 17,138 Mcf/d in the Mississippian Lime area due to the development drilling program and, starting in October 2014, ethane rejection on the gas processing side, partially offset by a decrease in production of 1,367 Mcf/d from our Gulf Coast area due to the Dequincy Divestiture and reduced development drilling activity in our Anadarko Basin area, which resulted in lower natural gas production of 2,880 Mcf/d.

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*Gains/losses on commodity derivative contracts net*

Our mark-to-market ("MTM") derivative positions moved from an unrealized loss of $14.3 million for the three months ended June 30, 2014 to an unrealized loss of $61.5 million for the three months ended June 30, 2015. The NYMEX WTI closing price on June 30, 2015 was $59.47 per barrel compared to a closing price of $105.37 per barrel on June 30, 2014.

Our realized gain on derivatives for the three months ended June 30, 2015 was $42.2 million, compared to a realized loss of $17.1 million for the three months ended June 30, 2014. The following table presents realized gain by type of commodity contract for the three months ended June 30, 2015:

| | For the Three Months Ended June 30, 2015 | |
|---|---|---|
| | **Realized Gain** | **Average Sales Price** |
| | **(in thousands)** | |
| Oil commodity contracts | $ 35,627 | $ 81.19 |
| Natural gas commodity contracts | 6,562 | 3.14 |
| **Realized gains on commodity derivative contracts, net** | **$ 42,189** | |

Cash settlements, as presented in the table above, represent realized gains related to our derivative instruments. In addition to cash settlements, we also recognize fair value changes on our derivative instruments in each reporting period. The changes in fair value result from new positions and settlements that may occur during each reporting period, as well as the relationships between contract prices and the associated forward curves.

Six Months Ended June 30, 2015 as Compared to the Six Months Ended June 30, 2014

*Oil, natural gas liquids and natural gas sales revenues*

Our oil, NGL and natural gas sales revenues decreased by $163.2 million, or 47.1%, to $183.2 million during the six months ended June 30, 2015, as compared to $346.4 million during the six months ended June 30, 2014. The major contributing factor to this decrease was the substantially lower commodity prices for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

Our oil sales revenues decreased by $120.7 million, or 48.8%, to $126.8 million during the six months ended June 30, 2015, as compared to $247.5 million for the six months ended June 30, 2014. Oil volumes sold increased 402 Bbs/d, or 2.9%, to 14,258 Bbls/d for the six months ended June 30, 2015, from 13,856 Bbls/day for the six months ended June 30, 2014. This increase in oil volumes sold was attributable to increased production period over period in the Mississippian Lime area of 3,595 Bbls/d, partially offset by lower production in our Gulf Coast area due to the Dequincy Divestiture, which impacted sales by 1,813 Bbls/d, as well as lower production from our Anadarko Basin area of 1,380 Bbls/d, attributable to a decrease in drilling activity during the period and base production declines.

Our NGL sales revenues decreased by $27.3 million, or 56.2%, to $21.3 million during the six months ended June 30, 2015, as compared to $48.5 million for the six months ended June 30, 2014. NGL volumes sold increased 564 Bbls/d, or 9.0%, to 6,827 Bbls/d for the six months ended June 30, 2015, from 6,263 Bbls/d for the six months ended June 30, 2014. This increase in NGL volumes was attributable to the increased production in the Mississippian Lime area of 1,367 Bbls/d. Increased production in our Mississippian Lime area was offset by a 388 Bbls/d decrease in production from our Gulf Coast area due to the Dequincy Divestiture and reduced development drilling activity in the Anadarko Basin, which contributed to a decrease of 415 Bbls/d.

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Our natural gas sales revenues decreased by $15.2 million, or 30.2%, to $35.2 million during the six months ended June 30, 2015, as compared to $50.4 million for the six months ended June 30, 2014. Natural gas volumes sold increased 15,572 Mcf/d or 25.1%, to 77,657 Mcf/d for the six months ended June 30, 2015, from 62,085 Mcf/d for the six months ended June 30, 2014. This increase in natural gas volumes sold was attributable to increased production of 19,614 Mcf/day in the Mississippian Lime area, partially offset by a decrease in production of 1,944 Mcf/d from our Gulf Coast area due to the Dequincy Divestiture and reduced development drilling activity in the Anadarko Basin, which contributed a decrease of 2,098 Mcf/d.

*Gains/losses on commodity derivative contracts net*

Our MTM derivative positions moved from an unrealized loss of $22.2 million for the six months ended June 30, 2014 to an unrealized loss of $92.7 million for the six months ended June 30, 2015. The NYMEX WTI closing price on June 30, 2015 was $59.47 per barrel compared to a closing price of $105.37 per barrel on June 30, 2014.

The realized gain on derivatives for the six months ended June 30, 2015 was $94.8 million compared to a realized loss of $32.0 million for the six months ended June 30, 2014. The following table presents realized gain by type of commodity contract for the six months ended June 30, 2015:

| | For the Six Months Ended June 30, 2015 | |
|---|---|---|
| | **Realized Gain** | **Average Sales Price** |
| | **(in thousands)** | |
| Oil commodity contracts | $ 80,484 | $ 80.30 |
| Natural gas commodity contracts | 14,313 | 3.52 |
| **Realized gains on commodity derivative contracts, net** | **$ 94,797** | |

Cash settlements, as presented in the table above, represent realized gains related to our derivative instruments. In addition to cash settlements, we also recognize fair value changes on our derivative instruments in each reporting period. The changes in fair value result from new positions and settlements that may occur during each reporting period, as well as the relationships between contract prices and the associated forward curves.

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***Operating Expenses***

The table below presents a comparison of our expenses on an absolute dollar basis and a per Boe basis. Depending on the relevance, our discussion may reference expenses on an absolute dollar basis, a per Boe basis, or both.

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | (in thousands) | | (per Boe) | | (in thousands) | | (per Boe) | |
| **EXPENSES:** | | | | | | | | |
| Lease operating and workover | $ 21,758 | $ 19,721 | $ 7.06 | $ 6.79 | $ 45,020 | $ 39,848 | $ 7.31 | $ 7.23 |
| Gathering and transportation | 3,931 | 2,940 | 1.27 | 1.01 | 7,369 | 5,795 | 1.20 | 1.05 |
| Severance and other taxes | 2,505 | 5,632 | 0.81 | 1.94 | 6,069 | 13,279 | 0.99 | 2.41 |
| Asset retirement accretion | 390 | 432 | 0.13 | 0.15 | 835 | 929 | 0.14 | 0.17 |
| Depreciation, depletion, and amortization | 55,255 | 71,074 | 17.92 | 24.47 | 113,683 | 137,975 | 18.46 | 25.02 |
| Impairment of oil and gas properties | 498,389 | | 161.60 | | 673,056 | 86,471 | 109.28 | 15.68 |
| General and administrative | 11,461 | 13,434 | 3.71 | 4.63 | 23,115 | 25,118 | 3.75 | 4.56 |
| Acquisition and transaction costs | 251 | 2,483 | 0.09 | 0.86 | 251 | 2,611 | 0.04 | 0.47 |
| Debt restructuring costs | 34,398 | | 11.15 | | 36,141 | | 5.87 | |
| Other | | 609 | | 0.21 | 73 | 939 | 0.01 | 0.17 |
| **Total expenses** | **$ 628,338** | **$ 116,325** | **$ 203.74** | **$ 40.06** | **$ 905,612** | **$ 312,965** | **$ 147.05** | **$ 56.76** |

Three Months Ended June 30, 2015 as Compared to the Three Months Ended June 30, 2014

*Lease operating and workover expenses*

Lease operating and workover expenses increased $2.0 million, or 10.3%, to $21.8 million for the three months ended June 30, 2015 compared to $19.7 million for the three months ended June 30, 2014. The increase in lease operating and workover expenses was primarily due to workover activity related to production optimization projects, higher environmental compliance costs and higher costs associated with the increase in producing well count period over period, partially offset by lower lease operating expenses due to the Dequincy Divestiture. Lease operating and workover expenses increased to $7.06 per Boe for the three months ended June 30, 2015, an increase of $0.27, or 4.0%, over the $6.79 per Boe for the three months ended June 30, 2014, primarily for the reasons noted above.

*Gathering and transportation*

Gathering and transportation expenses were $3.9 million for the three months ended June 30, 2015, as compared to $2.9 million for the three months ended June 30, 2014. These expenses are primarily attributable to a gas transportation, gathering and processing contract covering the Mississippian Lime area that includes a $0.36 per Mmbtu gathering fee based upon wellhead volumes. As such, the increase in our gathering and transportation costs is due to increased natural gas production in our Mississippian Lime area.

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*Severance and other taxes*

| | Three Months Ended June 30, | |
|---|---|---|
| | 2015 | 2014 |
| **Total oil, natural gas, and natural gas liquids sales** | **$ 93,732** | **$ 179,287** |
| Severance taxes | 1,229 | 4,353 |
| Ad valorem and other taxes | 1,276 | 1,279 |
| **Severance and other taxes** | **$ 2,505** | **$ 5,632** |
| **Severance taxes as a percentage of sales** | **1.3%** | **2.4%** |
| **Severance and other taxes as a percentage of sales** | **2.7%** | **3.1%** |

Severance and other taxes decreased $3.1 million, or 55.5%, to $2.5 million for the three months ended June 30, 2015 compared to $5.6 million for the three months ended June 30, 2014. Severance taxes decreased $3.1 million, or 71.8%, to $1.2 million for the three months ended June 30, 2015, as compared to $4.4 million for the three months ended June 30, 2014. Severance taxes as a percentage of sales changed from 2.4% for the three months ended June 30, 2014 to 1.3% for the corresponding 2015 period due to lower realized pricing as well as a refund received in the 2015 period for production taxes paid in prior periods of $0.6 million. Ad valorem taxes were essentially unchanged for the three months ended June 30, 2015, as compared to the three months ended June 30, 2014.

*Depreciation, depletion and amortization (DD&A)*

DD&A expense decreased $15.8 million, or 22.3%, to $55.3 million for the three months ended June 30, 2015 compared to $71.1 million for the three months ended June 30, 2014. The decrease in DD&A expense was driven by downward revisions in our proved undeveloped reserves in the Anadarko Basin from June 30, 2014, which decreased estimated finding and developments costs and as a result, reduced our DD&A expense, as well as the ceiling test impairments recorded during the period. Additionally, our depletion rate has decreased from approximately 2.3% for the three months ended June 30, 2014 to 2.0% for the three months ended June 30, 2015, primarily as a result of increased proved developed reserve volumes. The DD&A rate for 2015 was $17.92 per Boe, compared to $24.47 per Boe for 2014 as a result of the factors discussed above.

*Impairment of oil and gas properties*

We recorded pre-tax impairment expense related to our oil and natural gas properties for the three months ended June 30, 2015 of $498.4 million as a result of our full-cost ceiling test. Under the full cost method, we are subject to quarterly calculations of a ceiling or limitation on the amount of capitalized costs associated with our oil and natural gas properties in our condensed consolidated balance sheets. The impairment expense for the three months ended June 30, 2015 was due to a decrease in the PV-10 value of our proven oil and natural gas reserves as a result of low commodity prices.

*General and administrative (G&A)*

Our G&A expenses decreased by $2.0 million, or 14.7%, to $11.5 million for the three months ended June 30, 2015, compared to $13.5 million for the three months ended June 30, 2014. The decrease is primarily due to lower employee related costs period over period, mainly due to lower headcount and the closure of our Houston office.

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*Acquisition and transaction costs*

Our acquisition and transaction costs were $0.3 million for the three months ended June 30, 2015, related to the Dequincy Divestiture, compared to $2.5 million for the three months ended June 30, 2014, representing our expenses related to the Pine Prairie disposition in 2014.

*Debt restructuring costs*

During the 2015 period, we engaged various advisors to assist us in analyzing options to improve our financial flexibility and provide additional long-term liquidity. For the three months ended June 30, 2015, we incurred approximately $34.4 million in fees associated with these advisors as well as issuance costs associated with the Second Lien Notes offering and Third Lien Notes exchange.

*Other*

Other operating expenses for the three months ended June 30, 2014 were $0.6 million and represent the loss on disposal of field equipment inventory deemed no longer essential to operations. No such expenses were incurred in the three months ended June 30, 2015.

Six Months Ended June 30, 2015 as Compared to the Six Months Ended June 30, 2014

*Lease operating and workover expenses*

Lease operating and workover expenses increased $5.1 million, or 13.0%, to $45.0 million for the six months ended June 30, 2015 compared to $39.8 million for the six months ended June 30, 2014. The increase in lease operating and workover expenses was primarily due to costs associated with the increase in producing well count period over period and higher environmental compliance costs, partially offset by lower lease operating expenses due to the Dequincy Divestiture. Lease operating and workover expenses increased minimally to $7.31 per Boe for the six months ended June 30, 2015, an increase of $0.08, or 1.1%, from the $7.23 per Boe for the six months ended June 30, 2014, primarily for the reasons noted above.

*Gathering and transportation*

Gathering and transportation expenses were $7.4 million for the six months ended June 30, 2015, as compared to $5.8 million for the six months ended June 30, 2014. These expenses are primarily attributable to a gas transportation, gathering and processing contract covering the Mississippian Lime area that includes a $0.36 per Mmbtu gathering fee based upon wellhead volumes. As such, the increase in our gathering and transportation costs is due to increased natural gas production in our Mississippian Lime area.

*Severance and other taxes*

| | Six Months Ended June 30, | |
|---|---|---|
| | **2015** | **2014** |
| **Total oil, natural gas, and natural gas liquids sales** | **$ 183,171** | **$ 346,413** |
| Severance taxes | 3,011 | 10,162 |
| Ad valorem and other taxes | 3,058 | 3,117 |
| **Severance and other taxes** | **$ 6,069** | **$ 13,279** |
| **Severance taxes as a percentage of sales** | **1.6%** | **2.9%** |
| **Severance and other taxes as a percentage of sales** | **3.3%** | **3.8%** |

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Severance and other taxes decreased $7.2 million, or 54.3%, to $6.1 million for the six months ended June 30, 2015, compared to $13.3 million for the six months ended June 30, 2014. Severance taxes decreased $7.2 million, or 70.4%, to $3.0 million for the six months ended June 30, 2015, as compared to $10.2 million for the six months ended June 30, 2014. Severance taxes as a percentage of sales changed from 2.9% for the six months ended June 30, 2014 to 1.6% for the corresponding 2015 period due to lower realized pricing as well as a refund received in 2015 for production taxes paid in prior periods of $0.6 million. Ad valorem taxes were essentially unchanged for the six months ended June 30, 2015, as compared to the six months ended June 30, 2014.

*Depreciation, depletion and amortization*

DD&A expense decreased $24.3 million, or 17.6%, to $113.7 million for the six months ended June 30, 2015 compared to $138.0 million for the six months ended June 30, 2014. The decrease in DD&A expense was driven by downward revisions in our proved undeveloped reserves in the Anadarko Basin from June 30, 2014, which decreased estimated finding and developments costs and as a result, reduced our DD&A expense, as well as the ceiling test impairments recorded during the period. Additionally, our depletion rate has decreased from an average of approximately 2.2% for the six months ended June 30, 2014 to an average of 2.0% for the six months ended June 30, 2015, primarily as a result of increased proved developed reserve volumes. The DD&A rate for 2015 was $18.46 per Boe, compared to $25.02 per Boe for 2014 as a result of the factors discussed above.

*Impairment of oil and gas properties*

We recorded pre-tax impairment expense related to our oil and natural gas properties for the six months ended June 30, 2015 and 2014 of $673.1 million and $86.5 million, respectively, as a result of our full-cost ceiling test. Under the full cost method, we are subject to quarterly calculations of a ceiling or limitation on the amount of capitalized costs associated with our oil and natural gas properties in our condensed consolidated balance sheets. The impairment expense for the six months ended June 30, 2015 was due to a decrease in the PV-10 value of our proven oil and natural gas reserves as a result of low commodity prices. The impairment expense for six months ended June 30, 2014 was largely due to the transfer of unevaluated property costs to the full cost pool during the first quarter of 2014. During the first quarter of 2014, we transferred $21.4 million and $38.1 million related to the Mississippian Lime and Anadarko Basin areas, respectively, as we released acreage that did not present the best near term development potential.

*General and administrative*

Our G&A expenses decreased by $2.0 million, or 8.0%, to $23.1 million for the six months ended June 30, 2015, compared to $25.1 million for the six months ended June 30, 2014. The decrease is primarily attributable to due to lower stock compensation and other employee related expenses due to lower headcount and the closure of the Houston office.

*Acquisition and transaction costs*

Our acquisition and transaction costs were $0.3 million for the six months ended June 30, 2014, related to the Dequincy Divestiture, compared to $2.6 million for the six months ended June 30, 2014, representing our expenses related to the Pine Prairie disposition in 2014.

*Debt restructuring costs*

During the 2015 period, we engaged various advisors to assist us in analyzing options to improve our financial flexibility and provide additional long-term liquidity. For the six months ended June 30,

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2015, we incurred approximately $36.1 million in fees associated with these advisors as well as issuance costs associated with the Second Lien Notes offering and Third Lien Notes exchange.

*Other*

Other operating expenses for the six months ended June 30, 2015 and 2014 were $0.1 million and $0.9 million, respectively. For 2014, these costs represent the loss on disposal of field equipment inventory deemed no longer essential to operations.

***Other Income (Expense)***

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | (in thousands) | | (in thousands) | |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest income | $ 27 | $ 9 | $ 36 | $ 19 |
| Interest expense | (45,962) | (37,157) | (83,448) | (75,722) |
| Capitalized Interest | 1,082 | 3,344 | 2,066 | 7,962 |
| Interest expense net of amounts capitalized | (44,880) | (33,813) | (81,382) | (67,760) |
| **Total other expense** | **$ (44,853)** | **$ (33,804)** | **$ (81,346)** | **$ (67,741)** |

***Interest expense***

Three Months Ended June 30, 2015 as Compared to the Three Months Ended June 30, 2014

Interest expense for the three months ended June 30, 2015 and 2014 was $46.0 million and $37.2 million, respectively. The increase in interest expense was primarily due to the issuance of the Second Lien Notes and Third Lien Notes on May 21, 2015. The Second Lien Notes bear interest at 10.0% and were used to repay outstanding borrowings under the credit facility, which had an interest rate of 2.9% at June 30, 2015. Additionally, the Third Lien Notes bear interest at 12.0% and were exchanged for a portion of the 2020 Senior Notes and 2021 Senior Notes, which had stated interest rates of 10.75% and 9.25%, respectively. Further, approximately $4.6 million in unamortized debt costs were impaired during the three months ended June 30, 2015 as a result of the Seventh Amendment to the credit facility. For the three months ended June 30, 2015 and 2014, approximately $1.1 million and $3.3 million, respectively, in interest expense was capitalized to oil and gas properties. Capitalized interest was lower due to a decrease in the balance of our unevaluated property from June 30, 2014.

Six Months Ended June 30, 2015 as Compared to the Six Months Ended June 30, 2014

Interest expense for the six months ended June 30, 2015 and 2014 was $83.4 million and $75.7 million, respectively. The increase in interest expense was primarily due to the issuance of the Second Lien Notes and Third Lien Notes on May 21, 2015. The Second Lien Notes bear interest at 10.0% and were used to repay outstanding borrowings under the credit facility, which had an interest rate of 2.9% at June 30, 2015. Additionally, the Third Lien Notes bear interest at 12.0% and were exchanged for a portion of the 2020 Senior Notes and 2021 Senior Notes, which had stated interest rates of 10.75% and 9.25%, respectively. Further, approximately $4.6 million in unamortized debt costs were impaired during the six months ended June 30, 2015 as a result of the Seventh Amendment to the credit facility. For the six months ended June 30, 2015 and 2014, approximately $2.1 million and $8.0 million, respectively, in interest expense was capitalized to oil and gas properties. Capitalized interest was lower due to a decrease in the balance of our unevaluated property from June 30, 2014

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***Provision for Income Taxes***

Three Months Ended June 30, 2015 as Compared to the Three Months Ended June 30, 2014

We had no income tax benefit or expense for the three months ended June 30, 2015, compared to a benefit of $0.1 million for the three months ended June 30 2014. Our effective tax rate for the second quarter of 2015 differs from the federal statutory rate of 35% due to the effect of recurring permanent adjustments, state income taxes and changes in the valuation allowance We expect to incur a tax loss in the current year due to the flexibility in deducting or capitalizing current year intangible drilling costs; thus no current income taxes are anticipated to be paid.

A valuation allowance has been recorded as management does not believe that it is more-likely-than-not that its NOLs are realizable except to the extent of future taxable income primarily related to the excess of book carrying value of properties over their respective tax bases. No other sources of future taxable income are considered in this judgment.

Six Months Ended June 30, 2015 as Compared to the Six Months Ended June 30, 2014

Our income tax benefit was $9.0 million and $2.3 million for the six months ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015, our effective tax rate was a benefit of approximately 1.1%. Our effective tax rate for the six months ended June 30, 2015 differs from the federal statutory rate of 35% due to the effect of recurring permanent adjustments, state income taxes and changes in the valuation allowance.

This year, we recorded $305.9 million in additional valuation allowance in light of the impairment of oil and gas properties and the settlement of certain hedging contracts that existed at December 31, 2014, bringing the total valuation allowance to $309.7 million at June 30, 2015.

**Results of Operations Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 and Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

The following tables summarize our revenue, production and price data for the periods indicated. Prior to May 1, 2014, our operating results include production, revenue and lease operating expenses attributable to our Pine Prairie field, the sale of which closed effective May 1, 2014. Where applicable, in the following discussion, we have noted normalized production, revenue, lease operating expenses and percentages for prior periods as though the Pine Prairie Disposition occurred as of the beginning of that period.

***Revenues***

| | Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2012 | |
| | | | (in thousands) | | | |
| **REVENUES:** | | | | | | |
| Oil sales | $ 466,655 | 71% | $ 387,226 | 76% | $ 218,430 | 85% |
| Natural gas liquid sales | 87,771 | 13% | 62,340 | 12% | 23,617 | 9% |
| Natural gas sales | 99,204 | 16% | 63,187 | 12% | 16,030 | 6% |
| **Total oil, natural gas, and natural gas liquids sales** | $ 653,630 | 100% | $ 512,753 | 100% | 258,077 | 100% |
| Realized losses on commodity derivative contracts, net | (18,332) | (13)% | (17,585) | 40% | (15,825) | 142% |
| Unrealized gains (losses) on commodity derivative contracts, net | 157,521 | 113% | (26,699 | 60% | 4,667 | (42)% |
| **Gains (losses) on commodity derivative contracts net** | $ 139,189 | 100% | $ (44,284) | 100% | $ (11,158) | 100% |
| Other | 1,364 | | 1,037 | | 754 | |
| **Total revenues** | **$ 794,183** | | **$ 469,506** | | **$ 247,673** | |