SANDRIDGE ENERGY INC
Form 424B1
November 06, 2007

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Filed Pursuant to Rule 424(b)(1)
Registration No. 333-144004

PROSPECTUS

28,700,000 Shares

SandRidge Energy, Inc.

Common Stock

We are offering 28,700,000 shares of our common stock. We are offering 4,170,000 of these shares at the public offering price directly to an entity controlled by Tom L. Ward, our Chairman, Chief Executive Officer and largest stockholder. Mr. Ward is not currently obligated to purchase these shares. This is our initial public offering, and no public market currently exists for our common stock.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol SD.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page 13.

	Per Share	Total
Public offering price	$ 26.00	$ 746,200,000
Underwriting discounts(1)	$ 1.56	$ 38,266,800
Proceeds to SandRidge Energy, Inc.(1) (before expenses)	$ 24.44	$ 707,933,200

(1) The underwriters will not receive any underwriting discount or commission on the 4,170,000 shares offered directly to an entity controlled by Tom L. Ward. See Underwriting.

We have granted the underwriters a 30-day option to purchase up to an additional 3,679,500 shares from us on the same terms and conditions as set forth above if the underwriters sell more than 24,530,000 shares of common stock in this offering.

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

Lehman Brothers, on behalf of the underwriters, expects to deliver the shares on or about November 9, 2007.

Lehman Brothers

Goldman, Sachs & Co.

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

Credit Suisse

Deutsche Bank Securities

JPMorgan

UBS Investment Bank

Howard Weil Incorporated

Raymond James

RBC Capital Markets

Simmons & Company International

TudorPickering

November 5, 2007

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You should rely only on the information contained in this prospectus or to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where such offer or sale is not permitted. You should assume that the information contained in this prospectus is accurate as of the date on the front of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

Information contained in our website does not constitute part of this prospectus.

SandRidge Energy, Inc., our logo and other trademarks mentioned in this prospectus are the property of their respective owners.

This prospectus includes market share and industry data that we obtained from internal research, publicly available information and industry publications and surveys. Our internal research and forecasts are based upon management s understanding of industry conditions. Industry surveys and publications generally state that the information contained therein has been obtained from sources believed to be reliable.

Through and including November 30, 2007 (the 25th day after the date of this prospectus), all dealers effecting transactions in our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

SUMMARY

This summary contains basic information about us and the offering. Because it is a summary, it does not contain all of the information that you should consider before investing in our common stock. You should read and carefully consider this entire prospectus before making an investment decision, especially the information presented under the heading Risk Factors and the consolidated and pro forma condensed combined financial statements and the accompanying notes thereto included elsewhere in this prospectus. We have provided definitions for some of the natural gas and oil industry terms used in this prospectus in the Glossary of Natural Gas and Oil Terms on page A-1 of this prospectus. Natural gas equivalents are determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids. Unless otherwise noted, all natural gas amounts are net of CO_2 or have CO_2 levels within pipeline specifications.

On December 29, 2006, we merged with and into a newly formed Delaware corporation and changed our name from Riata Energy, Inc. to SandRidge Energy, Inc. The purpose of the merger was to change our jurisdiction of incorporation from Texas to Delaware. Except as otherwise indicated or required by the context, references in this prospectus to we, us, our, SandRidge, Riata, or the Company refer to the business of SandRidge Energy, Inc. and its subsidiaries after the merger and its predecessor, Riata Energy, Inc., and its subsidiaries prior to the merger.

Overview

SandRidge is a rapidly growing independent natural gas and oil company concentrating in exploration, development and production activities. We are focused on expanding our continuing exploration and exploitation of our significant holdings in an area of West Texas that we refer to as the West Texas Overthrust, or WTO, a natural gas prone geological region where we have operated since 1986 that includes the Piñon Field and our South Sabino and Big Canyon prospects. We intend to add to our existing reserve and production base in this area by increasing our development drilling activities in the Piñon Field and our exploration program in other prospects that we have identified. As a result of our 2006 acquisitions, including the NEG acquisition described below, we have nearly tripled our net acreage position in the WTO since January 2006. We believe that we are the largest operator and producer in the WTO and have assembled the largest acreage position in the area. We also operate significant interests in the Cotton Valley Trend in East Texas, the Gulf Coast area, the Gulf of Mexico and the Piceance Basin of Colorado.

We have assembled an extensive natural gas and oil property base in which we have identified over 4,500 potential drilling locations including over 2,600 in the WTO. As of June 30, 2007, our proved reserves were 1,174.0 Bcfe, of which 82% were natural gas and 97.5% of which were prepared by independent petroleum engineers. We had 1,469 gross (1,040 net) producing wells, substantially all of which we operate. As of June 30, 2007, we had interests in approximately 959,958 gross (651,308 net) natural gas and oil leased acres. We had 30 rigs drilling in the WTO as of September 30, 2007.

We also operate businesses that are complementary to our primary exploration, development and production activities, which provides us with operational flexibility and an advantageous cost structure. We own a fleet of 32 drilling rigs, five of which are currently being retrofitted. In addition, we are party to a joint venture that owns an additional twelve rigs, eleven of which are currently operating. We own related oil field services businesses, gas gathering and treating facilities and a marketing business. We also capture and supply CO_2 to support our tertiary oil recovery projects undertaken by us or third-parties. These assets are primarily located in our primary operating area in West Texas.

We expanded our management team significantly in 2006. Tom L. Ward, the co-founder and former President and Chief Operating Officer of Chesapeake Energy Corporation (Chesapeake), purchased a significant ownership interest in us in June 2006 and joined us as Chief Executive Officer and Chairman of the Board. During Mr. Ward s 17 year tenure at Chesapeake, Chesapeake became one of the most active onshore drillers in the United States. From 1998 to 2005, Chesapeake drilled over 6,500 wells. Since Mr. Ward joined us, we have added eight new executive officers, substantially all of whom have experience at public exploration and production companies. We have also added key professionals in exploration, operations, land, accounting and finance.

In addition, we significantly increased our proved reserves and producing properties through the acquisition of NEG Oil and Gas LLC, or NEG, in November 2006. NEG owned core assets in the Val Verde and Permian Basins of West Texas, including overlapping or contiguous interests in the properties that we own in the WTO.

Our estimated capital expenditures for 2007 of approximately $1,200 million include $943 million allocated to exploration and development (including land and seismic acquisitions and our tertiary recovery operations), $115 million allocated to drilling and oil field services and $103 million allocated to midstream operations. Approximately $704 million of our 2007 capital expenditures will be spent on our Piñon Field development and our exploratory projects in the WTO (including land and seismic acquisitions). Under this capital budget, we plan to drill approximately 296 gross (256 net) wells in 2007, including approximately 207 gross (177 net) wells in the WTO. The actual number of wells drilled and the amount of our 2007 capital expenditures will be dependent upon market conditions, availability of capital and drilling and production results. We have made capital expenditures of $492.1 million in the first six months of 2007.

Our Strategy

Our primary objective is to achieve long-term growth and maximize stockholder value over multiple business cycles by pursuing the following strategies:

Grow Through Exploration and Aggressive Drilling and Development of Existing Acreage. We expect to generate long-term reserve and production growth by exploring and aggressively drilling and developing our large acreage position. Our primary exploration and development focus will be in the WTO, where we have identified over 2,600 potential drilling locations and had 30 rigs operating as of September 30, 2007.

Apply Technological Improvements to Our Exploration and Development Program. We intend to enhance our drilling success rate and completion efficiency with improved 3-D seismic acquisition and interpretation technologies, together with advanced drilling, completion and production methods that historically have not been widely used in the under-explored WTO.

Seek Opportunistic Acquisitions in Our Core Geographic Area. Since January 2006, through acquisitions and leasing activities, we have nearly tripled our net acreage position in the WTO. We intend to continue to seek other opportunities to optimize and enhance our exploratory acreage position in the WTO and other strategic areas.

Reduce Costs, Enhance Returns and Maintain Operating Flexibility by Controlling Drilling Rigs and Midstream Assets. Our rig fleet enables us to aggressively develop our own acreage while maintaining the flexibility of a third-party contract drilling business. By controlling our fleet of drilling rigs and gathering and treating assets, we believe we will be able to better control overall costs and maintain a high degree of operational flexibility.

Capture and Utilize CO_2 for Tertiary Oil Recovery. We intend to capitalize on our access to CO_2 reserves and CO_2 flooding expertise to pursue enhanced oil recovery in mature oil fields in West Texas. By utilizing this CO_2 in our own tertiary recovery projects, we expect to recover additional oil that would have otherwise been abandoned following traditional waterfloods.

Competitive Strengths

We have a number of strengths that we believe will help us successfully execute our strategies:

Large Asset Base with Substantial Drilling Inventory. Our producing properties are characterized by long-lived predominantly natural gas reserves with established production profiles. Our estimated proved reserves of 1,174.0 Bcfe as of June 30, 2007 had a proved reserves to production ratio of approximately 19 years. Our core area of operations in the WTO has expanded to 499,607 gross (404,397 net) acres as of June 30, 2007. We have identified over 2,600 potential drilling locations in the WTO and believe that we will be able to expand the number of drilling locations in the remainder of the WTO through exploratory drilling and our use of 3-D seismic technology.

Geographically Concentrated Exploration and Development Operations. We intend to focus our drilling and development operations in the near term on the WTO to fully exploit this unique geological region. This geographic concentration allows us to establish economies of scale in both drilling and production operations to achieve lower production costs and generate increased cash flows from our producing properties. We believe our concentrated acreage position will enable us to organically grow our reserves and production for the next several years.

Experienced Management Team Focused on Delivering Long-term Stockholder Value. During 2006, we significantly expanded our management team when Tom L. Ward, co-founder and former president of Chesapeake, purchased a significant interest in us and became our Chairman and Chief Executive Officer. We also hired a new chief financial officer, three additional executive vice presidents and other additional senior executives. Our management team, board of directors and employees will own 38.4% of our capital stock on a fully-diluted basis following the completion of this offering, which we believe aligns their objectives with those of our stockholders.

High Degree of Operational Control. We operate over 95% of our production in the WTO, East Texas and the Gulf Coast area, which permits us to manage our operating costs and better control capital expenditures and the timing of development and exploitation activities.

Large Modern Fleet of Drilling Rigs. By controlling a large, modern and more efficient drilling fleet, we can develop our existing reserves and explore for new reserves on a more economic basis.

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Our Businesses and Primary Operations

Exploration and Production

We explore for, develop and produce natural gas and oil reserves, with a focus on increasing our reserves and production in the WTO. We operate substantially all of our wells in the WTO. We also have significant operated leasehold positions in the Cotton Valley Trend in East Texas and the Gulf Coast area, as well as other non-core operating areas.

The following table identifies certain information concerning our exploration and production business as of June 30, 2007 unless otherwise noted:

Area	Estimated Net Proved Reserves (Bcfe)	PV-10 (in millions)(1)	Daily Production (Mmcfe/d)(2)	Proved Reserves/ Production	Gross Acreage	Net Acreage	Number of Identified Potential Drilling Locations
WTO	648.3	$ 1,190.9	68.2	26.0(3)	499,607	404,397	2,658
East Texas	156.3	310.2	26.8	16.0	48,606	32,557	566
Gulf Coast	105.7	416.4	35.0	8.3	53,464	34,765	51
Other(4)	263.7	641.3	38.9	18.6	358,281	179,589	1,298(5)
Total	1,174.0	$ 2,558.8	168.9	19.0	959,958	651,308(6)	4,573

(1) PV-10 generally differs from Standardized Measure of Discounted Net Cash Flows, or Standardized Measure, which is measured only at fiscal year end, because it does not include the effects of income taxes and other items on future net revenues. For a reconciliation of PV-10 to Standardized Measure as of December 31, 2006, see Summary Historical Operating and Reserve Data. Our Standardized Measure was $1,440.2 million at December 31, 2006.

(2) Represents average daily net production for the month of June 2007. Average daily production for the month of September 2007 was 191.2 Mmcfe per day.

(3) Our proved reserves to production ratio in the WTO is significantly higher than our other areas of operation because of the high volume of our proved undeveloped reserves in this area. We expect this ratio to decrease as our production in the WTO increases.

(4) Includes our properties located offshore in the Gulf of Mexico, the Piceance Basin of Colorado, Other West Texas areas, including our tertiary oil recovery projects, and the Arkoma and Anadarko Basins and other non-strategic areas.

(5) Includes 828 identified potential drilling locations in the Piceance Basin.

(6) Our total net acreage as of September 30, 2007 was 763,031 acres.

West Texas Overthrust (WTO)

We have drilled and developed natural gas in the WTO since 1986. This area is located in Pecos and Terrell Counties in West Texas and provides for multi-pay exploration and development opportunities. The WTO has historically been largely under-explored due primarily to the remoteness and lack of infrastructure in the region, as well as historical limitations of conventional subsurface geological and geophysical methods. However, several fields including our prolific Piñon Field have been discovered. These fields have produced more than 250 Bcfe from less than 350 wells through June 30, 2007. We believe our access to and control of the necessary infrastructure combined with application of modern seismic techniques will allow us to identify further exploration and development opportunities in the WTO.

In May 2007, we began the first phase of 3-D seismic data acquisition in the WTO. This is the first of six phases planned over the next three years to acquire 1,300 square miles of 3-D seismic data in the WTO. We believe this 3-D seismic program may identify structural details of potential reservoirs, thus lowering the risk of exploratory drilling and improving completion efficiency. The first two phases of the seismic program will cover 360 square miles and should both be completed by the end of 2007.

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We have aggressively acquired leasehold acreage in the WTO, nearly tripling our position since January 2006. As of June 30, 2007, we owned 499,607 gross (404,397 net) acres in the WTO, substantially all of which are along the leading edge of the WTO.

Piñon Field. The Piñon Field, located in Pecos County, is our most significant producing field, and accounts for 55% of our proved reserve base as of June 30, 2007, and approximately 75% of our 2007 exploration and development budget (including land and seismic acquisitions). The Piñon Field lies along the leading edge of the WTO.

As of June 30, 2007, our estimated proved natural gas and oil reserves in the Piñon Field were 648.3 Bcfe, 66% of which were proved undeveloped reserves. This field has produced approximately 200 Bcfe through June 30, 2007 and currently produces in excess of 110 gross Mmcfe per day.

Our interests in the Piñon Field included 331 producing wells as of June 30, 2007. We had an 84.3% average working interest in the producing area of Piñon Field and were running 30 drilling rigs in the Piñon Field as of June 30, 2007. We estimate that we will drill approximately 205 wells in the field during 2007, the majority of which will be development wells. As of June 30, 2007, we have identified 2,658 potential well locations in the Piñon Field, including 406 proved undeveloped drilling locations.

West Texas Overthrust Prospects. Through our exploratory drilling program, we have identified two prospect areas in the WTO, the South Sabino Prospect and the Big Canyon Prospect areas, on which we will drill exploratory wells in late 2007 or early 2008:

> *South Sabino Prospect Area.* The South Sabino prospect area is located approximately twelve miles east of the Piñon Field. We have drilled two wells that appear to be on trend with the Piñon Field and are structurally higher against one of several thrust faults that make up the WTO. We began the first phase of our 3-D seismic program in this area in 2007 and may drill additional wells in late 2007 following the integration of this data and new subsurface well control.
>
> *Big Canyon Prospect Area.* Located approximately 20 miles east of the Piñon Field along the WTO, this prospect area represents potential opportunities for future development. We plan to conduct a 3-D seismic survey over the Big Canyon prospect area as part of Phase II of our 3-D seismic program in 2007. Exploratory wells may be planned in late 2007 and early 2008 to further evaluate both the Tesnus and the Caballos in a location structurally updip to the Big Canyon Ranch 106-1 well.

WTO Development Opportunities. The following table provides additional information concerning our development in the WTO:

Estimated Net PUD Reserves (Bcfe)(1)	Estimated Gross PUD Reserves (Bcfe)(1)	Gross PUD Drilling Locations(1)	Total Gross Drilling Locations(1)	Gross 2007 Drilling Locations	2007 Capital Expenditures Budget (in millions)(2)	2006 Year End Rigs Working	Rigs Working at 3Q 2007 End
431.1	675.2	406	2,658	207	$ 537	9	30

(1) As of June 30, 2007.

(2) Excludes capital expenditures related to land and seismic acquisitions.

East Texas Cotton Valley Trend. We own significant interests in the natural gas bearing Cotton Valley Trend, which covers a portion of East Texas and Northern Louisiana. The production in this region is generally characterized as long-lived. We intend to target the tight sands reservoirs and plan to have five rigs running in this region during the remainder of 2007. As of June 30, 2007, East Texas accounted for 156.3 Bcfe of proved reserves, 566 potential drilling locations of which 49 are anticipated to be drilled in 2007, and approximately $110 million of budgeted 2007 capital expenditures.

Gulf Coast Area. We own natural gas and oil interests in the Gulf Coast area, which encompasses the large coastal plain from the southernmost tip of Texas through the southern portion of Louisiana. Operations in this area are generally characterized as being comparatively higher risk and higher potential than in the other primary areas in which we operate, with successful wells typically having relatively higher initial production rates with steeper declines and shorter production lives. As of June 30, 2007, the Gulf Coast area accounted for 105.7 Bcfe of proved reserves, 51 potential drilling locations and approximately $28 million of budgeted 2007 capital expenditures.

Other Exploration and Production Areas. We own significant natural gas and oil assets in the Gulf of Mexico and the Piceance Basin. Our Gulf of Mexico properties are located in bay and other shallow waters and produce a significant amount of natural gas and oil. Our acreage in the Piceance Basin of northwestern Colorado, a sedimentary basin in one of the country s most prolific natural gas producing regions, is substantially undeveloped. We intend to manage our investments in the Gulf of Mexico and the Piceance Basin area to maximize returns without increasing future capital expenditures significantly.

We also own natural gas and oil interests in West Texas other than the WTO, including our tertiary oil recovery operations. In addition, we own interests in properties in the Arkoma and Anadarko Basins and other non-strategic areas that are primarily operated by third-parties.

Drilling and Oil Field Services

We drill onshore for our own interests through our drilling and oil field services subsidiary, Lariat Services, Inc. (Lariat Services). We also drill wells for other natural gas and oil companies, primarily in West Texas. We own or operate a total of 38 operational rigs, including eleven operational rigs owned by Larclay, L.P. (Larclay), a joint venture with Clayton Williams Energy, Inc. (CWEI). We also own five rigs that are currently being retrofitted. Our rig fleet is designed to drill in our specific areas of operation in West Texas and the WTO. The rigs average in excess of 800 horsepower and have an average depth capacity greater than 10,500 feet.

Our oil field services divisions provide services that complement our exploration and production operations. These services include location and road construction, trucking, roustabout services, pulling units, coiled tubing units, rental tools and air drilling equipment. These services are primarily used for our own account, however, some of our service divisions also perform work for third parties. We also provide under-balanced drilling systems services for our own account.

Midstream Gas Services and Other Operations

To complement our exploration and production operations, particularly in the Piñon Field and surrounding areas, we provide gathering, compression, processing and treating services of natural gas. We have a 92.5% interest in and operate the Pike s Peak gas treatment plant in West Texas and a 50% interest in the partnership that leases and operates the Grey Ranch gas treatment plant located in the WTO. The Pike s Peak and Grey Ranch gas treatment plants have capacity of 58 Mmcf per day and 85 Mmcf per day of high CO_2 gas, respectively. These two gas treatment plants, along with two third-party plants in this area, serve as the primary source of CO_2 for our current and planned tertiary oil recovery operations. We also operate or own approximately 275 miles of West Texas natural gas gathering pipelines. At June 30, 2007 we operated or owned approximately 27,000 horsepower of gas compression.

In order to ensure sufficient capacity for our existing and future Piñon Field production, we plan to install an additional 26,000 horsepower of compression and approximately 40 miles of large diameter pipeline by the end of 2007.

Additionally, with our anticipated increase of high CO_2 gas production from the WTO over the next several years, we intend to build supplemental treating capacity, pipeline gathering infrastructure and compression facilities to accommodate our aggressive growth plans.

Our CO_2 gathering and tertiary oil recovery operations are conducted through our subsidiary, PetroSource Energy Company, L.P. (PetroSource). PetroSource is the sole gatherer of CO_2 from the four natural gas treatment plants located in the WTO. PetroSource owns 161 miles of CO_2 pipelines in West Texas with approximately 92,000 horsepower of owned and leased CO_2 compression. CO_2 injection has proven to be ideal in recovering additional oil that remains after traditional water flooding has been completed. We have interests in four current or potential CO_2 flood tertiary oil recovery projects in the West Texas region, the Wellman Unit, the George Allen Unit, the South Mallet Unit and the Jones Ranch area. We believe we have a competitive advantage in identifying, acquiring and developing these properties because of our strong expertise and available CO_2 supply.

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Risk Factors

Investing in our common stock involves risks, including, without limitation:

- natural gas and oil prices are volatile, and a decline in natural gas and oil prices can significantly affect our financial results and impede our growth;
- our estimated reserves are based on many assumptions that may turn out to be inaccurate, and any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves;
- unless we replace our natural gas and oil reserves, our reserves and production will decline, which would adversely affect our business, financial condition and results of operations;
- our potential drilling location inventories are scheduled out over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling;
- the development of the proved undeveloped reserves in the WTO may take longer and may require higher levels of capital expenditures than we currently anticipate;
- a significant portion of our operations are located in the WTO, making us vulnerable to risks associated with operating in one major geographic area;
- we have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business; and
- certain stockholders shares are restricted from immediate resale but may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly.

Our Offices

Our company was founded in 1984 and is incorporated in Delaware. Our principal executive offices are located at 1601 N.W. Expressway, Suite 1600, Oklahoma City, Oklahoma 73118, and our telephone number at that address is (405) 753-5500.

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The Offering

Common stock offered by SandRidge Energy, Inc.(1)(2)	28,700,000 shares
Common stock outstanding immediately prior to the completion of this offering(1)(3)	109,471,022 shares
Common stock to be outstanding immediately after the completion of this offering(1)(3)	138,171,022 shares
Use of proceeds	We will receive net proceeds from the sale of the common stock offered by us of approximately $705.4 million after deducting the estimated expenses and underwriting discounts and commissions. We intend to use the net proceeds to repay (i) the outstanding balance on our senior credit facility, which balance as of October 12, 2007 was $455 million prior to the application of available cash balances and (ii) a $50 million note incurred in connection with our recent acquisition in the WTO. We intend to use the remaining proceeds to fund the remaining unfunded portion of our $1,200 million capital expenditure budget for 2007. Please read Use of Proceeds and Underwriting.
Dividend policy	We do not anticipate that we will pay cash dividends on our common stock in the foreseeable future.
New York Stock Exchange Symbol	SD

(1) Assumes no exercise of the underwriters over-allotment option. See Underwriting.

(2) Includes 4,170,000 shares to be offered directly to an entity controlled by Mr. Ward, our Chairman, Chief Executive Officer and President, at the initial public offering price.

(3) These shares exclude 22,275,871 shares issuable upon conversion of our outstanding convertible preferred stock.

Summary Consolidated Historical and Pro Forma Combined Financial Data

Set forth below is our summary consolidated historical and unaudited pro forma combined financial data for the periods indicated. The historical financial data for the periods ended December 31, 2004, 2005 and 2006 and the balance sheet data as of December 31, 2005 and 2006 have been derived from our audited financial statements. Our historical financial data as of June 30, 2007 and for the six months ended June 30, 2006 and 2007 are derived from our unaudited financial statements and, in our opinion, have been prepared on the same basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of this information. The pro forma financial data have been derived from our unaudited pro forma financial statements included in this prospectus, which give pro forma effect to the transactions described in Unaudited Pro Forma Condensed Combined Financial Statements. You should read the following summary financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical and pro forma financial statements and related notes thereto appearing elsewhere in this prospectus.

	Historical					Pro Forma	
	Years Ended December 31,			Six Months Ended June 30,		Six Months Ended June 30,	Year Ended December 31,
	2004(1)	2005	2006	2006	2007	2006	2006
	(In thousands)						
Statement of Operations Data:							
Revenues	$ 175,995	$ 287,693	$ 388,242	$ 173,830	$ 308,127	$ 291,370	$ 565,256
Expenses:							
Production	10,230	16,195	35,149	13,665	49,018	38,993	84,895
Production taxes	2,497	3,158	4,654	1,529	7,926	3,833	9,770
Drilling and services	26,442	52,122	98,436	47,685	24,126	38,146	77,453
Midstream and marketing	96,180	141,372	115,076	58,386	46,747	29,205	66,848
Depreciation, depletion and amortization natural gas and crude oil	4,909	9,313	26,321	7,868	70,699	114,284	217,013
Depreciation, depletion and amortization other	7,765	14,893	29,305	13,808	22,263	14,030	29,701
General and administrative	6,554	11,908	55,634	20,303	25,360	25,754	67,629
Loss (gain) on derivative contracts	878	4,132	(12,291)	(10,579)	(15,981)	(49,504)	(111,998)
Loss (gain) on sale of assets	(210)	547	(1,023)		(659)		(1,023)

Total expenses	155,245	253,640	351,261	152,665	229,499	214,741	440,288
Income from operations	20,750	34,053	36,981	21,165	78,628	76,629	124,968
Other income (expense):							
Interest income	56	206	1,109	397	3,626	3,352	5,984
Interest expense	(1,678)	(5,277)	(16,904)	(1,584)	(60,108)	(37,581)	(74,056)
Minority interest	(262)	(737)	(296)	(99)	(157)	12	(185)
Income (loss) from equity investments	(36)	(384)	967	(697)	2,164	(697)	967
Total other income (expense)	(1,920)	(6,192)	(15,124)	(1,983)	(54,475)	(34,914)	(67,290)
Income before income taxes	18,830	27,861	21,857	19,182	24,153	41,715	57,678
Income tax expense	6,433	9,968	6,236	5,150	9,082	15,435	21,341
Income from continuing operations	12,397	17,893	15,621	14,032	15,071	26,280	36,337
Income from discontinued operations, net of tax	451	229					
Extraordinary gain	12,544						
Net income	25,392	18,122	15,621	14,032	15,071	26,280	36,337
Preferred stock dividends and accretion			3,967		21,260	18,103	40,174
Income (loss) available (applicable) to common stockholders	$ 25,392	$ 18,122	$ 11,654	$ 14,032	$ (6,189)	$ 8,177	$ (3,837)

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	Historical					Pro Forma	
	Years Ended December 31,			Six Months Ended June 30,		Six Months Ended June 30,	Year Ended December 31,
	2004(1)	2005	2006	2006	2007	2006	2006
	(In thousands except per share data)						
Earnings Per Share Information:							
Basic							
Income from continuing operations	$ 0.22	$ 0.31	$ 0.21	$ 0.20	$ 0.15	$ 0.23	$ 0.31
Income from discontinued operations, net of income tax	0.01	0.01					
Extraordinary gain on acquisition	0.22						
Preferred stock dividends			(0.05)		(0.21)	(0.16)	(0.34)
Income (loss) per share available (applicable) to common stockholders	$ 0.45	$ 0.32	$ 0.16	$ 0.20	$ (0.06)	$ 0.07	$ (0.03)
Weighted average number of shares outstanding(2):	56,312	56,559	73,727	71,596	100,025	118,745	118,746
Diluted							
Income from continuing operations	$ 0.22	$ 0.31	$ 0.21	$ 0.19	$ 0.15	$ 0.23	$ 0.31
Income from discontinued operations, net of income tax	0.01	0.01					
Extraordinary gain on acquisition	0.22						
Preferred stock dividends			(0.05)		(0.21)	(0.16)	(0.34)
Income (loss) per share available (applicable) to common stockholders	$ 0.45	$ 0.32	$ 0.16	$ 0.19	$ (0.06)	$ 0.07	$ (0.03)

Weighted average number of outstanding shares(2):	56,312	56,737	74,664	72,540	100,025	119,689	119,683

(1) We recognized an extraordinary gain from the recognition of the excess of fair value over acquisition cost of $12.5 million related to an acquisition we made in 2004.

(2) The number of shares has been adjusted to reflect a 281.552-to-1 stock split in December 2005.

	Historical		
	At December 31,		At June 30,
	2005	2006	2007
	(In thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 45,731	$ 38,948	$ 2,199
Property, plant and equipment, net	$ 337,881	$ 2,134,718	$ 2,542,460
Total assets	$ 458,683	$ 2,388,384	$ 2,765,348
Long-term debt	$ 43,133	$ 1,066,831	$ 1,066,656
Redeemable convertible preferred stock	$	$ 439,643	$ 449,998
Total stockholders equity	$ 289,002	$ 649,818	$ 950,821
Total liabilities and stockholders equity	$ 458,683	$ 2,388,384	$ 2,765,348

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Summary Historical Operating and Reserve Data

The following historical estimates of net proved natural gas and oil reserves are based on reserve reports dated December 31, 2005 and 2006 and June 30, 2007, substantially all of which were prepared by our independent petroleum engineers. You should refer to Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, and Business Exploration and Production in evaluating the material presented below.

	At December 31, 2005	At December 31, 2006	At June 30, 2007
Estimated Proved Reserves(1)			
Natural Gas (Bcf)(2)	237.4	850.7	967.6
Oil (MmBbls)	10.4	25.2	34.4
Total (Bcfe)	300.0	1,001.8	1,174.0
PV-10 (in millions)	$ 733.3(3)	$ 1,734.3(3)	$ 2,558.8(3)
Standardized Measure of Discounted Net Cash Flows (in millions)(4)	$ 499.2	$ 1,440.2	n/a(5)

(1) Our estimated proved reserves and the future net revenues, PV-10, and Standardized Measure of Discounted Net Cash Flows were determined using end of the period prices for natural gas and oil that we realized as of December 31, 2005, December 31, 2006 and June 30, 2007, which were $8.40 per Mcf of natural gas and $54.04 per barrel of oil at December 31, 2005, $5.64 per Mcf of natural gas and $57.75 per barrel of oil at December 31, 2006 and $6.70 per Mcf of natural gas and $63.78 per barrel of oil at June 30, 2007.

(2) Given the nature of our natural gas reserves, a significant amount of our production, primarily in the WTO, contains natural gas high in CO_2 content. These figures are net of volumes of CO_2 in excess of pipeline quality specifications.

(3) PV-10 is a non-GAAP financial measure and represents the present value of estimated future cash inflows from proved natural gas and oil reserves, less future development and production costs, discounted at 10% per annum to reflect timing of future cash flows and using pricing assumptions in effect at the end of the period. PV-10 differs from Standardized Measure of Discounted Net Cash Flows because it does not include the effects of income taxes and other items on future net revenues. Neither PV-10 nor Standardized Measure represent an estimate of fair market value of our natural gas and oil properties. PV-10 is used by the industry and by our management as an arbitrary reserve asset value measure to compare against past reserve bases and the reserve bases of other business entities that are not dependent on the taxpaying status of the entity.

The following table provides a reconciliation of our Standardized Measure to PV-10:

	At December 31, 2005	At December 31, 2006
	(In millions)	
Standardized Measure of Discounted Net Cash Flows	$ 499.2	$ 1,440.2

Present value of future income tax and other discounted at 10%		234.1		294.1
PV-10	$	733.3	$	1,734.3

(4) The Standardized Measure of Discounted Net Cash Flows represents the present value of estimated future cash inflows from proved natural gas and oil reserves, less future development and production costs, and income tax expenses, discounted at 10% per annum to reflect timing of future cash flows and using the same pricing assumptions as were used to calculate PV-10. Standardized Measure differs from PV-10 because Standardized Measure includes the effect of future income taxes.

(5) Standardized Measure of Discounted Net Cash Flows is only calculated at fiscal year end under applicable accounting rules.

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The following tables set forth information regarding our net production of oil, natural gas and natural gas liquids and certain price and cost information for each of the periods indicated. Because of the relatively high volumes of CO_2 produced with natural gas in certain areas of the WTO, our reported sales and reserves volumes and the related unit prices received for natural gas in these areas are reported net of CO_2 volumes stripped at the gas plants. The gas plant fees for removing CO_2 from our high CO_2 natural gas in the WTO have been taken into account in our lease operating expenses as processing and gathering fees. In all other areas, natural gas sales are delivered to sales points with CO_2 levels within pipeline specifications and thus are included in sales and reserves volumes.

	Year Ended December 31,			Six Months Ended June 30,	
	2004	2005	2006	2006	2007
Production Data:					
Natural Gas (Mmcf)	6,708	6,873	13,410	4,219	22,292
Oil (MBbls)	37	72	322	46	906
Combined Equivalent Volumes (Mmcfe)	6,930	7,305	15,342	4,495	27,728
Average Daily Combined Equivalent Volumes (Mmcfe/d)	18.9	20.0	42.0	24.8	153.2

Our average daily combined equivalent volumes of production for the month of September 2007 was 191.2 Mmcfe per day.

	Year Ended December 31,			Six Months Ended June 30,	
	2004	2005	2006	2006	2007
Average Prices(1):					
Natural Gas (per Mcf)	$ 4.43	$ 6.54	$ 6.19	$ 6.08	$ 6.90
Oil (per Bbl)	$ 34.03	$ 48.19	$ 56.61	$ 62.99	$ 58.18
Combined Equivalent (per Mcfe)	$ 4.47	$ 6.63	$ 6.60	$ 6.35	$ 7.45

(1) Reported prices represent actual prices for the periods presented and do not give effect to hedging transactions.

	Year Ended December 31,			Six Months Ended June 30,	
	2004	2005	2006	2006	2007
Expenses per Mcfe:					
Lease operating expenses:					
Transportation	$ 0.14	$ 0.16	$ 0.22	$ 0.22	$ 0.17
Processing and gathering(1)	0.39	0.42	0.37	0.53	0.25
Other lease operating expenses	0.94	1.64	1.70	2.29	1.34

Total lease operating expenses	$ 1.48	$ 2.22	$ 2.29	$ 3.04	$ 1.77
Production taxes	$ 0.36	$ 0.43	$ 0.30	$ 0.34	$ 0.29

(1) Includes costs attributable to gas treatment to remove CO_2 and other impurities from our high CO_2 natural gas.

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RISK FACTORS

An investment in our common stock involves a high degree of risk. You should carefully consider the following risks and all of the other information contained in this prospectus before deciding to invest in our common stock.

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

Natural gas and oil prices are volatile, and a decline in natural gas and oil prices can significantly affect our financial results and impede our growth.

Our revenue, profitability and cash flow depend upon the prices and demand for natural gas and oil. The markets for these commodities are very volatile. Even relatively modest drops in prices can significantly affect our financial results and impede our growth. Changes in natural gas and oil prices have a significant impact on the value of our reserves and on our cash flow. Prices for natural gas and oil may fluctuate widely in response to relatively minor changes in the supply of and demand for natural gas and oil and a variety of additional factors that are beyond our control, such as:

- the domestic and foreign supply of natural gas and oil;
- the price of foreign imports;
- worldwide economic conditions;
- political and economic conditions in oil producing countries, including the Middle East and South America;
- the ability of members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the level of consumer product demand;
- weather conditions;
- technological advances affecting energy consumption;
- availability of pipeline infrastructure, treating, transportation and refining capacity;
- domestic and foreign governmental regulations and taxes; and
- the price and availability of alternative fuels.

Lower natural gas and oil prices may not only decrease our revenues on a per share basis, but also may reduce the amount of natural gas and oil that we can produce economically. This may result in our having to make substantial downward adjustments to our estimated proved reserves.

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

The process of estimating natural gas and oil reserves is complex and inherently imprecise. It requires interpretations of available technical data and many assumptions, including assumptions relating to production rates and economic factors such as natural gas and oil prices, drilling and operating expenses, capital expenditures and availability of funds. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in this prospectus. See Business Our Business and Primary Operations for information about our natural gas and oil reserves.

Actual future production, natural gas and oil prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable natural gas and oil reserves most likely will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this prospectus. In addition, we may adjust estimates of proved reserves to reflect production history, results

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of exploration and development, prevailing natural gas and oil prices and other factors, many of which are beyond our control.

The present value of future net cash flows from our proved reserves will not necessarily be the same as the current market value of our estimated natural gas and oil reserves.

We base the estimated discounted future net cash flows from our proved reserves on prices and costs in effect on the day of estimate. Actual future net cash flows from our natural gas and oil properties also will be affected by factors such as:

- actual prices we receive for natural gas and oil;
- actual cost of development and production expenditures;
- the amount and timing of actual production;
- supply of and demand for natural gas and oil; 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 natural gas and oil properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows 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 natural gas and oil industry in general.

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

Our future natural gas and oil reserves and production, and therefore our cash flow and income, are highly dependent on our success in efficiently developing and exploiting 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.

Our potential drilling location inventories are scheduled over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.

As of June 30, 2007, only 699 of our 4,573 identified potential future well locations were attributable to proved undeveloped reserves. These potential drilling locations, including those without proved undeveloped reserves, represent a significant part of our growth strategy. Our ability to drill and develop these locations is subject to a number of uncertainties, including the availability of capital, seasonal conditions, regulatory approvals, natural gas and oil prices, costs and drilling results. Because of these uncertainties, we do not know if the numerous potential drilling locations we have will ever be drilled or if we will be able to produce natural gas or oil from these or any other potential drilling locations. As such, our actual drilling activities may materially differ from our current expectations, which could adversely affect our business.

We will not know conclusively prior to drilling whether natural gas or oil will be present in sufficient quantities to be economically viable.

We describe some of our current prospects and drilling locations and our plans to explore those prospects and drilling locations in this prospectus. A prospect is a property on which we have identified what our geoscientists believe, based on available seismic and geological information, to be indications of natural gas or oil. Our prospects and drilling locations are in various stages of evaluation, ranging from a prospect that is ready to drill to a prospect that will require substantial additional seismic data processing and interpretation. The use of seismic data and other 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 the well or abandonment of the well. From January 1, 2007 through June 30, 2007, we participated in drilling a total of 109 gross wells, of which three have been identified as a dry hole. If we drill additional wells that we identify as dry holes in our current and future prospects, 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.

Properties that we buy may not produce as projected, and we may be unable to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them.

Our reviews of properties we acquire are inherently incomplete because it generally is not feasible to review in depth every individual property involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as soil or ground water contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, we often assume certain environmental and other risks and liabilities in connection with acquired properties, which risks and liabilities could have a material adverse effect on our results of operations and financial condition.

The development of the proved undeveloped reserves in the WTO and other areas of operation may take longer and may require higher levels of capital expenditures than we currently anticipate.

Approximately 66% of the estimated proved reserves that we own or have under lease in the WTO as of June 30, 2007 are proved undeveloped reserves and 62% of our total reserves are proved undeveloped reserves. Development of these reserves may take longer and require higher levels of capital expenditures than we currently anticipate. Therefore, ultimate recoveries from these fields may not match current expectations. Delays in the development of our reserves or increases in costs to drill and develop such reserves will reduce the PV-10 value of our estimated proved undeveloped reserves and future net revenues estimated for such reserves.

A significant portion of our operations are located in WTO, making us vulnerable to risks associated with operating in one major geographic area.

As of June 30, 2007, approximately 55% of our proved reserves and approximately 40% of our production were located in the WTO. In addition, a substantial portion of our WTO natural gas contains a high concentration of CO_2 and requires treating. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from these wells caused by transportation and treatment capacity constraints, curtailment of production or treatment plant closures for scheduled maintenance or unanticipated occurrences.

Many of our prospects in the WTO may contain natural gas that is high in CO_2 content, which can negatively affect our economics.

The reservoirs of many of our prospects in the WTO may contain natural gas that is high in CO_2 content. The natural gas produced from these reservoirs must be treated for the removal of CO_2 prior to marketing. If we cannot obtain sufficient capacity at treatment facilities for our natural gas with a high CO_2 concentration, or if the cost to obtain such capacity significantly increases, we could be forced to delay production and development or experience increased production costs.

Furthermore, when we treat the gas for the removal of CO_2, some of the methane is used to run the treatment plant as fuel gas and other methane and heavier hydrocarbons, such as ethane, propane and butane, cannot be separated from the CO_2 and is lost. This is known as plant shrink. Historically our plant shrink has been approximately 14% in the WTO. We do not know the amount of CO_2 we will encounter in any well until it is drilled. As a result, sometimes we encounter CO_2 levels in our wells that are higher than expected. The amount of CO_2 in the gas produced affects the heating content of the gas. For example, if a well is 65% CO_2, the gas produced often has a heating content of between 300 and 350 MBtu per Mcf. Giving consideration for plant shrink, as many as four Mcf of high CO_2 gas must be produced to sell one MmBtu of natural gas. We report our volumes of natural gas reserves and production net of CO_2 volumes that are removed prior to sales. Since the treatment expenses are incurred on an Mcf basis, we will incur a higher effective treating cost per MmBtu of natural gas sold for natural gas with a higher CO_2 content. As a result, high CO_2 gas wells must produce at much higher rates than low CO_2 gas wells to be economic, especially in a low natural gas price environment.

We may experience difficulty in staffing and retaining employees on our new drilling rigs, which may adversely affect the efficiency of our drilling program.

We have increased our number of drilling rigs and the level of our activity substantially. This has required us to add additional employees to staff our drilling rigs and to add professional and support staff to other departments. If we are unable to retain these employees, we may experience decreased efficiency and delays in our drilling program.

A significant decrease in natural gas production in our areas of midstream gas services operation, due to the decline in production from existing wells, depressed commodity prices or otherwise, would adversely affect our revenues and cash flow for our midstream gas services segment.

The profitability of our midstream business is materially impacted by the volume of natural gas we gather, transmit and process at our facilities. Most of the reserves backing up our midstream assets are operated by our exploration and production segment. A material decrease in natural gas production in our areas of operation would result in a decline in the volume of natural gas delivered to our pipelines and facilities for gathering, transmitting and processing. The effect of such a material decrease would be to reduce our revenues, operating income and cash flows. Fluctuations in energy prices can greatly affect production rates and investments by our exploration and production business and third-parties in the development of new natural gas and oil reserves. Drilling activity generally decreases as natural gas and oil prices decrease. We have no control over factors affecting production activity, including prevailing and projected energy prices, demand for hydrocarbons, the level of reserves, geological considerations, governmental regulation and the availability and cost of capital. Failure to connect new wells to our gathering systems would, therefore, result in the amount of natural gas we gather, transmit and process being reduced substantially over time and could, upon exhaustion of the current wells, cause us to abandon our gathering systems and, possibly cease gathering, transmission and processing operations. Our ability to connect to new wells will be dependent on the level of drilling activity in our areas of operations and competitive market factors. As a consequence of these declines, our revenues and cash flows could be materially adversely affected.

Our use of 2-D and 3-D seismic data is subject to interpretation and may not accurately identify the presence of natural gas and oil, which could adversely affect the results of our drilling operations.

A significant aspect of our exploration and development plan involves seismic data. Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are present in those structures. Other geologists and petroleum professionals, when studying the same seismic data, may have significantly different interpretations than our professionals. In addition, the use of 2-D and 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional drilling strategies, and we could incur losses due to such expenditures. As a result, our drilling activities may not be geologically successful or economical, and our overall drilling success rate or our drilling success rate for activities in a particular area may not improve.

We often gather 2-D and 3-D seismic data over large areas. Our interpretation of seismic data delineates for us those portions of an area that we believe are desirable for drilling. Therefore, we may choose not to acquire option or lease rights prior to acquiring seismic data, and in many cases, we may identify hydrocarbon indicators before seeking option or lease rights in the location. If we are not able to lease those locations on

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acceptable terms, it would result in our having made substantial expenditures to acquire and analyze 2-D and 3-D data without having an opportunity to attempt to benefit from those expenditures.

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

Our drilling and operating activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling for natural gas and oil can be unprofitable, not only from dry holes, but from productive wells that do not produce sufficient revenues to return a profit. In addition, our drilling and producing operations may be curtailed, delayed or canceled as a result of other factors, including:

- unusual or unexpected geological formations and miscalculations;
- pressures;
- fires;
- blowouts;
- loss of drilling fluid circulation;
- title problems;
- facility or equipment malfunctions;
- unexpected operational events;
- shortages of skilled personnel;
- shortages or delivery delays of equipment and services;
- compliance with environmental and other regulatory requirements; and
- adverse weather conditions.

Any of these risks can cause substantial losses, including personal injury or loss of life; damage to or destruction of property, natural resources and equipment; pollution; environmental contamination or loss of wells; and regulatory fines or penalties.

Insurance against all operational risks is not available to us. Additionally, we may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the perceived risks presented. We do not carry environmental insurance, thus, losses could occur for uninsurable or uninsured risks or in amounts in excess of existing insurance coverage. The occurrence of an event that is not covered in full or in part by insurance could have a material adverse impact on our business activities, financial condition and results of operations.

Market conditions or operational impediments may hinder our access to natural gas and oil markets or delay our production.

Market conditions or a lack of satisfactory natural gas and oil transportation arrangements may hinder our access to natural gas and oil markets or delay our production. The availability of a ready market for our natural gas and oil production depends on a number of factors, including the demand for and supply of natural gas and oil and the proximity of reserves to pipelines and terminal facilities. Our ability to market our production depends in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities. For example, we are currently experiencing capacity limitations in the Piñon Field. Our failure to obtain such services on acceptable terms or expand our midstream assets could materially harm our business. We may be required to shut in wells for a lack of a market or because access to natural gas pipelines, gathering system capacity or processing facilities may be limited or unavailable. If that were to occur, then we would be unable to realize revenue from those wells until production arrangements were made to deliver the production to market.

Our development and exploration operations require substantial capital and we may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in our natural gas and oil reserves.

The natural gas and oil industry is capital intensive. We make and expect to continue to make substantial capital expenditures in our business and operations for the exploration, development, production and acquisition of natural gas and oil reserves. To date, we have financed capital expenditures primarily with proceeds from the sale of equity, bank borrowings and cash generated by operations. We intend to finance our future capital expenditures with the sale of equity, asset sales, cash flow from operations and current and new financing arrangements. Our cash flow from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the level of natural gas and oil we are able to produce from existing wells;
- the prices at which natural gas and oil are sold; and
- our ability to acquire, locate and produce new reserves.

If our revenues decrease as a result of lower natural gas and oil prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels. In order to fund our capital expenditures, we must seek additional financing. Our senior credit facility and term loan contain covenants restricting our ability to incur additional indebtedness without the consent of the lenders. Our lenders may withhold this consent in their sole discretion.

In addition, we may not be able to obtain debt or equity financing on terms favorable to us, or at all. The failure to obtain additional financing could result in a curtailment of our operations relating to exploration and development of our prospects, which in turn could lead to a possible loss of properties and a decline in our natural gas and oil reserves.

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business.

As of June 30, 2007, our total indebtedness was $1.1 billion, which represented approximately 43% of our total capitalization. Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our substantial indebtedness, combined with our lease and other financial obligations and contractual commitments, could have other important consequences to you. For example, it could:

- make us more vulnerable to adverse changes in general economic, industry and competitive conditions and adverse changes in government regulation;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

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

- limit our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other purposes.

Any of the above listed factors could materially adversely affect our business, financial condition and results of operations.

Our senior credit facility and term loan have restrictions and financial covenants which could adversely affect our operations.

We will depend on our senior credit facility for a portion of future capital needs. The senior credit facility and term loan restrict our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations. We also are required to comply with certain financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants under the senior credit facility, term loan or other debt financing could result in a default under those facilities, which could cause all of our existing indebtedness to be immediately due and payable.

The senior credit facility limits the amounts we can borrow to a borrowing base amount, determined by the lender in its sole discretion on a semi-annual basis, based upon projected revenues from the natural gas and oil properties securing our loan. The lender can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding under the senior credit facility, and any increase in the borrowing base requires its consent. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or we must pledge other natural gas and oil properties as additional collateral. We do not currently have any substantial unpledged properties, and we may not have the financial resources in the future to make any mandatory principal prepayments required under the senior credit facility.

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 natural gas and oil, we currently, and may in the future, enter into derivative instruments for a portion of our natural gas and oil production, including collars and price-fix swaps. We have not designated any of our derivative instruments as hedges for accounting purposes and record all derivative instruments on 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 fair value of our derivative instruments. Derivative instruments also expose us to the risk of financial loss in some circumstances, including when:

- production is less than expected;
- the counter-party to the derivative instrument defaults on its contract obligations; or
- there is a change in the expected differential between the underlying price in the derivative instrument and actual prices received.

In addition, these types of derivative arrangements limit the benefit we would receive from increases in the prices for natural gas and oil and may expose us to cash margin requirements.

Competition in the natural gas and oil industry is intense, which may adversely affect our ability to succeed.

The natural gas and oil industry is intensely competitive, and we compete with companies that have greater resources. Many of these companies not only explore for and produce natural gas and oil, but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive natural gas and oil 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. In addition, these companies may have a greater ability to continue exploration activities during periods of low natural gas and oil market 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. In addition, because we have fewer financial and human resources than many companies in our industry, we may be at a disadvantage in bidding for exploratory prospects and producing natural gas and oil properties.

Downturns in natural gas and oil prices can result in decreased oil field activity which, in turn, can result in an oversupply of service providers and drilling rigs. This oversupply can result in severe reductions in prices received for oil field services or a complete lack of work for crews and equipment.

We are subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of conducting our operations.

Our natural gas and oil exploration, production, transportation and treatment operations are subject to complex and stringent laws and regulations. In order to conduct our operations in compliance with these laws and regulations, we must obtain and maintain numerous permits, approvals and certificates from various federal, state and local governmental authorities. We may incur substantial costs in order to maintain compliance with these existing laws and regulations. In addition, our costs of compliance may increase if existing laws and regulations are revised or reinterpreted, or if new laws and regulations become applicable to our operations. For instance, we may be unable to obtain all necessary permits, approvals and certificates for proposed projects. Alternatively, we may have to incur substantial expenditures to obtain, maintain or renew authorizations to conduct existing projects. If a project is unable to function as planned due to changing requirements or public opposition, we may suffer expensive delays, extended periods of non-operation or significant loss of value in a project. All such costs may have a negative effect on our business and results of operations.

Our business is subject to federal, state and local laws and regulations as interpreted and enforced by governmental agencies and other bodies vested with much authority relating to the exploration for, and the development, production and transportation of, natural gas and oil. Failure to comply with such laws and regulations, as interpreted and enforced, could have a material adverse effect on us. For instance, the U.S. Department of the Interior s Minerals Management Service (MMS), may suspend or terminate our operations on federal leases for failure to pay royalties or comply with safety and environmental regulations.

Our operations expose us to potentially substantial costs and liabilities with respect to environmental, health and safety matters.

We may incur substantial costs and liabilities as a result of environmental, health and safety requirements applicable to our natural gas and oil exploration, development, production, transportation, treatment, and other activities. These costs and liabilities could arise under a wide range of environmental, health and safety laws, that cover, among other things, emissions into the air and water, habitat and endangered species protection, the containment and disposal of hazardous substances, oil field waste and other waste materials, the use of underground injection wells, and wetlands protection. These laws and regulations are complex, change frequently and have tended to become increasingly strict over time. Failure to comply with environmental, health and safety laws or regulations may result in assessment of administrative, civil, and criminal penalties, imposition of cleanup and site restoration costs and liens, and the issuance of orders enjoining or limiting our current or future operations. Compliance with these laws and regulations also increases the cost of our operations and may prevent or delay the commencement or continuance of a given operation. Specifically, we may incur increased expenditures in the future in order to maintain compliance with laws and regulations governing emissions of air pollutants from our natural gas treatment plants. See Business Environmental Matters and Regulation.

Under certain environmental laws that impose strict, joint and several liability we may be required to remediate our contaminated properties regardless of whether such contamination resulted from the conduct of others or from consequences of our own actions that were or were not in compliance with all applicable laws at the time those actions were taken. In addition, claims for damages to persons or property may result from environmental and other impacts of our operations. Moreover, new or modified environmental, health or safety laws, regulations or enforcement policies could be more stringent and impose unforeseen liabilities or significantly increase compliance costs. Therefore, the costs to comply with environmental, health or safety laws or regulations or the liabilities incurred in connection with them could significantly and adversely affect our business, financial condition or results of operations. In addition, many countries as well as several states of the U.S. have agreed to regulate emissions of greenhouse gases. Methane, a primary component of natural gas, and carbon dioxide, a byproduct of burning of natural gas and oil are greenhouse gases. Regulation of greenhouse gases could adversely impact some of our operations and demand for some of our services or products in the future. See Business Environmental Matters and Regulation.

The inability of one or more of our customers to meet their obligations may adversely affect our financial results.

Substantially all of our accounts receivable for natural gas and oil sales, drilling and oil field services and midstream gas services result from billings to third-parties in the energy industry. This concentration of customers and joint interest owners may impact our overall credit risk in that these entities may be similarly affected by changes in economic and other conditions. In addition, our natural gas and oil derivative arrangements expose us to credit risk in the event of nonperformance by counterparties.

We have identified a material weakness in our internal control over financial reporting. If additional material weaknesses are detected or if we fail to maintain an adequate system of internal control over financial reporting this could adversely affect our ability to accurately report our results.

We are not currently required to comply with Section 404 of the Sarbanes Oxley Act of 2002, and are therefore not required to make an assessment of the effectiveness of our internal controls over financial reporting for that purpose. As disclosed elsewhere in this prospectus and in Note 1 to our consolidated financial statements included in this prospectus, we have restated our consolidated financial statements for our December 31, 2006 year end. We have considered the internal control over financial reporting implications of the error which resulted in the restatement of our consolidated financial statements and determined a material weakness existed as it relates to financial reporting process and accounting for derivatives. See Management s Discussion and Analysis of Financial Condition and Results of Operations Restatement of Previously Issued Financial Statements Correction of an Accounting Error.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. A material weakness is a control deficiency or a combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. Our efforts to develop and maintain our internal controls may not be successful, and we may be unable to maintain adequate controls over our financial processes and reporting in the future, including future compliance with the obligations under Section 404 of the Sarbanes-Oxley Act of 2002. We will be required to comply with Section 404 of the Sarbanes-Oxley Act of 2002 effective as of December 31, 2008. Any failure to develop or maintain effective controls, or difficulties encountered in their implementation or other effective improvement of our internal controls could harm our operating results. Ineffective internal controls could also cause investors to lose confidence in our reported financial information.

Risks Related to this Offering and Our Common Stock

Certain stockholders shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly.

After this offering, 138,171,022 shares of common stock will be outstanding, or 141,850,522 shares if the underwriters exercise their over-allotment option in full. Of these 138,171,022 shares, the 28,700,000 shares sold in this offering, or 32,379,500 shares if the underwriters exercise their over-allotment option in full, will be freely tradable without restriction under the Securities Act except for any shares purchased by one of our affiliates as defined in Rule 144 under the Securities Act. In addition, holders of 2,184,287 shares of our convertible preferred stock may convert such shares to common stock at any time. Following this offering and assuming the conversion of all outstanding shares of convertible preferred stock, 160,446,893 shares of common stock would be outstanding, or 164,126,393 shares if the underwriters exercise their over-allotment option in full. All of the shares outstanding other than the shares sold in this offering (a total of 109,471,022 shares) are restricted securities with the meaning of Rule 144 under the Securities Act.

In connection with this offering, we, all of our executive officers and directors, and N. Malone Mitchell, 3rd, have entered into lock-up agreements with Lehman Brothers Inc., Goldman, Sachs & Co. and Banc of America Securities LLC under which such holders of restricted shares have agreed that, subject to certain exceptions, they will not, directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock, or publicly announce the intention to do any of the foregoing, without the prior written consent of the underwriters for a period of 180 days from the date of this prospectus. See Underwriting for a description of these lock-up arrangements. The lock-up agreement that Mr. Ward, our Chairman, Chief Executive Officer and President, entered into contains an exception for approximately 6,584,098 restricted shares of our common stock that he has pledged as a portion of the collateral for a personal loan and any additional shares of our common stock that he may pledge as collateral for such loan. If Mr. Ward defaults on this loan, the lender may foreclose on and sell these shares pursuant to an exemption under the Securities Act notwithstanding the lock-up agreement. The lock-up agreement of Mr. Mitchell, our former Chairman, Chief Executive Officer and President, allows him to pledge up to all of his common shares as collateral for a personal loan provided that the lender agrees to be bound by the terms of Mr. Mitchell s lock-up with respect to any shares that are transferred to the lender as a result of foreclosure. There are additional restrictions on the transfer of shares by Messrs. Ward and Mitchell contained in the Amended and Restated Shareholders Agreement, dated as of April 4, 2007. The Amended and Restated Shareholders Agreement, however, also permits Messrs. Ward and Mitchell to pledge their shares, subject to certain conditions, in connection with a bona fide loan. See Description of Capital Stock Registration Rights Amended and Restated Shareholders Agreement.

Stockholders who acquired securities in our December 2005, November 2006 or March 2007 private placements are subject to lock-up provisions contained in the registration rights agreements entered into in connection with such private placements. Pursuant to these lock-up provisions, as amended, these stockholders may not, directly or indirectly, offer, sell, contract to sell, pledge or otherwise dispose of or hedge any common stock or securities convertible into or exchangeable for shares of common stock, or publicly announce the intention to do any of the foregoing, for a period from the date of this prospectus until the later of (i) 60 days following the date of this prospectus and (ii) January 1, 2008. These lock-up provisions do not apply to securities purchased in this offering or following the completion of this offering.

Shareholders party to the Amended and Restated Shareholders Agreement, including Mr. Ward, Mr. Mitchell and entities affiliated with Ares Management Fund LLC, have agreed not to effect any sale or distribution of our equity securities or securities convertible into or exchangeable or exercisable for any of our equity securities for a period of 180 days from the date of this prospectus. See Underwriting for a description of these lock-up agreements.

Giving effect to these lock-up agreements (but excluding the effect of the exclusion for Mr. Ward s pledged shares), the 109,471,022 restricted shares outstanding immediately prior to this offering will be eligible for sale in the public market under Rule 144 of the Securities Act, subject to volume limitations and other restrictions contained in Rule 144, as follows: (i) at the date of this prospectus 4,962,715 shares, (ii) commencing on the later of (a) 60 days thereafter and (b) January 1, 2008, an additional 21,312,313 shares, and (iii) commencing 180 days thereafter an additional 83,195,994 shares.

We have filed a shelf registration statement to register the resale, from time to time, of up to 62,036,000 shares of our common stock sold in or issuable upon the conversion of securities sold in our December 2005, November 2006 and March 2007 private placements. We anticipate that this shelf registration statement will be declared effective in the fourth quarter of 2007. All of the shares to be registered by the shelf registration statement are subject to the lock-up provisions described above related to our private placements. We may also

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register certain shares issued or reserved for issuance under our stock option plans. Please read Shares Eligible for Future Sale.

The resale of these shares in the future could cause the market price of our stock to drop significantly.

There has been no active trading market for our common stock, and an active trading market may not develop.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the New York Stock Exchange. We do not know if an active trading market will develop for our common stock or how the common stock will trade in the future, which may make it more difficult for you to sell your shares. Negotiations between the underwriters and us determined the initial public offering price. You may not be able to resell your shares at or above the initial public offering price.

The market price for shares of our common stock may be highly volatile and could be subject to wide fluctuations.

The market price for shares of our common stock may be highly volatile and could be subject to wide fluctuations, even if an active trading market develops. Some of the factors that could negatively affect our share price include:

- actual or anticipated variations in our reserve estimates and quarterly operating results;
- liquidity and the registration of our common stock for public resale;
- sales of our common stock by our stockholders;
- changes in natural gas and oil prices;
- changes in our cash flows from operations or earnings estimates;
- publication of research reports about us or the exploration and production industry generally;
- increases in market interest rates which may increase our cost of capital;
- changes in applicable laws or regulations, court rulings and enforcement and legal actions;
- changes in market valuations of similar companies;
- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by our stockholders;
- speculation in the press or investment community regarding our business;
- large volume of sellers of our common stock pursuant to our resale registration statement with a relatively small volume of purchasers;
- general market and economic conditions; and

domestic and international economic, legal and regulatory factors unrelated to our performance.

We do not anticipate paying any dividends on our common stock in the foreseeable future.

We do not expect to declare or pay any cash or other dividends in the foreseeable future on our common stock, as we intend to use cash flow generated by operations to expand our business. Our senior credit facility and term loan restrict our ability to pay cash dividends on our common stock, and we may also enter into credit agreements or other borrowing arrangements in the future that restrict our ability to declare or pay cash dividends on our common stock. In addition, the certificate of designation for our convertible preferred stock prohibits the payment of dividends to holders of our common stock without the consent of holders of a majority of our outstanding convertible preferred stock.

You may experience dilution of your ownership interests due to the future issuance of additional shares of our common stock.

We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of our present stockholders and purchasers of common stock offered hereby. As of June 30, 2007, we were authorized to issue 400 million shares of common stock and 50 million shares of preferred stock with preferences and rights as determined by our Board of Directors. Immediately prior to the closing of this offering, we will have approximately 2.2 million shares of common stock outstanding pursuant to our stock incentive plan, we have also reserved approximately 4.9 million shares of our common stock for future issuance as restricted stock, stock options or other equity-based grants to employees and directors. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with the hiring of personnel, future acquisitions, future private placements of our securities for capital raising purposes or for other business purposes. We have 2,184,287 shares of convertible preferred stock outstanding, which may be converted into 22,275,871 shares of common stock at any time by the holders of such preferred stock or by us at any time following 180 days after the closing of this offering upon satisfaction of other conditions. See Description of Capital Stock Preferred Stock Convertible Preferred Stock. In addition, Mr. Ward, our Chairman, Chief Executive Officer and President, has pledged 6,584,098 restricted shares of our common stock as a portion of the collateral for a personal loan and may pledge additional shares in the future. If Mr. Ward defaults on this loan, the lender may foreclose on and sell these shares pursuant to an exemption under the Securities Act. The lock-up agreement of Mr. Mitchell, one of our directors, allows him to pledge up to all of his common shares as collateral for a personal loan provided that the lender agrees to be bound by the terms of Mr. Mitchell s lock-up with respect to any shares that are transferred to the lender as a result of foreclosure. There are additional restrictions on the transfer of shares by Messrs. Ward and Mitchell contained in the Amended and Restated Shareholders Agreement, dated as of April 4, 2007. The Amended and Restated Shareholders Agreement, however, also permits Messrs. Ward and Mitchell to pledge their shares, subject to certain conditions, in connection with a bona fide loan. See Description of Capital Stock Registration Rights Amended and Restated Shareholders Agreement. At the closing of this offering, the potential issuance or sale of additional shares of common stock may create downward pressure on the trading price of our common stock.

Our certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- a classified board of directors, so that only approximately one-third of our directors are elected each year;
- limitations on the removal of directors;
- the prohibition of stockholder action by written consent;
- and limitations on the ability of our stockholders to call special meetings and establish advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders.

Delaware law prohibits us from engaging in any business combination with any interested stockholder, meaning generally that a stockholder who beneficially owns more than 15% of our stock cannot acquire us for a period of three years from the date this person became an interested stockholder, unless various conditions are met, such as approval of the transaction by our board of directors.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Various statements contained in this prospectus, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as estimate, project, predict, believe, expect, anticipate, potential, could, may, foresee, plan, goa
convey the uncertainty of future events or outcomes. The forward-looking statements in this prospectus speak only as of the date of this prospectus; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties relating to, among other matters, the risks discussed under the heading Risk Factors and the following:

- the volatility of natural gas and oil prices;
- discovery, estimation, development and replacement of natural gas and oil reserves;
- cash flow and liquidity;
- financial position;
- business strategy;
- amount, nature and timing of capital expenditures, including future development costs;
- availability and terms of capital;
- timing and amount of future production of natural gas and oil;
- availability of drilling and production equipment;
- timing of drilling rig fabrication and delivery;
- customer contracting of drilling rigs;
- availability of oil field labor;
- availability and regulation of CO_2;
- operating costs and other expenses;
- prospect development and property acquisitions;
- availability of pipeline infrastructure to transport natural gas production;
- marketing of natural gas and oil;

competition in the natural gas and oil industry;

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

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

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USE OF PROCEEDS

We will receive net proceeds from the sale of 28,700,000 shares of the common stock offered by us of approximately $705.4 million after deducting estimated expenses and underwriting discounts and commissions of $40.8 million.

We intend to use the net proceeds to repay the outstanding balance on our senior credit facility, which balance as of October 12, 2007 was $455.0 million, prior to the application of available cash balances. Affiliates of Banc of America Securities LLC, Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., and RBC Capital Markets Corporation are lenders under our senior credit facility. These borrowings were incurred primarily to fund capital expenditures in connection with our accelerated drilling program and the expansion of our midstream capacity. Our senior credit facility matures November 21, 2011 and bore interest at a rate of 6.92% per annum as of September 30, 2007. We also intend to use a portion of the net proceeds to repay a $50.0 million note we incurred in connection with our recent acquisition in the WTO. This note matures on September 30, 2008 and bears interest at 7.00% per annum. Please see Business Recent WTO Acquisition for a description of this acquisition. We intend to use the remaining proceeds to fund the remaining unfunded portion of our $1,200 million capital expenditures budget for 2007, including $943 million in exploration and development (including land and seismic acquisitions and our tertiary recovery operations), $115 million in drilling and oilfield services and $103 million in midstream operations. We intend to fund the remaining capital expenditures from cash on hand and additional borrowings under our senior credit facility. Please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

DIVIDEND POLICY

We do not anticipate declaring or paying any cash dividends to holders of our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business, including exploration, development and acquisition activities. In addition, the terms of our revolving credit facility and term loan restrict our ability to pay dividends to holders of common stock. In addition, the certificate of designation for our convertible preferred stock prohibits the payment of dividends to holders of our common stock without the consent of holders of a majority of our outstanding convertible preferred stock. Accordingly, if our dividend policy were to change in the future, our ability to pay dividends would be subject to these restrictions and our then existing conditions, including our results of operations, financial condition, contractual obligations, capital requirements, business prospects and other factors deemed relevant by our board of directors.

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CAPITALIZATION

The following table sets forth, as of June 30, 2007, a summary of our capitalization, both on an actual basis and on an as adjusted basis to give effect to the sale by us of 28,700,000 shares at an initial public offering price of $26.00 per share and the application of the net proceeds as set forth under Use of Proceeds.

You should read the following table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes thereto appearing elsewhere in this prospectus.

	As of June 30, 2007	
	Actual	As Adjusted
	(In thousands)	