

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-19514

Gulfport Energy Corporation

(Name of small business issuer in its charter)

Delaware
(State or other jurisdiction of
Incorporation or organization)

73-1521290
(IRS Employer
Identification Number)

14313 North May Avenue, Suite 100
Oklahoma City, Oklahoma 73134
(405) 848-8807

(Address, including zip code, and telephone number, including area code, of registrant's principal executive office)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 9, 2005, 32,032,861 shares of common stock were outstanding.

Transitional Small Business Disclosure Format (check one): Yes No

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Item 1. Financial Statements

September 30, 2005 and 2004

Forming a part of Form 10-QSB Quarterly Report to the
Securities and Exchange Commission

This quarterly report on Form 10-QSB should be read in conjunction with Gulfport Energy Corporation's Annual Report on Form 10-KSB for the year ended December 31, 2004.

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GULFPORT ENERGY CORPORATION
BALANCE SHEET

	September 30 2005
	(Unaudited)
Assets	
Current assets:	
Cash and cash equivalents	\$ 6,074,000
Accounts receivable	3,652,000
Accounts receivable - related party	1,879,000
Prepaid expenses and other current assets	486,000
Total current assets	12,091,000
Property and equipment:	
Oil and natural gas properties, full-cost accounting	164,347,000
Other property and equipment	6,050,000
Accumulated depletion, depreciation, amortization	(86,822,000)
Property and equipment, net	83,575,000
Other assets	6,291,000
Total assets	\$101,957,000
Liabilities and Stockholders' Equity	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 7,791,000
Short-term derivative instruments	1,266,000
Asset retirement obligation - current	480,000
Current maturities of long-term debt	381,000
Total current liabilities	9,918,000
Long-term derivative instruments	292,000
Asset retirement obligation - long-term	7,041,000
Long-term debt, excluding current maturities	2,871,000
Total liabilities	20,122,000
Commitments and contingencies	
Preferred stock, \$.01 par value; 5,000,000 authorized at September 30, 2005, 30,000 authorized as redeemable 12% cumulative preferred stock, Series A; 0 issued and outstanding at September 30, 2005	—
Common stockholders' equity:	
Common stock - \$.01 par value, 35,000,000 authorized, 31,946,354 issued and outstanding at September 30, 2005	319,000
Paid-in capital	118,931,000
Notes receivable for exercise of options	(40,000)
Accumulated other comprehensive loss	(1,519,000)
Accumulated deficit	(35,856,000)
Total stockholders' equity	81,835,000
Total liabilities and stockholders' equity	\$101,957,000

See accompanying notes to financial statements.

GULFPORT ENERGY CORPORATION
STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Revenues:				
Gas sales	\$ 1,694,000	\$ 139,000	\$ 2,819,000	\$ 266,000
Oil and condensate sales	9,795,000	5,241,000	23,294,000	14,061,000
Other income	30,000	50,000	126,000	75,000
	<u>11,519,000</u>	<u>5,430,000</u>	<u>26,239,000</u>	<u>14,402,000</u>
Costs and expenses:				
Lease operating expenses	2,207,000	1,478,000	6,234,000	4,400,000
Production taxes	1,300,000	629,000	3,134,000	1,667,000
Depreciation, depletion, and amortization	1,696,000	1,207,000	4,448,000	3,494,000
General and administrative	179,000	261,000	874,000	1,526,000
Accretion expense	116,000	75,000	349,000	223,000
	<u>5,498,000</u>	<u>3,650,000</u>	<u>15,039,000</u>	<u>11,310,000</u>
INCOME FROM OPERATIONS:	<u>6,021,000</u>	<u>1,780,000</u>	<u>11,200,000</u>	<u>3,092,000</u>
OTHER (INCOME) EXPENSE:				
Interest expense	54,000	98,000	175,000	171,000
Interest expense - preferred stock	—	499,000	272,000	1,431,000
Interest income	(78,000)	(23,000)	(232,000)	(31,000)
	<u>(24,000)</u>	<u>574,000</u>	<u>215,000</u>	<u>1,571,000</u>
INCOME BEFORE INCOME TAXES	<u>6,045,000</u>	<u>1,206,000</u>	<u>10,985,000</u>	<u>1,521,000</u>
INCOME TAX EXPENSE (BENEFIT):	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
NET INCOME	<u>\$ 6,045,000</u>	<u>\$ 1,206,000</u>	<u>\$10,985,000</u>	<u>\$ 1,521,000</u>
NET INCOME PER COMMON SHARE:				
Basic	<u>\$ 0.19</u>	<u>\$ 0.08</u>	<u>\$ 0.37</u>	<u>\$ 0.13</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.08</u>	<u>\$ 0.36</u>	<u>\$ 0.13</u>

See accompanying notes to financial statements.

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GULFPORT ENERGY CORPORATION
STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Unaudited)

	Common Stock		Additional Paid-in Capital	Notes Receivable for Exercise of Options	Accumulated Other Comprehensive Income	Accumulated Deficit
	Shares	Amount				
Balance at December 31, 2003	10,146,566	\$101,000	\$ 84,192,000	\$ —	\$ —	\$(51,145,000)
Net income	—	—	—	—	—	1,521,000
Stock Rights Offering	10,000,000	100,000	11,545,000	—	—	—
Balance at September 30, 2004	<u>20,146,566</u>	<u>\$201,000</u>	<u>\$ 95,737,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$(49,624,000)</u>
Balance at December 31, 2004	20,146,566	\$201,000	\$ 95,737,000	\$ —	\$ —	\$(46,841,000)
Net income	—	—	—	—	—	10,985,000
Issuance of Common Stock	4,000,000	40,000	13,960,000	—	—	—
Issuance of Common Stock through Exercise of Warrants	7,736,621	78,000	9,129,000	—	—	—
Issuance of Common Stock through Exercise of Options	63,167	—	105,000	(105,000)	—	—
Repayment of Notes Receivable for Stock	—	—	—	65,000	—	—
Other Comprehensive Income (Loss):						
Fair value of derivative instruments	—	—	—	—	(1,584,000)	—
Reclassification of settled contracts	—	—	—	—	26,000	—
Loss on hedging ineffectiveness	—	—	—	—	39,000	—
Balance at September 30, 2005	<u>31,946,354</u>	<u>\$319,000</u>	<u>\$118,931,000</u>	<u>\$ (40,000)</u>	<u>\$ (1,519,000)</u>	<u>\$(35,856,000)</u>

See accompanying notes to financial statements.

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GULFPORT ENERGY CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 10,985,000	\$ 1,521,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of discount - Asset Retirement Obligation	349,000	223,000
Interest expense - preferred stock	272,000	1,431,000
Depletion, depreciation and amortization	4,448,000	3,494,000
Unrealized loss on derivatives	39,000	—
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(92,000)	(911,000)
(Increase) in accounts receivable - related party	(856,000)	(366,000)
(Increase) decrease in prepaid expenses	(274,000)	25,000
(Increase) in deposits	(292,000)	—
Increase in accounts payable and accrued liabilities	3,614,000	1,010,000
Settlement of asset retirement obligation	(741,000)	—
Net cash provided by operating activities	<u>17,452,000</u>	<u>6,427,000</u>
Cash flows from investing activities:		
(Additions) to cash held in escrow	(371,000)	(65,000)
(Additions) to other property, plant and equipment	(361,000)	(3,744,000)
(Additions) to oil and gas properties	(24,590,000)	(7,924,000)
Proceeds from sale of oil and gas properties	70,000	—
Investment in Tatex Thailand II, LLC	(2,496,000)	—
Expenditures related to oil and gas properties due to hurricane	—	(32,000)
Net cash used in investing activities	<u>(27,748,000)</u>	<u>(11,765,000)</u>
Cash flows from financing activities:		
Principal payments on borrowings	(152,000)	(2,753,000)
Borrowings on note payable - related party	—	500,000
Borrowings on note payable	—	3,389,000
Redemption of Series A, Preferred Stock	(14,292,000)	—
Proceeds from rights offering	—	11,645,000
Proceeds from issuance of common stock and collection of notes receivable	23,272,000	—
Net cash provided by financing activities	<u>8,828,000</u>	<u>12,781,000</u>
Net increase (decrease) in cash and cash equivalents	(1,468,000)	7,443,000
Cash and cash equivalents at beginning of period	7,542,000	1,542,000
Cash and cash equivalents at end of period	<u>\$ 6,074,000</u>	<u>\$ 8,985,000</u>
Supplemental disclosure of cash flow information:		
Interest payments	\$ 175,000	\$ 171,000
Supplemental disclosure of non-cash transactions:		
Payment of Series A Preferred Stock dividends through issuance of Series A Preferred Stock	\$ 272,000	\$ 1,431,000
Asset retirement obligation capitalized	\$ 461,000	\$ —
Notes receivable for exercise of options	\$ 105,000	\$ —

See accompanying notes to financial statements.

GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Unaudited)

These financial statements have been prepared by Gulfport Energy Corporation (the “Company” or “Gulfport”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Company’s most recent annual report on Form 10-KSB. Results for the three-month and nine-month periods ended September 30, 2005 are not necessarily indicative of the results expected for the full year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting for Derivative Instruments and Hedging Activities

The Company seeks to reduce its exposure to unfavorable changes in oil prices by utilizing energy swaps and collars (collectively “fixed-price contracts”). The Company has adopted SFAS 133, as amended by SFAS 138, *Accounting for Derivative Instruments and Hedging Activities*. It requires that all derivative instruments be recognized as assets or liabilities in the statement of financial position, measured at fair value.

The Company estimates the fair value of all derivative instruments using established index prices and other sources. These values are based upon, among other things, futures prices, correlation between index prices and the Company’s realized prices, time to maturity and credit risk. The values reported in the financial statements change as these estimates are revised to reflect actual results, changes in market conditions or other factors.

The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. Designation is established at the inception of a derivative, but re-designation is permitted. For derivatives designated as cash flow hedges and meeting the effectiveness guidelines of SFAS 133, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings.

2. ACCOUNTS RECEIVABLE – RELATED PARTY

Included in the accompanying September 30, 2005 balance sheet are amounts receivable from entities that have similar controlling interests as those controlling the Company. These receivables represent amounts billed by the Company for general and administrative functions performed by Gulfport’s personnel on behalf of the related party companies during 2004 and 2005. As of September 30, 2005, this receivable amount totaled \$1,879,000.

Effective April 1, 2005, the Company entered into an administrative services agreement with Bronco Drilling Company, Inc. Under this agreement, the Company’s services for Bronco include accounting, human resources, legal and technical support. In return for the services rendered by the Company, Bronco pays the

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GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
(Unaudited)

Company an annual fee of approximately \$414,000 payable in equal monthly installments during the term of the agreement. In addition, Bronco leases approximately 1,100 square feet of office space from the Company for which it pays the Company annual rent of approximately \$21,000 payable in equal monthly installments. The services being provided to Bronco and the fees for such services can be amended by mutual agreement of the parties. The administrative services agreement has a three-year term, and upon expiration of that term the agreement will continue on a month-to-month basis until cancelled by either party with at least 30 days prior written notice. The administrative services agreement is terminable (1) by Bronco at any time with at least 30 days prior written notice to the Company and (2) by either party if the other party is in material breach and such breach has not been cured within 30 days of receipt of written notice of such breach. Previously the Company was reimbursed under an informal agreement. The Company was reimbursed approximately \$109,000 and \$261,000 in consideration for those services during the three and nine months ended September 30, 2005. These amounts are reflected as a reduction of general and administrative expenses in the statements of income.

3. PROPERTY AND EQUIPMENT

The major categories of property and equipment and related accumulated depreciation, depletion and amortization as of September 30, 2005 are as follows:

	<u>September 30, 2005</u>
Oil and gas properties	\$164,347,000
Office furniture and fixtures	1,864,000
Building	3,926,000
Land	260,000
	<hr/>
Total property and equipment	170,397,000
Accumulated depreciation, depletion, amortization and impairment reserve	(86,822,000)
	<hr/>
Property and equipment, net	<u>\$ 83,575,000</u>

Included in oil and gas properties at September 30, 2005 is the cumulative capitalization of \$2,803,000 in general and administrative costs incurred and capitalized to the full cost pool. General and administrative costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All general and administrative costs not directly associated with exploration and development activities were charged to expense as they were incurred.

Also included in oil and gas properties at September 30, 2005 are leasehold and producing properties located in Wyoming, North Dakota and Montana which were acquired during the the first nine months of 2005 at a total cost of \$909,000.

A reconciliation of the asset retirement obligation for the nine months ended September 30, 2005, is as follows:

Asset retirement obligation, December 31, 2004	\$7,452,000
Liabilities incurred	461,000
Liabilities settled	(741,000)
Accretion expense	349,000
	<hr/>
Asset retirement obligation, September 30, 2005	7,521,000
Less: current portion	480,000
	<hr/>
Asset retirement obligation, long-term	<u>\$7,041,000</u>

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GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
(Unaudited)

During the third quarter 2005, the Company deposited \$337,000 into the State of Louisiana Site Specific Trust Account to cover its plugging and abandoning obligations related to the assignment and sale of its Atchafalaya Bay Field. The Company has accounted for the \$337,000 liability associated with the asset retirement obligation, as well as the liability settlement, in the table above.

4. OTHER ASSETS

Other assets consist of the following as of September 30, 2005:

Plugging and abandonment escrow account on the WCBB properties (Note 8)	\$2,856,000
Plugging and abandonment account on Achafalaya Bay	337,000
Investment in Tatex Thailand II, LLC	2,496,000
Certificates of Deposit securing letter of credit	200,000
Deposits	402,000
	<u>\$6,291,000</u>

Tatex Thailand II, LLC

During March 2005, the Company purchased a 23.5% ownership interest in Tatex Thailand II, LLC (“Tatex”) at a cost of \$2,400,000. The remaining interests in Tatex are owned by other entities controlled by Wexford Capital LLC, an affiliate of Gulfport. Tatex holds 85,122 of the 1,000,000 outstanding shares of APICO, LLC (“APICO”), an international oil and gas exploration company. APICO has a reserve base located in Southeast Asia through its ownership of concessions covering 1.95 million acres. During the three months ended September 30, 2005, Gulfport paid \$76,000 in cash calls, bringing its total investment in Tatex to \$2,496,000.

5. LONG-TERM DEBT

A break down of long-term debt as of September 30, 2005 is as follows:

Building loans	\$3,252,000
Less: current maturities of long term debt	<u>(381,000)</u>
Debt reflected as long term	<u>\$2,871,000</u>

Building loans include \$77,000 related to a building in Lafayette, Louisiana, purchased in 1996 to be used as the Company’s Louisiana headquarters. The building is 12,480 square feet with approximately 6,180 square feet of finished office area and 6,300 square feet of warehouse space. This building allows the Company to provide office space for Louisiana personnel, have access to meeting space close to its fields and to maintain a corporate presence in Louisiana.

Maturities of long-term debt as of September 30, 2005 are as follows:

2006	\$ 381,000
2007	119,000
2008	106,000
2009	99,000
2010	106,000
Thereafter	<u>2,441,000</u>
	<u>\$3,252,000</u>

GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
(Unaudited)

private placement offering which took place during March 2002. Also not included in the calculation of earnings per share for the three-month and nine-month periods ended September 30, 2004 are 108,625 warrants issued in connection with the Company's revolving line of credit with Gulfport Funding, which was retired during March 2002. These common shares issuable upon exercise of these warrants were not considered in the calculation due to their anti-dilutive effect during the periods presented. No such potential common shares existed during the three-month or nine-month periods ended September 30, 2005.

8. COMMITMENTS

Plugging and Abandonment Funds

In connection with the acquisition of the remaining 50% interest in the West Cote Blanche Bay ("WCBB") properties, the Company assumed the seller's (ChevronTexaco) obligation to contribute approximately \$18,000 per month through March 2004, to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. ChevronTexaco retained a security interest in production from these properties until abandonment obligations to ChevronTexaco have been fulfilled. Beginning in 2007, the Company can access the trust for use in plugging and abandonment charges associated with the property. As of September 30, 2005, the plugging and abandonment trust totaled approximately \$2,856,000, including interest received during 2005 of approximately \$40,000. The Company has plugged 154 wells at WCBB since it began its plugging program in 1997, which management believes fulfills its minimum plugging obligation through September 30, 2005.

9. COMMON STOCK OPTIONS, WARRANTS AND CHANGES IN CAPITALIZATION

Options

During the first quarter of 2005, the Company granted a total of 677,269 options for the purchase of shares of the Company's common stock. The exercise price per share of these options is \$3.36. During the third quarter of 2005, the Company granted a total of 120,000 options for the purchase of shares of the Company's common stock. The exercise price per share of these options is \$9.07. During the second and third quarters of 2005, several non-executive employees of the Company exercised stock options by signing full recourse notes receivable for the exercise price of those options. The notes bear interest at an annual rate of 6%. All principal amounts along with related accrued interest were due and payable on September 30, 2005. A balance of \$40,000 remained outstanding on the notes at September 30, 2005.

Sale of Common Stock

On February 17, 2005, the Company entered into a stock purchase agreement with certain accredited investors providing for the issuance by the Company of an aggregate of 2,000,000 shares of the Company's common stock at a price of \$3.50 per share for gross proceeds to the Company of \$7,000,000. On February 22, 2005 the Company entered into another stock purchase agreement with certain other accredited investors providing for the issuance by the Company of an aggregate of 2,000,000 shares of the Company's common stock at a price of \$3.50 per share for gross proceeds to the Company of \$7,000,000. The transactions closed effective as of February 18, 2005 and February 23, 2005, respectively. The Company granted certain piggyback registration rights to the investors. The Company has also filed a registration statement on Form S-3 with respect to the resale of the shares of common stock purchased by the investors in the private placements, which has not yet been declared effective by the Securities and Exchange Commission. No underwriting discounts or commissions were paid in conjunction with the issuances.

Exercise of Warrants and Redemption of Preferred Stock

During the first quarter of 2005, the holders of warrants to purchase 7,736,621 shares of the Company's common stock exercised their warrants for an exercise price of \$1.19 per share resulting in gross proceeds to the Company of \$9.2 million. No underwriting discounts or commissions were paid in conjunction with the issuances.

GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
(Unaudited)

Also during the first quarter of 2005, the Company used the proceeds from the exercise of the warrants, along with a portion of the proceeds from the sale of common stock, to redeem 14,133 shares of the 14,292 shares of the Company's outstanding Series A preferred stock for an aggregate of \$14.1 million, including accrued but unpaid dividends. After the sale of the common stock, the exercise of the warrants and the redemption of the preferred stock, Gulfport received net proceeds of \$9.1 million. An additional 145 and 14 shares of Series A preferred stock were redeemed during the second and third quarters of 2005, respectively, at a cost of \$145,000 and \$14,000.

10. OTHER COMPREHENSIVE INCOME

Other comprehensive income for the three and nine months ended September 30, 2005 is as follows:

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net income	\$ 6,045,000	\$ 10,985,000
Other comprehensive income (loss):		
Fair value of derivative instruments	(1,584,000)	(1,584,000)
Reclassification of settled contracts	26,000	26,000
Loss on hedging ineffectiveness	39,000	39,000
Total comprehensive income	\$ 4,526,000	\$ 9,466,000

11. STOCK-BASED COMPENSATION

The Company applies the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*, in accounting for its stock options. Accordingly, no compensation cost has been recognized for stock options granted in the accompanying financial statements. SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123"), established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation. As allowed by SFAS No. 123, the Company has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

If the Company had elected the fair value provisions of SFAS No. 123 and recognized compensation expense over the vesting period based on the fair value of the stock options granted as of their grant date, the Company's pro forma net income and pro forma net income per share for the three-month and nine-month periods ended September 30, 2005 and 2004, respectively, would have been as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Net income available to common stockholders, as reported	\$ 6,045,000	\$ 1,206,000	\$ 10,985,000	\$ 1,521,000
Stock-based employee compensation expense	71,000	—	422,000	—
Net income available to common stockholders, pro forma	\$ 5,974,000	\$ 1,206,000	\$ 10,563,000	\$ 1,521,000
Net income per share available to common stockholders:				
As reported:				
Basic	\$ 0.19	\$ 0.08	\$ 0.37	\$ 0.13
Diluted	\$ 0.18	\$ 0.08	\$ 0.36	\$ 0.13
Pro forma:				
Basic	\$ 0.19	\$ 0.08	\$ 0.35	\$ 0.13
Diluted	\$ 0.18	\$ 0.08	\$ 0.34	\$ 0.13

The fair value of each option grant is estimated for disclosure purposes on the date of grant using the Black-Scholes option-pricing model with the expected lives equal to the vesting period. The weighted average contractual life of the unvested options at September 30, 2005, was 1.84 years. No options were granted during the three-month or nine-month periods ended September 30, 2004.

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GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
(Unaudited)

A summary of the status of stock options and related activity for the nine-month periods ended September 30, 2005 and 2004 are presented below:

	Shares	Weighted Average Exercise Price per Share
Options outstanding at December 31, 2003	627,337	\$ 2.00
Granted		—
Exercised		—
Forfeited/expired	—	—
Options outstanding at September 30, 2004	627,337	\$ 2.00
Options outstanding at December 31, 2004	627,337	\$ 2.00
Granted	797,269	4.22
Exercised	(63,167)	2.01
Forfeited/expired	(2,666)	3.36
Options outstanding at September 30, 2005	1,358,773	\$ 3.30

12. ACCOUNTING STANDARDS YET TO BE ADOPTED

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123(R), “*Share Based Payment*,” which revised SFAS No. 123, “*Accounting for Stock-Based Compensation*.” SFAS No. 123(R) requires entities to measure the fair value of equity share-based payments (stock compensation) at grant date, and recognize the fair value over the period during which an employee is required to provide services in exchange for the equity instrument as a component of the income statement. SFAS No. 123(R) is effective for our fiscal year beginning January 1, 2006. We have not evaluated the impact of adoption of SFAS No. 123(R), but adoption could have a material impact on our financial position and results of operations.

13. FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Oil Price Hedging Activities

The Company established an oil price-hedging program in August 2005. The Company seeks to reduce its exposure to unfavorable changes in oil prices, which are subject to significant and often volatile fluctuation, by taking receive-fixed positions in price swap contracts. These contracts allow the Company to predict with greater certainty the effective oil prices to be received for hedged production and benefit operating cash flows and earnings when market prices are less than the fixed prices provided in the contracts. However, the Company will not benefit from market prices that are higher than the fixed prices in the contracts for hedged production. For the nine months ended September 30, 2005, fixed-price contracts hedged 8.3% of the Company’s oil production. As of September 30, 2005, fixed-price contracts were in place to hedge 585,000 barrels (“BBls”) of estimated future production. Of this total volume, 45,000 BBls are hedged for 2005 and 540,000 BBls thereafter.

The Company’s fixed price contracts are tied to commodity prices on the New York Mercantile Exchange (“NYMEX”), that is the Company receives the fixed price amount stated in the contract and pays to its counterparty the current market price for oil as listed on the NYMEX West Texas Index (WTI). However, due to the geographic location of the Company’s assets and the cost of transporting oil to another market, the amount that the Company receives when it actually sells its oil differs from the index price. The difference between oil prices on the NYMEX WTI and average price received by the Company during the month for its oil is referred to as a basis differential.

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GULFPORT ENERGY CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED
(Unaudited)

The following table summarizes the estimated volumes, fixed prices, fixed-price sales and fair value attributable to the fixed-price contracts as of September 30, 2005.

	Three Months Ending December 31, 2005	Year Ending December 31, 2006	Total
Contract volumes (BBls)	45,000	540,000	585,000
Weighted average fixed price per BBls ¹	\$ 63.80	\$ 64.05	\$ 64.03
Fixed-price sales	\$2,871,000	\$34,587,000	\$37,458,000
Fair value, of hedging (liabilities)	\$ (116,000)	\$ (1,443,000)	\$ (1,559,000)

¹ The prices to be realized for hedged production are expected to vary from the prices shown due to basis differentials.

The estimates of fair value of the fixed-price contracts are computed based on the difference between the prices provided by the fixed-price contracts and forward market prices as of the specified date, as adjusted for basis differentials. Forward market prices for oil are dependent upon supply and demand factors in such forward market and are subject to significant volatility. The fair value estimates shown above are subject to change as forward market prices and basis change.

All fixed-price contracts have been executed in connection with the Company's oil price hedging program. The differential between the fixed price and the floating price for each contract settlement period multiplied by the associated contract volume is the contract profit or loss. For fixed-price contracts qualifying as cash flow hedges pursuant to SFAS 133, the realized contract profit or loss is included in oil sales in the period for which the underlying production was hedged. For the nine months ended September 30, 2005, oil sales included \$26,000 of losses associated with realized losses under fixed-price contracts.

For derivatives designated as cash flow hedges and meeting the effectiveness guidelines of SFAS 133, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. During the nine months ended September 30, 2005, losses of \$39,000 were recognized into earnings resulting from hedge ineffectiveness.

For contracts that do not qualify as cash flow hedges, the realized contract profit and loss is included in other revenue and expense in the period for which the underlying production was hedged. There were no contracts which did not qualify as cash flow hedges as of September 30, 2005.

Based upon market prices at September 30, 2005, the estimated amount of unrealized losses for fixed-price contracts shown as adjustments to other comprehensive income that are expected to be reclassified into earnings as actual contract cash settlements are realized within the next 12 months is \$1,266,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Disclosure Regarding Forward-Looking Statements

This Form 10-QSB includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts, included in this Form 10-QSB that address activities, events or developments that Gulfport expects or anticipates will or may occur in the future, including such things as estimated future net revenues from oil and gas reserves and the present value thereof, future capital expenditures (including the amount and nature thereof), business strategy and measures to implement strategy, competitive strength, goals, expansion and growth of Gulfport's business and operations, plans, references to future success, reference to intentions as to future matters and other such matters are forward-looking statements. These statements are based on certain assumptions and analyses made by Gulfport in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with Gulfport's expectations and predictions is subject to a number of risks and uncertainties, general economic, market, or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by Gulfport; competitive actions by other oil and gas companies; changes in laws or regulations; and other factors, many of which are beyond the control of Gulfport. Consequently, all of the forward-looking statements made in this Form 10-QSB are qualified by these cautionary statements and there can be no assurances that the actual results or developments anticipated by Gulfport will be realized, or even if realized, that they will have the expected consequences to or effects on Gulfport, its business or operations. Gulfport has no intention, and disclaims any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise.

The following discussion is intended to assist in an understanding of the Company's financial position as of September 30, 2005 and its results of operations for the three and nine-month periods ended September 30, 2005 and 2004. Gulfport Energy Corporation's 2004 annual report on Form 10-KSB and the financial statements and notes included in this report contain additional information and should be referred to in conjunction with this discussion.

Overview

The Company is an independent oil and gas exploration and production company with properties located primarily along the Louisiana Gulf Coast. The Company seeks to achieve revenue growth and increase cash flow by undertaking drilling programs each year.

The Company's operations are concentrated in the West Cote Blanche Bay ("WCBB") and the East and West Hackberry fields. The WCBB field lies approximately five miles off the coast of Louisiana primarily in St. Mary's Parish in a shallow bay, with water depths averaging eight to ten feet. Currently, Gulfport owns a 100% working interest (79.443% average NRI) and is the operator in the depths above the base of the 13,900 Sand which is located at 11,320 feet. In addition, Gulfport owns a 40.40% non-operated working interest (29.95% NRI) in depths below the base of the 13,900 Sand. ChevronTexaco is the operator below the base of the 13,900 Sand. Gulfport's leasehold at WCBB covers a portion of Louisiana State Lease 340 and contains 5,668 gross acres.

The East Hackberry field is located along the western shore of Lake Calcasieu in Cameron Parish, Louisiana approximately 80 miles west of Lafayette and 15 miles inland from the Gulf of Mexico. Gulfport owns a 100% working interest (approximately 79% average NRI) in certain producing oil and gas properties situated in the East Hackberry field. The interest includes two separate lease blocks, the Erwin Heirs Block, which is located on land, and the adjacent State Lease 50 Block, which is located primarily in the shallow waters of Lake Calcasieu. The two lease blocks together contain 3,147 acres.

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The West Hackberry field is located on land and is five miles West of Lake Calcasieu in Cameron Parish, Louisiana, approximately 85 miles west of Lafayette and 15 miles inland from the Gulf of Mexico. Gulfport owns a 100% working interest (approximately 87.5% NRI) in 592 acres within the West Hackberry field. Gulfport's leases at West Hackberry are located within two miles of one of the United States Department of Energy's Strategic Petroleum Reserves. This West Hackberry storage facility occupies 525 acres and has capacity to store 222 MBO in underground salt caverns.

Gulfport reported minimal damage to its facilities from Hurricane Katrina. The Company's East Hackberry operations saw no effect or downtime from the hurricane and its WCBB facilities were shut-in and evacuated for precautionary reasons for only four days. The Company used the shut-in period to implement tie-in points for future facilities upgrades.

The Company has previously reported that it sustained damage to both its Hackberry field located in Cameron Parish, Louisiana and its West Cote Blanche Bay field (WCBB) located in St. Mary Parish, Louisiana as a result of Hurricane Rita. Repair and restoration operations have been underway to return both fields to production. Subject to the repair of a gas sales line for WCBB and the repair of our facilities, the Company will begin intermittently placing its tank batteries back on line. Tank Battery 1A, which prior to the storm handled approximately 50% of the WCBB field production, is expected to be back on line by the end of November 2005. The Company anticipates that Tank Battery 2A, which handles approximately 30% of the WCBB total production, will be back on line by the end of December 2005. Drilling operations in the WCBB field resumed September 29, 2005, and the Company continues with its previously announced drilling program. Currently, the Company has set pipe on three new wells drilled since drilling operations resumed after Hurricane Rita and will complete those wells as soon as the production facilities are repaired. The Company is currently producing approximately 60 net barrels of oil per day from its Hackberry fields, none from its WCBB fields and approximately 1,000 net Mcf of gas per day from its non-Louisiana production. The Company has an insurance program in place, which it believes will adequately cover damage to its platform and facilities and some of the effect of the interruption to its business operations.

Recent Highlights

The following are highlights for the nine-month period ended September 30, 2005:

- Production increased 38% to 575,348 barrel of oil equivalents ("BOE") for the nine months ended September 30, 2005 from 415,512 BOE for the same period in 2004.
- Oil and gas revenues increased 82% to \$26,113,000 for the nine months ended September 30, 2005 from \$14,327,000 for the same period in 2004.
- Net income increased 622% to \$10,985,000 for the nine months ended September 30, 2005 from \$1,521,000 for the same period in 2004.
- Redemption of Preferred Stock—During the nine months ended September 30, 2005, the Company used the proceeds from warrants exercised during the first quarter of 2005, together with a portion of the proceeds from the Company's sale of common stock in February 2005, to redeem all of the Company's outstanding Series A preferred stock for an aggregate of \$14,300,000, including accrued but unpaid dividends.

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RESULTS OF OPERATIONS

Comparison of the Three Months Ended September 30, 2005 and 2004

Gulfport reported net income of \$6,045,000 for the three months ended September 30, 2005, as compared to \$1,206,000 for the three months ended September 30, 2004. This increase in net income was due to an increase in oil and gas prices and an increase in both oil and gas volumes produced and sold as well as decreases in the Company's general and administrative expenses and interest expense.

Oil and Gas Revenues. For the three months ended September 30, 2005, Gulfport reported oil and gas revenues of \$11,489,000, a 114% increase from revenues of \$5,380,000 during the same period in 2004. This increase in revenues is attributable to a 41% increase in the average oil price received for the three months ended September 30, 2005 to \$54.04 from \$38.26 for the same period in 2004. In addition, the Company had a 32% increase in barrels of oil produced and sold to 181,240 barrels of oil for the three months ended September 30, 2005 from 136,993 barrels of oil for the same period in 2004. This increase in oil production was primarily the result of the Company's 2004 drilling program commenced in July 2004 and the initial results of the Company's 2005 drilling program commenced in March 2005. This increase in revenues is also attributable to a 99% increase in the average price received per Mcf of gas for the three months ended September 30, 2005 to \$7.58 from \$3.81 for the same period in 2004. In addition, the Company had a 513% increase in net gas produced and sold to 223,570 Mcf of gas for the three months ended September 30, 2005 from 36,485 Mcf of gas for the same period in 2004. This increase in gas production was primarily the result of the Company's 2004 drilling program commenced in July 2004, the initial results of the Company's 2005 drilling program commenced in March 2005 and additional gas production from the WCBB 831 purchased from Texaco during 2004.

The following table summarizes the Company's oil and gas production and related pricing for the three months ended September 30, 2005 and 2004:

	Three Months Ended September 30,	
	2005	2004
Oil production volumes (Bbls)	181,240	136,993
Gas production volumes (Mcf)	223,570	36,485
Average oil price (per Bbl)	\$ 54.04	\$ 38.26
Average gas price (per Mcf)	\$ 7.58	\$ 3.81

Operating Expenses. Lease operating expenses not including production taxes increased to \$2,207,000 for the three months ended September 30, 2005 from \$1,478,000 for the same period in 2004. This increase was mainly due to fuel and field electricity costs and other additional lease operating expenses related to the oil and gas properties purchased in early 2005 as well as increases in wages for contract labor, in property taxes and in the cost of supplies for the Company's WCBB and Hackberry fields.

Production Taxes. Production taxes increased \$671,000 to \$1,300,000 for the three months ended September 30, 2005 from \$629,000 for the same period in 2004. This increase was directly related to the increases in oil and gas sale proceeds during the three months ended September 30, 2005 as compared to the same period in 2004.

General and Administrative Expenses. Net general and administrative expenses decreased \$82,000 to \$179,000 for the three months ended September 30, 2005 from \$261,000 for the same period in 2004. This decrease was due primarily to increased general administrative reimbursements from the Company's affiliates.

Interest Expense. Ordinary interest expense decreased \$44,000 to \$54,000 for the three months ended September 30, 2005 from \$98,000 for the same period in 2004 due to a decrease in average debt outstanding resulting from the payoff of the Company's previous line of credit with Bank of Oklahoma in September 2004.

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Interest Expense – Preferred Stock. In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.” SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or as an asset in some circumstances). Many of those instruments were previously classified as equity. SFAS No. 150 is generally effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. Previously, the Series A preferred stock had been classified on the balance sheet between total liabilities and equity. As of September 30, 2005, the Company had redeemed all of the remaining outstanding shares of the Series A preferred stock. As a result, the Company incurred no interest expense relating to preferred stock during the three months ended September 30, 2005 as compared to \$499,000 in interest expense incurred during the same period in 2004.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization expense increased to \$1,696,000 for the three months ended September 30, 2005, and consisted of \$1,614,000 in depletion on oil and gas properties and \$82,000 in depreciation of other property and equipment. This compares to total depreciation, depletion and amortization expense of \$1,207,000 for the three months ended September 30, 2004. This increase is due primarily to an increase in the Company’s oil and gas assets as a result of the Company’s 2004 drilling program commenced in July 2004 and the Company’s 2005 drilling program commenced in March 2005 and the resulting increase in production.

Income Taxes. As of September 30, 2005, the Company had a net operating loss carryforward of approximately \$99.0 million, in addition to numerous temporary differences, which gave rise to a deferred tax asset. Periodically, management performs a forecast of its taxable income to determine whether it is more likely than not that a valuation allowance is needed, looking at both positive and negative factors. A valuation allowance for the Company’s deferred tax assets is established if, in management’s opinion, it is more likely than not that some portion will not be realized. At September 30, 2005, a valuation allowance of \$47.0 million has been provided for deferred tax assets. The Company has no income tax expense due to a change in the valuation allowance for deferred income taxes for the three months ended September 30, 2005.

Accretion Expense. Accretion expense increased \$116,000 to \$75,000 for the three month period ended September 30, 2005 from \$75,000 for the same period in 2004, due to a larger obligation at the beginning of 2005 as compared to the beginning of 2004, resulting from the addition of future abandonment obligations on new wells drilled during 2004 and 2005.

Comparison of the Nine Months Ended September 30, 2005 and 2004

Gulfport reported net income of \$10,985,000 for the nine months ended September 30, 2005, as compared to \$1,521,000 for the nine months ended September 30, 2004. This increase in net income was due to an increase in oil and gas prices and an increase in both oil and gas volumes produced and sold as well as decreases in the Company’s general and administrative expenses and interest expense.

Oil and Gas Revenues. For the nine months ended September 30, 2005, Gulfport reported oil and gas revenues of \$26,113,000, an 82% increase from revenues of \$14,327,000 during the same period in 2004. This increase in revenues is attributable to a 32% increase in the average oil price received to \$46.19 for the nine months ended September 30, 2005 from \$34.87 for the same period in 2004. In addition, the Company had a 25% increase in barrels of oil produced and sold to 504,330 for the nine months ended September 30, 2005 from 403,296 barrels of oil for the same period in 2004. This increase in production was primarily the result of the Company’s 2004 drilling program commenced in July 2004 and to the results of the Company’s 2005 drilling program commenced in March 2005. This increase in revenues is also attributable to a 82% increase in the average price received per Mcf of gas for the three months ended September 30, 2005 to \$6.62 from \$3.63 for the same period in 2004. In addition, the Company had a 481% increase in net gas produced and sold to 426,107 Mcf of gas for the three months ended September 30, 2005 from 73,298 Mcf of gas for the same period in 2004. This increase in gas production was primarily the result of the Company’s 2004 drilling program commenced in July 2004, the initial results of the Company’s 2005 drilling program commenced in March 2005 and additional gas production from the WCBB 831 well purchased from Texaco during 2004.

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The following table summarizes the Company's oil and gas production and related pricing for the nine months ended September 30, 2005 and 2004:

	Nine Months Ended September 30,	
	2005	2004
Oil production volumes (Bbls)	504,330	403,296
Gas production volumes (Mcf)	426,107	73,298
Average oil price (per Bbl)	\$ 46.19	\$ 34.87
Average gas price (per Mcf)	\$ 6.62	\$ 3.63

Operating Expenses. Lease operating expenses not including production taxes increased \$1,834,000 to \$6,234,000 for the nine months ended September 30, 2005 from \$4,400,000 for the same period in 2004. This increase was mainly due to fuel and field electricity costs and other additional lease operating expenses related to the oil and gas properties purchased in early 2005 as well as increases in wages for contract labor, in royalties paid to the State of Louisiana for gas usage as a result of increased gas prices, in property taxes and in the cost of supplies for the Company's WCBB and Hackberry fields.

Production Taxes. Production taxes increased \$1,467,000 to \$3,134,000 for the nine months ended September 30, 2005 from \$1,667,000 for the same period in 2004. This increase was directly related to the increases in oil and gas sale proceeds for the nine months ended September 30, 2005 as compared to the same period in 2004.

General and Administrative Expenses. Net general and administrative expenses decreased \$652,000 to \$874,000 for the nine months ended September 30, 2005 from \$1,526,000 for the same period in 2004. This decrease was due primarily to increased general administrative reimbursements from the Company's affiliates.

Interest Expense. Ordinary interest expense remained relatively constant at \$175,000 for the nine months ended September 30, 2005 as compared to \$171,000 for the same period in 2004 as additional outstanding debt resulting from two loans with an aggregate original principal amount of \$3,389,000 used to fund the purchase of the headquarters building in Oklahoma City, Oklahoma during late June 2004 was substantially offset by the payoff of the Company's line of credit with Bank of Oklahoma during September 2004.

Interest Expense – Preferred Stock. As a result of the adoption of SFAS No. 150 in May 2003, the Company recorded \$272,000 of interest expense for the nine months ended September 30, 2005 as compared to \$1,431,000 for the same period in 2004 on its outstanding Series A preferred stock. During the nine months ended September 30, 2005, the Company redeemed all of its outstanding shares of the Series A preferred stock.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization expense increased to \$4,448,000 for the nine months ended September 30, 2005, and consisted of \$4,214,000 in depletion on oil and gas properties and \$234,000 in depreciation of other property and equipment. This compares to total depreciation, depletion and amortization expense of \$3,494,000 for the nine months ended September 30, 2004. This increase is due primarily to an increase in the Company's oil and gas assets as a result of the Company's 2004 drilling program commenced in July 2004 and the Company's 2005 drilling program commenced in March 2005 and the resulting increase in production.

Income Taxes. As of September 30, 2005, the Company had a net operating loss carryforward of approximately \$99.0 million, in addition to numerous temporary differences, which gave rise to a deferred tax asset. Periodically, management performs a forecast of its taxable income to determine whether it is more likely than not that a valuation allowance is needed, looking at both positive and negative factors. A valuation allowance for the Company's deferred tax assets is established if, in management's opinion, it is more likely than not that some portion will not be realized. At September 30, 2005, a valuation allowance of \$47.0 million has been provided for deferred tax assets. The Company has no income tax expense due to a change in the valuation allowance for deferred income taxes for the nine months ended September 30, 2005.

Accretion Expense. Accretion expense increased \$126,000 to \$349,000 for the nine month period ended September 30, 2005 from \$223,000 for the same period in 2004, due to a larger obligation at the beginning of 2005 as compared to the beginning of 2004, resulting from the addition of future abandonment obligations related to wells drilled during 2004.

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Liquidity and Capital Resources

Overview. Historically, the Company's primary sources of funds have been cash flow from its producing oil and gas properties, the issuance of equity securities, borrowings under its bank and other credit facilities and, from time to time, the sale of oil and gas properties. Its ability to access any of these sources of funds can be significantly impacted by unexpected decreases in oil and natural gas prices. To mitigate the effects of dramatic commodity price fluctuations, the Company has entered into fixed price contracts for its WCBB production as follows:

November - December 2005	1,000 bbls per day @ \$39.70 per barrel
September 2005 - December 2005	15,000 bbls per month @ \$63.80 per barrel
January 2006 - December 2006	45,000 bbls per month @ \$64.05 per barrel

Net cash flow provided by operating activities was \$17,452,000 for the nine-month period ended September 30, 2005, as compared to net cash flow provided by operating activities of \$6,427,00 for the same period in 2004. This increase was a result of higher revenues during the nine month period ended September 30, 2005 attributable to higher oil prices and an increased level of production resulting from the drilling program commenced in July 2004 and the 2005 drilling program commenced in March 2005, the redemption of the Series A preferred stock during the 2005 and the elimination of the related interest expense during 2005, increased collections on accounts receivable and an increase in accounts payable.

Net cash used in investing activities for the nine months ended September 30, 2005 was \$27,748,000 as compared to \$11,765,000 for the same period in 2004. During the 2005 period, the Company spent \$24,981,000 in additions to oil and gas properties, of which \$14,108,000 was spent on our 2005 drilling program initiated in March 2005, \$4,005,000 was spent on the seismic shoot in the East Hackberry field with the remainder made up of capitalized general and administrative expenses, expenses remaining on the Company's 2004 drilling program and capitalized workover and recompletion activities on existing wells. The Company also purchased leasehold and producing properties located in Wyoming, North Dakota and Montana during the the first nine months of 2005 at a total cost of \$909,000. In addition, during March 2005, the Company purchased a 23.5% ownership interest in Tatex Thailand II, LLC ("Tatex") at a cost of \$2,400,000. These capital expenditures were financed with cash flow provided by operations and a portion of the proceeds from the sale of common stock in February 2005 and exercise of warrants.

Net cash provided by financing activities for the nine months ended September 30, 2005 was \$8,828,000 as compared to \$12,781,000 net cash provided by financing activities for the same period in 2004. The amount provided by financing activities is attributable to net cash proceeds of approximately \$23,272,000 from the issuance of common stock in two private placements and upon the exercise of the outstanding warrants offset by the approximately \$14,300,000 used to redeem all outstanding shares of Series A preferred stock.

Credit Facilities. On March 11, 2005, Gulfport entered into a three-year secured reducing credit agreement providing for a \$30.0 million revolving credit facility with Bank of America, N.A. Borrowings under the revolving credit facility are subject to a borrowing base limitation which was initially set at \$18.0 million, subject to adjustment. On November 1, 2005, the amount available under the borrowing base limitation was increased to \$23.0 million. The credit facility has a term of three years and all principal amounts of revolving loans outstanding under the credit facility, together with all accrued and unpaid interest and fees, will be due and payable on March 11, 2008. The Company's obligations under the credit facility are collateralized by a lien on substantially all of the Company's assets. The Company has not yet accessed the credit facility as of November 8, 2005. The Company expects to use the proceeds of any borrowings under the credit facility for the exploration of oil and gas properties and other capital expenditures, acquisition opportunities, and for general corporate purposes.

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The Company has three loans associated with two of its buildings. One loan, in the original principal amount of \$99,000, related to a building in Lafayette, Louisiana, purchased in 1996 and used as the Company's Louisiana headquarters. This loan matures in February of 2008 and bears interest at the rate of 5.75%. In addition, in June 2004 the Company purchased the office building it occupies in Oklahoma City, Oklahoma for \$3,700,000. The two loans associated with this building, in an aggregate original principal amount of \$3,389,000, mature in March of 2006 and June of 2011 and bear interest at the rate of 6% and 6.5%, respectively. All building loans require monthly interest and principal payments and are collateralized by the respective land and buildings.

Issuance of Equity. In the first quarter 2005, the holders of warrants to purchase 7,736,621 shares of the Company's common stock exercised their warrants for an exercise price of \$1.19 per share resulting in gross proceeds to the Company of \$9,200,000. During the nine months ended September 30, 2005, the Company used the proceeds from the exercise of the warrants, along with a portion of the proceeds from the sale of common stock in February 2005, to redeem all outstanding shares of the Company's outstanding Series A preferred stock for an aggregate of approximately \$14,300,000 including accrued but unpaid dividends.

Capital Expenditures. The primary capital commitments of the Company over the past several years have been the capital requirements needed to continue developing the Company's proved reserves and obligations under our credit facilities and outstanding Series A preferred stock.

Gulfport's strategy is to continue to increase cash flows generated by its properties by undertaking new drilling, workover, sidetrack and recompletion projects to exploit its existing reserves and pursue other acquisition opportunities. Gulfport has upgraded its infrastructure by enhancing its existing facilities to increase operating efficiencies, increase volume capacities and lower lease operating expenses. Additionally, Gulfport completed the reprocessing of 3-D seismic data in its principal property, WCBB. The reprocessed data will enable its geophysicists to generate new prospects and enhance existing prospects in the intermediate zones in the field, thus creating a portfolio of new drilling opportunities.

In Gulfport's December 31, 2004 reserve report, 78% of its net reserves were categorized as proved undeveloped. The Company's proved reserves will generally decline as reserves are depleted, except to the extent that it conducts successful exploration or development activities or acquires properties containing proved developed reserves, or both. To realize reserves and increase production, Gulfport must continue its exploratory drilling, undertake other replacement activities or utilize third parties to accomplish those activities.

Gulfport intends to fund this activity with the remaining net proceeds from the sale of common stock and the exercise of outstanding warrants, both of which occurred in the first quarter of 2005, cash flows from operations and borrowings under its \$30.0 million credit facility with Bank of America if needed. No borrowings are currently outstanding under this facility, and the Company had initial availability of \$18.0 million which was increased on November 1, 2005 to \$23.0 million. Gulfport has current cash on hand of approximately \$5.0 million.

WCBB Drilling Program

Gulfport commenced its West Cote Blanche Bay ("WCBB") drilling program in March 2005 and has drilled 14 wells with another 25 wells scheduled to be drilled along with 18 recompletions over the next 18 months. The Company projects the total estimated cost of this drilling and recompletion program to be consistent with prior guidance. The new wells will primarily target proved undeveloped reserve locations which we expect will also result in the addition of new proved reserves. Since March 2005, Gulfport has successfully completed ten wells and nine recompletions in WCBB at a total cost of approximately \$14.0 million. Of the 14 wells drilled, nine are producing, three are waiting on completion, one is waiting on side-tracking and one was unsuccessful. The one unsuccessful well was a shallow exploratory well that allowed the Company to satisfy requirements to maintain undeveloped acreage within State Lease 340 WCBB.

As of September 21, 2005, prior to Hurricane Rita, the nine new wells and nine recompletions were producing an aggregate of 570 net barrels of oil per day and 1,093 net mcf of gas per day. As of September 21, 2005, prior to Hurricane Rita, net oil production at WCBB was 2,026 barrels of oil per day, an increase of 51% from December 31, 2004. WCBB net gas production was 2,030 Mcf of gas on September 21, 2005, an increase of 19% from December 31, 2004.

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East Hackberry Field Seismic Shoot

Gulfport recently completed the field data acquisition phase of its proprietary three-dimensional (3-D) seismic survey of the East Hackberry Field located in Cameron Parish, Louisiana. The seismic survey covers 42 square miles in and around the East Hackberry Field. Since this portion of the East Hackberry salt dome has never been included in a 3-D seismic survey, the Company anticipates the shoot will reveal undrilled fault blocks that will allow Gulfport to drill new wells to both shallow and deep targets in the field. In addition, the company believes the 3-D seismic data will allow Gulfport to drill existing proved undeveloped reserves as well as drill deeper in existing boreholes to encounter previously unknown fault blocks. The Company's outside engineers, Netherland, Sewell & Associates, Inc. ("NSA"), had previously assigned 2 MMBO and 2.8 BCFG (net) to the proved undeveloped reserve category in the East Hackberry field at December 31, 2004. Gulfport anticipates that this will result in more reserve additions as well as reduced drilling costs as less boreholes will be required to capture those reserves. The total cost of the seismic shoot is estimated to be \$5 million, the majority of which has already been funded. The final processed seismic data was received in October 2005 and the Company anticipates selecting drilling targets before year-end with commencement of drilling scheduled for the second quarter 2006. As of September 21, 2005, prior to Hurricane Rita, net production at Hackberry was 272 barrels of oil per day and 168 Mcf of gas per day.

Facilities

The Company has previously reported that it sustained damage to both its Hackberry field located in Cameron Parish, Louisiana and its West Cote Blanche Bay field (WCBB) located in St. Mary Parish, Louisiana as a result of Hurricane Rita. Repair and restoration operations have been underway to return both fields to production. Subject to the repair of a gas sales line for WCBB and the repair of our facilities, the Company will begin intermittently placing its tank batteries back on line. Tank Battery 1A, which prior to the storm handled approximately 50% of the WCBB field production, is expected to be back on line by the end of November 2005. The Company anticipates that Tank Battery 2A, which handles approximately 30% of the WCBB total production, will be back on line by the end of December 2005. Drilling operations in the WCBB field resumed September 29, 2005, and the Company continues with its previously announced drilling program. Currently, the Company has set pipe on three new wells drilled since drilling operations resumed after Hurricane Rita and will complete those wells as soon as the production facilities are repaired. The Company is currently producing approximately 60 net barrels of oil per day from its Hackberry fields, none from its WCBB fields and approximately 1,000 net Mcf of gas per day from its non-Louisiana production. The Company has an insurance program in place, which it believes will adequately cover damage to its platform and facilities and some of the effect of the interruption to its business operations.

The actual level of the Company's capital expenditures and the allocation of such expenditures are dependent on a variety of factors, including drilling results, weather and other factors beyond its control. Accordingly, the actual levels of capital expenditures and the allocation of such expenditures may vary materially from the above estimates.

Commitments

Plugging and Abandonment Funds

In connection with the acquisition of the remaining 50% interest in the WCBB properties, the Company assumed the seller's obligation to contribute approximately \$18,000 per month through March 2004, to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. ChevronTexaco retained a security interest in production from these properties until these abandonment obligations have been fulfilled. Beginning in 2007, the Company can access the trust for use in plugging and abandonment charges associated with the property. As of September 30, 2005, the plugging and abandonment trust totaled approximately \$2,856,000, including interest received during the nine months ended September 30, 2005 of approximately \$40,000, and the Company's obligation to make contributions to the trust had been satisfied in full. The Company has plugged 154 wells at WCBB since it began its plugging program in 1997 which management believes fulfills its minimum plugging delegation through March 31, 2005.

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In addition, the Company has letters of credit totaling \$200,000 secured by certificates of deposit being held for plugging costs in the East Hackberry field. Once specific wells are plugged and abandoned, the \$200,000 will be released to the Company.

Accounting Standards Yet to be Adopted

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 123(R), "*Share Based Payment*," which revised SFAS No. 123, "*Accounting for Stock-Based Compensation*." SFAS No. 123(R) requires entities to measure the fair value of equity share-based payments (stock compensation) at grant date, and recognize the fair value over the period during which an employee is required to provide services in exchange for the equity instrument as a component of the income statement. SFAS No. 123(R) is effective for our fiscal year beginning January 1, 2006. We have not evaluated the impact of adoption of SFAS No. 123(R), but adoption could have a material impact on our financial position and results of operations.

ITEM 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Control and Procedures. The Company, under the direction of the Chief Executive Officer and the Vice President and Chief Financial Officer, has established disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

As of September 30, 2005, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chairman and Chief Executive Officer and the Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934. Based upon their evaluation, the Chairman and Chief Executive Officer and the Vice President and Chief Financial Officer have concluded that as of September 30, 2005, the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has been named as a defendant in various lawsuits. The ultimate resolution of these matters is not expected to have a material adverse effect on the Company's financial condition or results of operations for the periods presented in the financial statements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

- (a) Not Applicable
- (b) Not Applicable

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(c) The Company does not have a share repurchase program, and during the three months ended September 30, 2005, the Company did not purchase any shares of its common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

(a) None

(b) None

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 10-Q, File No. 000-19514, filed by the Company with the SEC on December 1, 1997).
3.2	Amendment to Certificate of Incorporation changing name of corporation to Gulfport Energy Corporation (incorporated by reference to Exhibit 3.2 to Amendment No. 1 to the Registration Statement on Form SB-2, File No. 333-115396, filed by the Company with the SEC on June 21, 2004)
3.3	Amendment to Certificate of Incorporation to increase the number of authorized shares of Common Stock from 50,000,000 to 250,000,000 (incorporated by reference to Exhibit 3.4 to Amendment No. 1 to the Registration Statement on Form SB-2, File No. 333-115396, filed by the Company with the SEC on June 21, 2004).
3.4	Amendment to Certificate of Incorporation to affect a 50 to 1 reverse stock split of the issued and outstanding Common Stock (incorporated by reference to Exhibit 3.5 to Amendment No. 1 to the Registration Statement on Form SB-2, File No. 333-115396, filed by the Company with the SEC on June 21, 2004).
3.5	Amendment to Certificate of Incorporation to reduce the number of authorized shares of Common Stock from 250,000,000 to 15,000,000 (incorporated by reference to Exhibit 3.6 to Amendment No. 1 to the Registration Statement on Form SB-2, File No. 333-115396, filed by the Company with the SEC on June 21, 2004).
3.6	Amendment to Certificate of Incorporation to increase the number of shares of capital stock from 15,000,000 to 25,000,000 (incorporated by reference to Exhibit A to Information Statement filed by the Company with the SEC on February 20, 2004).
3.7	Certificate of Amendment, dated July 20, 2004, of the Restated Certificate of Incorporation to increase the number of shares of capital stock from 25,000,000 to 40,000,000 (incorporated by reference to Exhibit 3.7 of Amendment No. 1 to Form 10-QSB, File No. 000-19514, filed by the Company with the SEC on February 18, 2005).

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<u>Exhibit Number</u>	<u>Description</u>
3.8	Certificate of Designations, Preferences and Relative Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of Cumulative Preferred Stock Series A, dated March 28, 2002 (incorporated by reference to Exhibit 3.8 of Amendment No. 1 to Form 10-QSB, File No. 000-19514, filed by the Company with the SEC on February 18, 2005).
3.9	Certificate of Amendment, dated July 20, 2004, of the Certificate of Designations, Preferences and Relative Participating, Optional and Other Special Rights of Preferred Stock and Qualifications, Limitations and Restrictions Thereof of Cumulative Preferred Stock Series A. (incorporated by reference to Exhibit 3.9 of Amendment No. 1 to Form 10-QSB/A File No. 000-19514, filed by the Company with the SEC on February 18, 2005).
3.10	Bylaws (incorporated by reference to Exhibit 3.2 to Form 10-QSB, File No. 000-19514, filed by the Company with the SEC on December 1, 1997).
4.1	Form of Common Stock certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Registration Statement on Form SB-2, File No. 333-115396, filed by the Company with the SEC on July 22, 2004).
10.1	Administrative Services Agreement, effective as of April 1, 2005, by and between Bronco Drilling Company, Inc. and Gulfport Energy Corporation (incorporated by reference from Exhibit 10.1 of Form 10-QSB, File No. 000-19514, filed by the Company with the SEC on August 15, 2005).
10.2	Amendment No. 1 to 2005 Stock Incentive Plan (incorporated by reference from Exhibit 10.1 of Form 8-K, File No. 000-19514, filed by the Company with the SEC on October 19, 2005).

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<u>Exhibit Number</u>	<u>Description</u>
10.3*	Registration Rights Agreement, dated as of March 29, 2002, by and among Gulfport Energy Corporation, Gulfport Funding LLC and certain other affiliates of Wexford
31.1*	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
31.2*	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Chief Executive Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer of the Registrant pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 14, 2005

GULFPORT ENERGY CORPORATION

/s/ Mike Liddell

Mike Liddell
Chief Executive Officer

/s/ Mike Moore

Mike Moore
Chief Financial Officer

GULFPORT ENERGY CORPORATION
REGISTRATION RIGHTS AGREEMENT

THIS INVESTOR RIGHTS AGREEMENT (the "Agreement") is entered into as of the 29th day of March, 2002, by and among GULFPORT ENERGY CORPORATION, a Delaware corporation (the "Company"), GULFPORT FUNDING LLC, a Delaware limited liability company ("Gulfport Funding"), and each other investor listed on the Schedule of Investors hereto (together with Gulfport Funding and their permitted assigns, the "Investors").

RECITALS

WHEREAS, the Investors are purchasing certain securities from the Company pursuant to that certain Securities Purchase Agreement (the "Purchase Agreement") of even date herewith among the Company, Gulfport Funding and the other Investors (the "Financing").

WHEREAS, the obligations in the Purchase Agreement are conditioned upon the execution and delivery of this Agreement; and

WHEREAS, in connection with the consummation of the Financing, the parties desire to enter into this Agreement in order to grant registration and other rights to the Investors as set forth below.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree hereto as follows:

SECTION 1. GENERAL

1.1 Definitions. As used in this Agreement the following terms shall have the following respective meanings:

"*Common Stock*" means the Common Stock, par value \$0.01 per share of the Company.

"*Exchange Act*" means the Securities Exchange Act of 1934.

"*Form S-3*" means such form under the Securities Act as in effect on the date hereof or any successor or similar registration form under the Securities Act subsequently adopted by the SEC which permits inclusion or incorporation of substantial information by reference to other documents filed by the Company with the SEC.

"*Holder*" means any person owning of record Registrable Securities that have not been sold to the public or any assignee of record of such Registrable Securities in accordance with Section 2.9 hereof.

“*Register*,” “*registered*,” and “*registration*” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of effectiveness of such registration statement or document.

“*Registrable Securities*” means (a) Common Stock of the Company issued or issuable upon exercise of the Warrants; and (b) any Common Stock of the Company issued as or issuable upon the conversion or exercise of any warrant, right or other security which is issued as a dividend or other distribution with respect to, or in exchange for or in replacement of, such Common Stock. Notwithstanding the foregoing, Registrable Securities shall not include any securities sold by a person to the public either pursuant to a registration statement or Rule 144 or sold in a private transaction in which the transferor’s rights under Section 2 of this Agreement are not assigned.

“*Registrable Securities then outstanding*” mean the number of shares determined by calculating the total number of shares of the Company’s Common Stock that are Registrable Securities and either (a) are then issued and outstanding or (b) are issuable pursuant to then exercisable or convertible securities.

“*Registration Expenses*” mean all expenses incurred by the Company in complying with Sections 2.2 and 2.3 hereof, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel for the Company, reasonable fees and disbursements of a single special counsel for the Holders, blue sky fees and expenses, including the fees and disbursements of blue sky counsel and the expense of any special audits incident to or required by any such registration (but excluding the compensation of regular employees of the Company which shall be paid in any event by the Company).

“*SEC*” or “*Commission*” means the Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933.

“*Selling Expenses*” means all underwriting discounts and selling commissions applicable to the sale.

“*Series A Stock*” means the Company’s Cumulative Preferred Stock, Series A, par value \$0.01 per share, issued in connection with the purchase and sale of the Units pursuant to the Purchase Agreement.

“*Special Registration Statement*” means a registration statement relating to any employee benefit plan or with respect to any corporate reorganization or other transaction under Rule 145 of the Securities Act.

“*Warrants*” means the warrants, each of which entitles the holder thereof to purchase 250 shares (subject to adjustment) of Common Stock at an exercise price of \$4.00 per share (subject to adjustment), issued in connection with the purchase and sale of the Units pursuant to the Purchase Agreement.

“Units” shall mean the securities purchased by the Investors pursuant to the Purchase Agreement, each of which is comprised of (i) one share of Series A Stock and (ii) one Warrant.

SECTION 2. RESTRICTIONS ON TRANSFER AND REGISTRATION.

2.1 Restrictions on Transfer.

(a) Each Holder agrees not to make any disposition of all or any portion of the Registrable Securities unless and until:

(i) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) (A) The transferee has agreed in writing to be bound by the terms of this Agreement, (B) such Holder shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (C) if reasonably requested by the Company, such Holder shall have furnished the Company with an opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of such shares under the Securities Act.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) above, no such registration statement or opinion of counsel shall be necessary for a transfer (A) by a Holder which is a partnership, to its partners or former partners in accordance with partnership interests, (B) to the Holder’s family member or trust for the benefit of an individual Holder or such Holder’s family member(s); *provided*, that in each case the transferee will be subject to the terms of this Agreement to the same extent as if such transferee were an original Holder hereunder, (C) pursuant to Rule 144(k); provided, however, that the Company must be satisfied in its reasonable discretion that the proposed sale of securities fully qualifies with all Rule 144 requirements, or (D) to a Holder’s “affiliates”, as the term “affiliates” is defined by the Securities Act or regulations promulgated under the Securities Act.

(b) Each certificate representing shares of Series A Stock, Warrants or Registrable Securities shall (unless otherwise permitted by the provisions of the Agreement) be stamped or otherwise imprinted with a legend substantially similar to the following (in addition to any legend required under applicable state securities laws):

“THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER FEDERAL OR APPLICABLE STATE SECURITIES LAWS AND INSTEAD ARE BEING ISSUED PURSUANT TO EXEMPTIONS CONTAINED IN SAID LAWS. THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE TRANSFERRED UNLESS (1) A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES SHALL BE EFFECTIVE UNDER THE SECURITIES ACT OF 1933 (THE “SECURITIES ACT”) OR (2) GULFPORT ENERGY

CORPORATION (THE “COMPANY”) SHALL HAVE RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT NO VIOLATION OF THE SECURITIES ACT OR SIMILAR STATE ACTS WILL BE INVOLVED IN SUCH TRANSFER; PROVIDED THAT IN THE EVENT SUCH SECURITIES ARE TRANSFERRED PURSUANT TO RULE 144, OR ANY SUCCESSOR RULE, UNDER THE SECURITIES ACT, NO SUCH OPINION SHALL BE REQUIRED UNLESS REQUESTED IN WRITING BY THE TRANSFER AGENT OF SUCH SECURITIES. THE SECURITIES EVIDENCED HEREBY ARE SUBJECT TO THE TERMS OF A CERTAIN REGISTRATION RIGHTS AGREEMENT BY AND AMONG THE COMPANY AND CERTAIN STOCKHOLDERS IDENTIFIED THEREIN, PROVIDING FOR, AMONG OTHER THINGS, CERTAIN RESTRICTIONS ON TRANSFER. A COPY OF SUCH REGISTRATION RIGHTS AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE COMPANY.”

(c) The Company shall be obligated to reissue promptly unlegended certificates at the request of any Holder thereof if the Holder shall have obtained an opinion of counsel (which counsel may be counsel to the Company) reasonably acceptable to the Company to the effect that the securities proposed to be disposed of may lawfully be so disposed of without registration, qualification or legend.

2.2 Piggyback Registrations. (a) The Company shall notify all Holders of Registrable Securities in writing at least twenty (20) days prior to the filing of any registration statement under the Securities Act for purposes of a public offering of securities of the Company (including, but not limited to, registration statements relating to secondary offerings of securities of the Company, but excluding Special Registration Statements) and will afford each such Holder an opportunity to include in such registration statement all or part of such Registrable Securities held by such Holder. Each Holder desiring to include in any such registration statement all or any part of the Registrable Securities held by it shall, within twenty (20) days after the above-described notice from the Company, so notify the Company in writing. Such notice shall state the intended method of disposition of the Registrable Securities by such Holder. If a Holder decides not to include all of its Registrable Securities in any registration statement thereafter filed by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent registration statement or registration statements as may be filed by the Company with respect to offerings of its securities, all upon the terms and conditions set forth herein.

(b) Underwriting. (i) If the registration statement with respect to which the Company gives notice under this Section 2.2 is for an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event, the right of any such Holder to be included in a registration pursuant to this Section 2.2 shall be conditioned upon such Holder’s participation in such underwriting and the inclusion of such Holder’s Registrable Securities in

the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Company. Notwithstanding any other provision of this Agreement, if the underwriter determines in good faith that marketing factors require a limitation of the number of shares to be underwritten, the number of shares that may be included in the underwriting shall be allocated, first, to the Company; second, to the Holders on a *pro rata* basis based on the total number of Registrable Securities proposed to be sold in the offering held by the Holders; and third, to any shareholder of the Company (other than a Holder) on a *pro rata* basis. In no event will shares of any other selling shareholder be included in such registration which would reduce the number of shares which may be included by Holders without the written consent of Holders of not less than sixty-six and two-thirds percent (66 ²/₃%) of the Registrable Securities proposed to be sold in the offering.

(ii) If any Holder disapproves of the terms of any such underwriting, such Holder may elect to withdraw therefrom by written notice to the Company and the underwriter, delivered at least ten (10) business days prior to the effective date of the registration statement. Any Registrable Securities excluded or withdrawn from such underwriting shall be excluded and withdrawn from the registration.

(c) Right to Terminate Registration. (i) The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 prior to the effectiveness of such registration whether or not any Holder has elected to include securities in such registration. The Registration Expenses of such withdrawn registration shall be borne by the Company in accordance with Section 2.4 hereof.

(d) Registrations effected pursuant to this Section 2.2 shall not be counted as Form S-3 registrations effected pursuant to Sections 2.3.

2.3 Form S-3 Registration. In case the Company shall receive from any Holder or Holders of a majority of the Registrable Securities (the “*Initiating Holders*”) a written request or requests that the Company effect a registration on Form S-3 (or any successor to Form S-3) or any similar short-form registration statement and any related qualification or compliance with respect to all or a part of the Registrable Securities owned by such Holder or Holders, the Company will:

(a) promptly give written notice of the proposed registration, and any related qualification or compliance, to all other Holders of Registrable Securities; and

(b) as soon as practicable, effect such registration and all such qualifications and compliances as may be so requested and as would permit or facilitate the sale and distribution of all or such portion of such Holder’s or Holders’ Registrable Securities as are specified in such request, together with all or such portion of the Registrable Securities of any other Holder or Holders joining in such request as are specified in a written request given within fifteen (15) days after receipt of such written notice from the Company; *provided, however,* that the Company shall not be obligated to effect more than two (2) registrations on Form S-3 and shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 2.3:

(i) if Form S-3 is not available for such offering by the Holders; or

(ii) if the Holders, together with the holders of any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than one million dollars (\$1,000,000) (unless the registration request is for all remaining Registrable Securities).

(c) Subject to the foregoing, the Company shall file a Form S-3 registration statement covering the Registrable Securities and other securities so requested to be registered as soon as practicable after receipt of the request or requests of the Holders. If the registration statement under which the Company files under this Section 2.3 is an underwritten offering, the Company shall so advise the Holders of Registrable Securities. In such event the right of any Holder to be included in a registration pursuant to this Section 2.3 shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their Registrable Securities through such underwriting shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such underwriting by the Holders.

2.4 Expenses of Registration. Except as specifically provided herein, all Registration Expenses incurred in connection with each registration under Section 2.2 or Section 2.3 herein shall be borne by the Company. All Selling Expenses incurred in connection with any registrations hereunder, shall be borne by the holders of the securities so registered *pro rata* on the basis of the number of shares so registered. The Company shall not, however, be required to pay for (i) expenses of any registration proceeding begun pursuant to Section 2.3, the request of which has been subsequently withdrawn by the Initiating Holders unless (a) the withdrawal is based upon material adverse information concerning the Company of which the Initiating Holders were not aware at the time of such request or (b) the Holders of sixty-six and two-thirds percent (66 ²/₃%) of Registrable Securities agree to forfeit their right to one demand registration pursuant to Section 2.3, as applicable, in which event such right shall be forfeited by all Holders). If the Holders are required to pay the Registration Expenses, such expenses shall be borne by the holders of securities (including Registrable Securities) requesting such registration in proportion to the number of shares for which registration was requested. If the Company is required to pay the Registration Expenses of a withdrawn offering pursuant to clause (a) above, then the Holders shall not forfeit their rights pursuant to Section 2.3 to a demand registration.

2.5 Obligations of the Company. Whenever required to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and, after a request or demand (as the case may be) for registration has been given to the Company, file with the Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective; *provided*, that the Company may discontinue any registration of its securities which is being effected pursuant to Section 2.2 at any time prior to the effective date of the registration statement;

(b) prepare and file with the Commission such amendments and supplements to any registration statement referred to in clause (i) of this Section 2.5 and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period not in excess of one hundred eighty (180) days (except with respect to any registration statement filed pursuant to Rule 415 under the Securities Act if the Company is eligible to file a Form S-3 registration statement, in which case the Company shall use its best efforts to keep such registration statement effective and updated until such time as all of the Registrable Securities have been disposed of in accordance with the intended methods of disposition by the Holder or Holders set forth in such registration statement) and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such registration statement during such period in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement; *provided*, that before filing a registration statement or prospectus, or any amendments or supplements thereto, the Company will furnish to one counsel selected by the Holders holding a majority of the Registrable Securities covered by such registration statement to represent all Holders of Registrable Securities covered by such registration statement, copies of all documents proposed to be filed, which documents will be subject to the review of such counsel;

(c) if such registrable securities have not been registered under Section 12 of the Exchange Act, prepare and, in any event within 40 days after a request for registration has been given to the Company, file with the Commission a registration statement with respect to such Registrable Securities under the Exchange Act and use its best efforts to cause such registration statement to become effective; *provided*, that the Company may discontinue any registration of its securities which is being effected pursuant to Section 2.2 at any time prior to the effective date of the registration statement;

(d) furnish to each seller of such Registrable Securities such number of copies of any registration statement referred to in clause (i) of this Section 2.5 and of each amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus included in such registration statement (including each preliminary prospectus and summary prospectus), and any other prospectus filed under Rule 424 under the Securities Act in conformity with the requirements of the Securities Act, and such other documents as such seller may reasonably request;

(e) use its best efforts to register or qualify such Registrable Securities covered by any registration statement referred to in clause (i) of this Section 2.5 under such other securities or blue sky laws of such jurisdictions as each seller of such Registrable Securities shall reasonably request, and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction where, but for the requirements of this clause (v), it would not be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(f) use its best efforts to cause such Registrable Securities covered by a registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(g) notify each seller of any such Registrable Securities covered by a registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the Company's becoming aware that the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing, and at the request of any such seller, prepare and furnish to such seller a reasonable number of copies of an amended or supplemental prospectus as may be necessary so that, as thereafter delivered to the sellers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(h) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable (but not more than eighteen months) after the effective date of the registration statement, an earnings statement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations promulgated thereunder;

(i) use its best efforts to list such Registrable Securities on any securities exchange or automated quotation system if (A) requested by Holders holding a majority of such Registrable Securities and (B) such listing is then permitted under the rules of such exchange or system, and to provide a transfer agent and registrar for such Registrable Securities covered by a registration statement not later than the effective date of such registration statement;

(j) enter into such customary agreements (including an underwriting agreement in customary form) and take such other actions as sellers of a majority of such Registrable Securities or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities;

(k) obtain a "cold comfort" letter or letters from the Company's independent public accountants in customary form and covering matters of the type customarily covered by "cold comfort" letters as the seller or sellers of a majority of such Registrable Securities shall reasonably request;

(l) obtain an opinion of counsel for the Company in customary form and covering matters of the type customarily covered in opinions of issuer's counsel as the seller or sellers of a majority of such Registrable Securities shall reasonably request; and

(m) make available for inspection by any seller of such Registrable Securities covered by a registration statement, by any underwriter participating in any disposition to be effected pursuant to such registration statement and by any attorney, accountant or other agent retained by any such seller or any such underwriter, all pertinent financial and other records,

pertinent corporate documents and properties of the Company, and cause all of the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.

2.6 Termination of Registration Rights. A Holder's registration rights shall expire if all Registrable Securities held by and issuable to such Holder (and its affiliates, partners, former partners, members and former members) may be sold under Rule 144 during any ninety (90) day period.

2.7 Furnishing Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to Section 2.2 or 2.3 that the selling Holders shall furnish to the Company such information regarding themselves, the Registrable Securities held by them and the intended method of disposition of such securities as shall be required to effect the registration of their Registrable Securities.

2.8 Indemnification. In the event any Registrable Securities are included in a registration statement under Sections 2.2 or 2.3:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each Holder, the partners, officers and directors of each Holder, any underwriter (as defined in the Securities Act) for such Holder and each person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, or liabilities (joint or several) to which they may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (collectively a "Violation") by the Company: (i) any untrue statement or alleged untrue statement of a material fact contained in such registration statement, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, (ii) the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or (iii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act, any state securities law or any rule or regulation promulgated under the Securities Act, the Exchange Act or any state securities law in connection with the offering covered by such registration statement; and the Company will pay as incurred to each such Holder, partner, officer, director, underwriter or controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided however*, that the Company shall not be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises out of or is based upon a Violation which occurs in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Holder, partner, officer, director, underwriter or controlling person of such Holder.

(b) To the extent permitted by law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which such registration qualifications or compliance is being effected, indemnify and hold harmless the Company, each of its directors, its officers and each person, if any, who controls the Company within the meaning of the Securities Act, any underwriter and any other Holder selling securities under such registration

statement or any of such other Holder's partners, directors or officers or any person who controls such Holder, against any losses, claims, damages or liabilities (joint or several) to which the Company or any such director, officer, controlling person, underwriter or other such Holder, or partner, director, officer or controlling person of such other Holder may become subject under the Securities Act, the Exchange Act or other federal or state law, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs in reliance upon and in conformity with written information furnished by such Holder under an instrument duly executed by such Holder and stated to be specifically for use in connection with such registration; and each such Holder will pay as incurred any legal or other expenses reasonably incurred by the Company or any such director, officer, controlling person, underwriter or other Holder, or partner, officer, director or controlling person of such other Holder in connection with investigating or defending any such loss, claim, damage, liability or action if it is judicially determined that there was such a Violation; *provided, however*, that in no event shall any indemnity under this Section 2.8 exceed the net proceeds from the offering received by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the parties; *provided, however*, that an indemnified party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party within a reasonable time of the commencement of any such action will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8 except to the extent that the indemnifying party has been materially prejudiced.

(d) If the indemnification provided for in this Section 2.8 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any losses, claims, damages or liabilities referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall to the extent permitted by applicable law contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violation(s) that resulted in such loss, claim, damage or liability, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by a court of law by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission; *provided*, that in no event shall any contribution by a Holder hereunder exceed the net proceeds from the offering received by such Holder.

(e) The obligations of the Company and Holders under this Section 2.8 shall survive completion of any offering of Registrable Securities in a registration statement and the termination of this agreement. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

2.9 Assignment of Registration Rights. The rights to cause the Company to register Registrable Securities pursuant to this Section 2 may be assigned by a Holder to a permitted transferee or assignee of Registrable Securities which (a) is a subsidiary, parent, general partner, limited partner, retired partner, member or retired member of a Holder, (b) is a Holder's family member or trust for the benefit of an individual Holder, or (c) is acquiring at least one hundred thousand (100,000) shares of Registrable Securities (as adjusted for stock splits and combinations); *provided, however*, (i) the transferor shall, at within ten (10) days after such transfer, furnish to the Company written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned and (ii) such transferee shall agree to be subject to all restrictions set forth in this Agreement.

2.10 Limitation on Subsequent Registration Rights. Other than as provided in Section 3.12, after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least a majority (50.1%) of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would grant such holder registration rights *pari passu* or senior to those granted to the Holders hereunder.

2.11 "Holder Market Stand-Off" Agreement. (a) Each Holder hereby agrees that such Holder shall not sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Common Stock (or other securities) of the Company held by such Holder (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock of the Company not to exceed ninety (90) days following the effective date of a registration statement registering Common Stock; *provided*, that all officers and directors of the Company and holders of at least one percent (1%) of the Company's voting securities enter into similar agreements.

(b) The Company hereby agrees that it will cause its officers and directors and holders of at least one percent (1%) of its voting securities not to sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Common Stock (or other securities) of the Company held by such officers and directors and holders of at least one percent (1%) of its voting securities (other than those included in the registration) for a period specified by the representative of the underwriters of Common Stock (or other securities) of the Company not to exceed ninety (90) days following the effective date of a registration statement of the Company filed under the Securities Act pursuant to Section 2.3.

2.12 Rule 144 Reporting. With a view to making available to the Holders the benefits of certain rules and regulations of the SEC which may permit the sale of the Registrable Securities to the public without registration, the Company agrees to use its best efforts to:

(a) Make and keep public information available, as those terms are understood and defined in SEC Rule 144 or any similar or analogous rule promulgated under the Securities Act, at all times after the effective date of the first registration filed by the Company for an offering of its securities to the general public;

(b) File with the SEC, in a timely manner, all reports and other documents required of the Company under the Exchange Act; and

(c) So long as a Holder owns any Registrable Securities, furnish to such Holder forthwith upon request: a written statement by the Company as to its compliance with the reporting requirements of said Rule 144 of the Securities Act, and of the Exchange Act (at any time after it has become subject to such reporting requirements); a copy of the most recent annual or quarterly report of the Company; and such other reports and documents as a Holder may reasonably request in availing itself of any rule or regulation of the SEC allowing it to sell any such securities without registration.

SECTION 3. MISCELLANEOUS.

3.1 Survival. The representations, warranties, covenants, and agreements made herein shall survive the closing of the transactions contemplated hereby. All statements as to factual matters contained in any certificate or other instrument delivered by or on behalf of the Company pursuant hereto in connection with the transactions contemplated hereby shall be deemed to be representations and warranties by the Company hereunder solely as of the date of such certificate or instrument.

3.2 Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors or legal representatives of the parties hereto and shall inure to the benefit of and be enforceable by each person who shall be a holder of Registrable Securities from time to time and who has become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement; *provided, however*, that prior to the receipt by the Company of adequate written notice (specifying the full name and address of any proposed transferee) of, and the written consent of the Company to, the transfer of any Registrable Securities, the Company may deem and treat the person listed as the holder of such shares in its records as the absolute owner and holder of such shares for all purposes, including the payment of dividends or any redemption price. Notwithstanding the foregoing, the Company may not assign this Agreement without the prior written consent of the Holders of at least a majority (50.1%) of the Registrable Securities.

3.3 Entire Agreement. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subjects hereof and no party shall be liable or bound to any other in any manner by any representations, warranties, covenants and agreements except as specifically set forth herein and therein.

3.4 Third Party Beneficiaries. This Agreement is for the sole benefit of the parties hereto and not for the benefit of any third party.

3.5 Severability. In the event one or more of the provisions of this Agreement should, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

3.6 Amendment and Waiver.

(a) Except as otherwise expressly provided, this Agreement may be amended or modified only upon the written consent of the Company and the holders of at least a majority (50.1%) of the Registrable Securities.

(b) Except as otherwise expressly provided, the obligations of the Company and the rights of the Holders under this Agreement may be waived only with the written consent of the holders of at least a majority (50.1%) of the Registrable Securities.

(c) For the purposes of determining the number of Holders or Investors entitled to vote or exercise any rights hereunder, the Company shall be entitled to rely solely on the list of record holders of its stock as maintained by or on behalf of the Company.

3.7 Delays or Omissions. It is agreed that no delay or omission to exercise any right, power, or remedy accruing to any Holder, upon any breach, default or noncompliance of the Company under this Agreement shall impair any such right, power, or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of any similar breach, default or noncompliance thereafter occurring. It is further agreed that any waiver, permit, consent, or approval of any kind or character on any Holder's part of any breach, default or noncompliance under the Agreement or any waiver on such Holder's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement, by law, or otherwise afforded to Holders, shall be cumulative and not alternative.

3.8 Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed facsimile if sent during normal business hours of the recipient; if not, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the address as set forth on the signature pages hereof or Exhibit A hereto or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto.

3.9 Attorneys' Fees. In the event that any suit or action is instituted to enforce any provision in this Agreement, the prevailing party in such dispute shall be entitled to recover from the losing party all fees, costs and expenses of enforcing any right of such prevailing party under or with respect to this Agreement, including without limitation, such reasonable fees and expenses of attorneys and accountants, which shall include, without limitation, all fees, costs and expenses of appeals.

3.10 Titles and Subtitles. The titles of the sections and subsections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

3.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument

3.12 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company shall issue additional Warrants pursuant to the Purchase Agreement (as contemplated by Section 2.3 of the Purchase Agreement), the purchaser of such Warrants may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement and shall be deemed an "Investor" hereunder.

3.13 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAWS PROVISIONS).

3.14 CONSENT TO JURISDICTION. EACH INVESTOR AND THE COMPANY HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF ANY FEDERAL OR STATE COURT OF NEW YORK SITTING IN NEW YORK CITY AND IRREVOCABLY AGREES THAT ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE LITIGATED EXCLUSIVELY IN SUCH COURTS. EACH INVESTOR AND THE COMPANY AGREES NOT TO COMMENCE ANY LEGAL PROCEEDING RELATED HERETO EXCEPT IN SUCH COURT. EACH INVESTOR AND THE COMPANY IRREVOCABLY WAIVES ANY OBJECTION WHICH HE OR IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING IN ANY SUCH COURT AND HEREBY FURTHER IRREVOCABLY AND UNCONDITIONALLY WAIVES AND AGREES NOT TO PLEAD OR CLAIM IN ANY SUCH COURT THAT ANY SUCH ACTION, SUIT OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

3.15 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B)

ACKNOWLEDGES THAT HE OR IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 3.15.

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IN WITNESS WHEREOF, the parties hereto have executed this REGISTRATION RIGHTS AGREEMENT as of the date set forth in the first paragraph hereof.

COMPANY:

GULFPORT ENERGY CORPORATION

By: _____

Name:
Title:
Address:

INVESTORS:

GULFPORT FUNDING, LLC

By: _____

Name:
Title:
Address:

By: _____

Name:
Title:
Address:

Schedule of Investors

[To be provided to each Investor after the close of the Offering on April 15, 2002]

CERTIFICATION

I, Mike Liddell, Chief Executive Officer of Gulfport Energy Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Gulfport Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2005

/s/ Mike Liddell

Mike Liddell
Chief Executive Officer

CERTIFICATION

I, Michael G. Moore, Chief Financial Officer of Gulfport Energy Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Gulfport Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 14, 2005

/s/ Mike Moore

Mike Moore
Chief Financial Officer

CERTIFICATION OF PERIODIC REPORT

I, Mike Liddell, Chief Executive Officer of Gulfport Energy Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-QSB of the Company for the quarterly period ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2005

/s/ Mike Liddell

Mike Liddell
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF PERIODIC REPORT

I, Michael G. Moore, Chief Financial Officer of Gulfport Energy Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

- (1) the Quarterly Report on Form 10-QSB of the Company for the quarterly period ended June 30, 2005 (the "Report") fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 14, 2005

/s/ Mike Moore

Mike Moore
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.