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SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

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AMENDMENT NO. 2  
TO  
FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**GULFPORT ENERGY CORPORATION**

(Exact Name of Registrant as Specified in Its Charter)

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Delaware  
(State or Other Jurisdiction  
of Incorporation or Organization)

73-1521290  
(I.R.S. 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 Offices)

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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable on or after this Registration Statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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

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

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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

effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling stockholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Prospectus**

**Subject to Completion, dated April 27, 2006**

**6,050,000 Shares**



**Common Stock**

The selling stockholders are offering 6,050,000 shares of our common stock. We will not receive any proceeds from the sale of the shares of common stock by the selling stockholders.

Our common stock is quoted on The Nasdaq National Market under the symbol "GPOR." On April 18, 2006, the last reported sale price of our common stock on The Nasdaq National Market was \$14.72 per share.

Investing in our common stock involves risks. See "[Risk Factors](#)" beginning on page 11.

	<u>Public Offering Price</u>	<u>Underwriting Discount</u>	<u>Proceeds to Selling Stockholders (Before Expenses)</u>
Per Share	\$	\$	\$
Total	\$	\$	\$

The underwriters may purchase up to an additional 907,500 shares of our common stock from us at the public offering price less the underwriting discounts, solely to cover any over-allotments.

Delivery of the shares of common stock is expected to be made on or about \_\_\_\_\_, 2006.

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

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**Johnson Rice & Company L.L.C.**

**Dahlman Rose & Company**

**First Albany Capital**

**Pritchard Capital Partners, LLC**

**Simmons & Company International**

The date of this prospectus is \_\_\_\_\_, 2006.

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### About This Prospectus

You may rely only on the information contained or incorporated by reference in this prospectus. We and the selling stockholders have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained or incorporated by reference in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We and the selling stockholders are not making an offer to sell these securities in any jurisdiction where an offer to sell is not permitted. The information appearing in this prospectus is accurate in all material respects as of the date on the front cover of this prospectus, but our business, financial condition, results of operations and prospects may have changed since that date.

## PROSPECTUS SUMMARY

*This summary highlights certain information contained elsewhere in this prospectus and in documents we file with the Securities and Exchange Commission that are incorporated by reference in this prospectus. This summary is not complete and does not contain all of the information you should consider before investing in our common stock. You should carefully read the entire prospectus, including "Risk Factors" and the information incorporated by reference in this prospectus, including our financial statements and related notes thereto, before you decide whether to invest in our common stock. Unless otherwise indicated or the context otherwise requires, all references in this prospectus to "Gulfport," the "Company," "us," "our" or "we" are to Gulfport Energy Corporation. We have provided definitions for some of the oil and natural gas industry terms used in this prospectus in the "Glossary of Oil and Natural Gas Terms" in Appendix A.*

### Our Company

#### Overview

We are an independent oil and natural gas exploration and production company with properties located along the Louisiana Gulf Coast. Our operations are concentrated in two fields: West Cote Blanche Bay, or WCBB, and East Hackberry. As of December 31, 2005, we had 23.2 MMboe of proved reserves, of which 84% was oil, with a present value of estimated future net revenues, discounted at 10%, or PV-10, of approximately \$456.9 million and associated standardized measure of discounted future net cash flows of approximately \$369.8 million. See "—Summary of Operating and Reserve Data" for our definition of PV-10, a non-GAAP financial measure, and a reconciliation of our standardized measure of discounted future net cash flows to PV-10. Our 2005 production was 84% oil.

We seek to achieve reserve and production growth and increase our cash flow through our annual drilling programs. In 2005, we drilled 17 wells and recompleted 11 existing wells in our WCBB field for an estimated aggregate cost of \$21.1 million. Of our 17 new wells, nine were completed as producing wells, seven were waiting to be completed at year end (one of which will be side-tracked in 2006 to test deeper zones) and one was a dry hole. During 2006, we intend to drill 22 wells, recomplete 18 existing wells at our WCBB field and complete six wells that we drilled in 2005 for an estimated aggregate cost of \$33.2 million. As of April 18, 2006, we had drilled ten new wells of which eight are awaiting completion and two were dry holes. During 2005, we completed a 3-D seismic program at our East Hackberry field, to enhance our drilling program at that field, and we currently intend to drill up to six wells in 2006 for an estimated aggregate cost of \$13.3 million.

*WCBB.* The WCBB field lies approximately five miles off the coast of Louisiana in a shallow bay with water depths averaging eight to ten feet. We own a 100% working interest (79.4% NRI), and are the operator, in depths above the base of the 13900 Sand which is located at 11,320 feet. In addition, we own a 40.4% non-operated working interest (30.0% NRI) in depths below the base of the 13900 Sand, which is operated by Chevron Corporation. Our leasehold interests at WCBB contain 5,668 gross acres. Texaco drilled the discovery well in this field in 1940. Of the 846 wells drilled as of December 31, 2005, 766 were completed as producing wells. As a result, the field has a historic success rate of 90% for all wells drilled. As of December 31, 2005, estimated field cumulative gross production was 232 MMboe. During the first half of 2005, we reprocessed a 70 square mile 3-D seismic survey using the most recent advances in seismic data processing. This reprocessed data has helped and will continue to help us add to our inventory of identified drilling locations. Since our acquisition of WCBB in 1997, we have drilled 62 new wells, seven of which were dry holes, for an 89% success rate. We have also recompleted 57 wells resulting in 44 producing wells. Our inventory of prospects includes approximately 120 PUD wells, many of which are up-dip offsets to wells that produced from a sub-optimum position within a particular zone. The drilling schedule used in our December 31, 2005 reserve report anticipates that all of those wells will be drilled by 2015. In addition, we have identified over 100 more developmental and exploratory prospects which include several deep natural gas prospects, one of which we intend to drill in 2006.

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*East Hackberry.* The East Hackberry field is located along the western shore of Lake Calcasieu in Louisiana, 15 miles inland from the Gulf of Mexico. We own a 100% working interest (approximately 79% average NRI) in certain producing oil and natural 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. The East Hackberry field was discovered in 1926 by Gulf Oil Company. The estimated field cumulative oil and condensate production through 2005 was approximately 56 MMboe. We have received and are currently reviewing our proprietary 3-D seismic survey of 42 square miles in and around the East Hackberry field. Since this portion of the East Hackberry field has never been included in a 3-D seismic survey, we anticipate the data will reveal undrilled fault blocks that will allow us to drill new wells to both shallow and deep targets in the field.

### **Results for the Year Ended December 31, 2005**

The following are highlights for the year ended December 31, 2005:

- Oil and natural gas revenues increased 19% to \$27.4 million for the year ended December 31, 2005 from \$23.1 million for 2004.
- Net income increased 153% to \$10.9 million for the year ended December 31, 2005 from \$4.3 million for 2004.
- Oil production decreased 11% to 517 MBbls for the year ended December 31, 2005 from 584 MBbls for 2004 due to damage caused by Hurricane Rita during September 2005. See “—Impact of Hurricanes” below.
- We commenced our 2005 WCBB drilling program in March 2005 and drilled 17 wells and recompleted 11 wells during the year. Of our 17 new wells drilled, nine were completed as producing wells, seven were waiting on completion due to the impact of Hurricane Rita (including one that will be side-tracked in 2006 to test deeper zones) and one was unsuccessful.

### **Impact of Hurricanes**

Due to the impact of Hurricanes Katrina and Rita, much of our production was shut-in in the fourth quarter of 2005 and the first quarter 2006. As a result, total production in the fourth quarter of 2005 was 22.4 Mboe, not including adjustment for prior periods, and total estimated production in the first quarter of 2006 was 80.6 Mboe.

*WCBB.* We sustained no damage to our facilities at WCBB from Hurricane Katrina which made landfall on August 29, 2005. Prior to that storm, both our Hackberry and WCBB facilities were shut-in and evacuated for four days for precautionary reasons. In our WCBB field, we used the shut-in period to implement tie-in points for future facilities upgrades.

In preparation for Hurricane Rita, on September 21, 2005, we began shutting-in production and evacuating personnel from our WCBB field. On September 24, 2005, the tidal surge from Hurricane Rita caused damage to our WCBB facilities. Our main tank batteries, which handled approximately 70% of our production before Hurricane Rita, again became operational during the first quarter of 2006. We anticipate that the balance of our production facilities at WCBB will be brought on line in the second and third quarters of 2006. We began returning wells to production during the first quarter of 2006, and as of April 18, 2006, 27 of the 57 active wells in the field prior to Hurricane Rita had been returned to production on an intermittent basis. We continue to reactivate our remaining shut-in WCBB wells and are in the process of completing 15 that have been drilled after Hurricane Rita but not completed due to the damage to our facilities caused by that storm. We expect that all of these wells will begin producing during the second quarter of 2006.

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On September 20, 2005, prior to Hurricane Rita, aggregate net production at WCBB was 2,204 Boe. We lost more than 100 days of production but have since resumed production at WCBB from 27 of the 57 wells that were active prior to Hurricane Rita, with aggregate net production ranging from 1,754 Boe to 3,032 Boe per day during the period March 20, 2006 through March 30, 2006. Aggregate net production from WCBB during the first quarter of 2006 was 59.1 Mboe.

*East Hackberry Field.* On September 20, 2005, prior to shutting-in our 11 producing East Hackberry wells in preparation for Hurricane Rita, aggregate net production was approximately 299 Boe per day. Production was re-established from six of these wells in November 2005, and during the period March 20, 2006 through March 30, 2006, aggregate net production from these wells ranged from approximately 181 Boe to 219 Boe per day. Due to damage to certain of our production facilities caused by Hurricane Rita, five wells in our State Lease 50 Block remain shut-in. Prior to being shut-in, these five wells had aggregate production of approximately 50 Boe per day. We have budgeted \$8.0 million to replace and upgrade certain of our East Hackberry facilities in connection with our 2006 drilling program and intend to put the five remaining shut-in wells back on line when these facilities are completed. Aggregate net production from the East Hackberry field during the first quarter of 2006 was 14.6 Mboe.

*Insurance Coverage.* As of December 31, 2005, we had incurred costs of \$3.2 million relating to the damage to our WCBB fields and facilities caused by Hurricane Rita. As of April 10, 2006, we had incurred an additional \$2.6 million in hurricane related costs subsequent to December 31, 2005 at WCBB. Based upon consultations with insurance adjustors and review of our policies, we believe this entire amount will be covered by our insurance. We had no insurance coverage for property damage to our East Hackberry facilities. We also maintained business interruption insurance to cover lost production revenue in the event of shut-in production. The business interruption insurance began 60 days after the occurrence of an insurable event, subject to a daily limit of \$45,000 and had a maximum coverage of 180 days. Coverage began on November 24, 2005 for shut-in production caused by Hurricane Rita. During 2005, we accrued \$1.7 million of business interruption insurance recoveries in other income in our statement of operations, which was received subsequent to year end.

### **Our Strengths**

We believe that our following strengths will help us achieve our business goals:

*High quality asset base with a long reserve life.* Our reserves are concentrated in two fields that have historically produced significant volumes of hydrocarbons from multiple geologic horizons. As of December 31, 2005, our proved developed reserves to production ratio was over six years. We believe this relatively stable base of long-lived production from multiple geologic horizons is a strong platform to support further growth in our reserves and production.

*Experienced management and technical team.* Our management and technical personnel have an average of 25 years of experience in the oil and natural gas industry, including two geophysicists who have worked together for over 25 years and together have participated in drilling over 60 wells in the Gulf Coast region.

*Substantial drilling inventory.* We have assembled an inventory of approximately 120 PUD locations and over 100 developmental and exploratory prospects. At our current pace of drilling, we believe we have over seven years of drilling inventory. We believe there are substantial opportunities to expand our exploration activities on our existing leasehold acreage position, particularly by exploring deeper gas prospects.

*Operate core properties.* We serve as operator of the WCBB field above the 13900 Sand and of our East Hackberry field. As operator, we can manage all phases of a project's drilling and development operations. This

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allows us to exercise greater control over the cost, timing and scope of our activities and more effectively use our platforms, processing facilities and flowlines.

**Concentrated drilling operations.** By drilling our wells in a relatively small geographic area, our mobilization costs are lower and the time required to move between wells is relatively short. Our ongoing, concentrated operations have also enabled us to refine our drilling and well completion techniques and maintain continuous use of key equipment. These factors can help reduce the cost to drill and complete our wells.

**Technical approach.** Substantially all of our drilling prospects are generated internally by our technical team using advanced technology in analyzing, interpreting and visualizing 3-D seismic data. We have reprocessed existing 3-D seismic data at WCBB and undertaken a new 3-D seismic survey at East Hackberry. We believe that our 94% drilling success rate at WCBB since 2003 is attributable to our technical knowledge of the field and our effective use of 3-D seismic data and subsurface geological mapping.

### **Our Business Strategy**

Our goal is to increase stockholder value by investing in development and select exploration projects intended to grow our production and reserves and increase our cash flow while generating attractive rates of return. We seek to achieve this goal through the following:

**Apply advanced technologies to enhance recoveries and grow production and reserves.** We believe that our use of 3-D seismic data will help us identify prospective locations that were not visible using the older 2-D data that was primarily used in the development of the WCBB and East Hackberry fields. In addition, we primarily use directional drilling techniques that allow us to penetrate multiple prospects from each well bore increasing our potential reserve quantities and limiting exploration and development risk.

**Focus on lower risk oil development projects, with selective expenditures on higher risk natural gas exploration projects.** Many of our WCBB drilling locations are primarily shallow oil targets that are structurally up-dip to existing or historical production or located in undrilled fault blocks. We believe that by focusing our drilling budget on development oriented activities we can maintain high drilling success rates yielding attractive production and reserve growth. Our drilling program has achieved a success rate of 94% since 2003. We also plan to allocate a portion of our budget to drill higher impact, but higher risk, natural gas exploration prospects. In 2006, we plan to spend approximately 15% of our total drilling capital targeting natural gas prospects.

**Financial flexibility.** We seek to maintain a conservative financial position and believe that our operating cash flow will provide us with the financial flexibility to pursue our planned development and exploration activities through 2006.

### **Our Challenges**

Investing in our common stock involves risks that include the speculative nature of oil and natural gas exploration, competition, volatile oil and natural gas prices and other material factors. You should read carefully the section of this prospectus entitled "Risk Factors" beginning on page 11 for an explanation of these risks before investing in our common stock. In particular, the following considerations may offset our competitive strengths or have a negative effect on our strategy as well as activities on our properties, which could cause a decrease in the price of our common stock and a loss of all or part of your investment:

**Risks relating to the development of oil and natural gas reserves.** Our oil and natural gas reserves and future production and, therefore, our future cash flow and income are highly dependent on our ability to successfully execute our drilling program, which will require substantial amounts of capital.



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**Risks relating to oil and natural gas reserve estimates.** Reserve estimates are based on many assumptions and our properties may not produce the reserves we originally forecast. Our reserves will decline unless we are successful in finding or acquiring new reserves.

**Access to equipment and personnel.** Shortages of drilling rigs, equipment, supplies or personnel could delay, restrict or increase the cost of our exploration, exploitation and development operations, which in turn could impair our financial condition and results of operations.

**Concentration in Louisiana.** Our operations are concentrated in Louisiana. As a result, we may be disproportionately exposed to impacts of delays or interruptions of production from this region caused by hurricanes or other natural disasters, significant governmental regulation or lack of field infrastructure.

For a discussion of other considerations that could negatively affect us, see “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”

### **Our Equity Sponsor**

Prior to this offering, Charles E. Davidson beneficially owned 61.0% of our common stock, including the holdings of CD Holdings, L.L.C. and Wexford Capital LLC, or Wexford, both of which are entities controlled by Mr. Davidson. Wexford is a Greenwich, Connecticut based SEC registered investment advisor with approximately \$4.5 billion under management as of December 31, 2005. Wexford has made private equity investments in many different sectors with particular expertise in the energy and natural resources sector. Certain investment funds controlled by Wexford, which in the aggregate beneficially own 5,631,011 shares of our common stock, are selling stockholders in this offering and are selling all of their shares in this offering. Upon completion of the offering, Mr. Davidson will beneficially own approximately 43.5% of our common stock.

### **Our Offices**

We were organized in June 1997. Our principal executive offices are located at 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134, and our telephone number is (405) 848-8807. Our website address is [www.gulfportenergy.com](http://www.gulfportenergy.com). Information contained on our website does not constitute a part of this prospectus.

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**The Offering**

Common stock offered by the selling stockholders	6,050,000 shares
Common stock outstanding after this offering	32,180,326 shares
Over-allotment option granted by us	907,500 shares
Use of proceeds	We will not receive any of the proceeds from the sale of shares by the selling stockholders. We have granted the underwriters an option to purchase up to 907,500 shares of our common stock to cover over-allotments. We intend to use the net proceeds, if any, from the exercise of such option to repay outstanding borrowings under our credit facility with Bank of America.
The Nasdaq National Market symbol	“GPOR”
Risk Factors	Investing in our common stock involves certain risks. You should carefully consider the risk factors discussed under the heading “Risk Factors” beginning on page 11 of this prospectus and other information contained or incorporated by reference in this prospectus before deciding to invest in our common stock.

Except as otherwise indicated, all information contained in this prospectus:

- assumes the underwriters do not exercise their over-allotment option;
- excludes 1,557,273 shares of our common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$4.31 per share; and
- excludes 350,588 shares of our common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$1.19 per share.

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**Summary Financial Data**

The following tables summarize our financial data as of and for each of the years indicated. We derived the summary financial data from our audited financial statements for the years indicated. You should read the following financial information together with the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and the notes to those financial statements incorporated by reference in our Annual Report on Form 10-KSB.

	Year Ended December 31,		
	2005	2004	2003
(In thousands, except per share amounts)			
<b>Consolidated Statements of Operations Information:</b>			
Revenues:			
Gas sales	\$ 3,437	\$ 1,484	\$ 498
Oil and condensate sales	23,986	21,587	15,311
Other income	136	119	138
Total revenues	<u>27,559</u>	<u>23,190</u>	<u>15,947</u>
Costs and expenses:			
Lease operating expenses	7,654	6,586	5,886
Production taxes	3,622	2,629	1,882
Depreciation, depletion, and amortization	4,789	4,952	4,637
General and administrative	1,561	2,107	1,843
Accretion expense	516	490	393
Total costs and expenses	<u>18,142</u>	<u>16,764</u>	<u>14,641</u>
Income from operations:	<u>9,417</u>	<u>6,426</u>	<u>1,306</u>
Other expense (income):			
Interest expense	250	246	112
Interest expense—preferred stock	272	1,949	875
Business interruption insurance recoveries	(1,710)	—	—
Interest income	(290)	(73)	(30)
Total other expense (income)	<u>(1,478)</u>	<u>2,122</u>	<u>957</u>
Income before taxes:	<u>10,895</u>	<u>4,304</u>	<u>349</u>
Income tax expense:	<u>—</u>	<u>—</u>	<u>—</u>
Net income before effect of change in accounting principle:	<u>10,895</u>	<u>4,304</u>	<u>349</u>
Cumulative effect of change in accounting principle:	<u>—</u>	<u>—</u>	<u>270</u>
Net income	<u>10,895</u>	<u>4,304</u>	<u>619</u>
Less: Preferred stock dividends	<u>—</u>	<u>—</u>	<u>(838)</u>
Net income (loss) available to common stockholders	<u>\$10,895</u>	<u>\$ 4,304</u>	<u>\$ (219)</u>
Net income (loss) per common share—basic:			
Per common share before effect of change in accounting principle	\$ 0.36	\$ 0.31	\$ (0.05)
Effect per common share of change in accounting principle	<u>—</u>	<u>—</u>	<u>0.03</u>
	<u>\$ 0.36</u>	<u>\$ 0.31</u>	<u>\$ (0.02)</u>
Net income (loss) per common share—diluted:			
Per common share before effect of change in accounting principle	\$ 0.34	\$ 0.28	\$ (0.05)
Effect per common share of change in accounting principle	<u>—</u>	<u>—</u>	<u>0.03</u>
	<u>\$ 0.34</u>	<u>\$ 0.28</u>	<u>\$ (0.02)</u>

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	Year Ended December 31,		
	2005	2004	2003
	(In thousands)		
<b>Consolidated Cash Flow Information:</b>			
Net cash provided (used) by:			
Operating activities	\$ 15,200	\$ 8,403	\$ 6,872
Investing activities	(36,703)	(15,123)	(8,617)
Financing activities	16,080	12,720	2,178

	At December 31,		
	2005	2004	2003
	(In thousands)		
<b>Consolidated Balance Sheet Information:</b>			
Total current assets	\$ 12,249	\$ 12,337	\$ 3,440
Total assets	111,820	78,150	58,980
Long-term obligations and redeemable preferred stock, excluding current maturities	17,971	24,191	19,548
Total liabilities	27,493	29,053	25,832
Total stockholders' equity	84,327	49,097	33,148

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### Summary Operating and Reserve Data

The following estimates of net proved oil and natural gas reserves are based on the reserve report prepared by Netherland, Sewell & Associates, Inc., or NSAI, our independent petroleum engineers. For additional information, you should refer to “Risk Factors,” “Business—Proved Oil and Natural Gas Reserves” and “Business—Production, Prices and Production Costs” included herein and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” incorporated by reference in this prospectus.

	Year Ended December 31,	
	2005	2004
<b>Production Data</b>		
Oil (MBbls)	517	584
Natural gas (MMcf) <sup>(1)</sup>	575	284
Combined Volumes (Mboe)	613	631
<b>Average Prices</b>		
Oil (per Bbl) <sup>(2)</sup>	\$ 46.39	\$ 36.97
Natural gas (per Mcf)	\$ 5.98	\$ 5.24
Combined volumes (per Boe)	\$ 44.75	\$ 36.58
	As of December 31,	
	2005	2004
<b>Estimated Proved Reserves</b>		
Oil (MMBbls)	19,542	20,905
Natural gas (MMcf)	21,780	23,162
Total (Mboe)	23,172	24,765
PV-10 (in millions) <sup>(3)</sup>	\$ 456.9	\$ 361.5
Standardized measure (in millions) <sup>(4)</sup>	\$ 369.8	\$ 301.0

- (1) Production of natural gas liquids is included in natural gas revenues and production.
- (2) Includes the effects of fixed price contracts. Excluding fixed price contracts, the prices for oil were \$56.17 per Bbl in 2005 and \$42.72 per Bbl in 2004.
- (3) Represents the present value, discounted at 10% per annum (PV-10), of estimated future net revenue before income tax of our estimated proven reserves. The estimated future net revenues set forth above were determined by using reserve quantities of proved reserves and the periods in which they are expected to be developed and produced based on economic conditions prevailing at December 31, 2005 and 2004, respectively. The estimated future production is priced at December 31, 2005, without escalation, using \$57.75 per Bbl and \$10.08 per MMBtu, and at December 31, 2004, without escalation, using \$40.25 per Bbl and \$6.18 per MMBtu, in each case adjusted by lease for transportation fees and regional price differentials.

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PV-10 is a non-GAAP financial measure because it excludes income tax effects. Management believes that the presentation of the non-GAAP financial measure of PV-10 provides useful information to investors because it is widely used by professional analysts and sophisticated investors in evaluating oil and natural gas companies. PV-10 is not a measure of financial or operating performance under GAAP. PV-10 should not be considered as an alternative to the standardized measure as defined under GAAP. We have included a reconciliation of PV-10 to the most directly comparable GAAP measure—standardized measure of discounted future net cash flow—in the following table:

	As of December 31,	
	2005	2004
Standardized measure of discounted future net cash flows	\$ 369,824,000	\$ 301,047,000
Add: Present value of future income tax discounted at 10%	87,086,000	60,495,000
PV-10	<u>\$ 456,910,000</u>	<u>\$ 361,542,000</u>

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

The above table does not include (a) proved reserves, net to our interest in Tatex Thailand II, LLC of 3.36 Bcf of gas and 10,082 barrels of oil at August 1, 2005 or (b) proved reserves attributable to our Marquiss field of 212,584 Mcf of gas at December 31, 2005. For further discussion of our interests in Tatex and the Marquiss field, see “Business—Additional Properties.”

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and all other information contained or incorporated by reference in this prospectus before deciding to invest in our common stock. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.*

### **Risks Related to Our Business and Industry**

*The volatility of oil and natural gas prices due to factors beyond our control greatly affects our profitability.*

Our revenues, operating results, profitability, future rate of growth and the carrying value of our oil and natural gas properties depend primarily upon the prevailing prices for oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, including:

- worldwide and domestic supplies of oil and natural gas;
- weather conditions;
- the level of consumer demand;
- the price and availability of alternative fuels;
- risks associated with operating drilling rigs;
- the availability of pipeline capacity;
- the price and level of foreign imports;
- domestic and foreign governmental regulations and taxes;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil-producing regions; and
- the overall economic environment.

These factors and the volatility of the energy markets make it extremely difficult to predict future oil and natural gas price movements with any certainty. The West Texas Intermediate posted price for crude oil on December 31, 2004 was \$43.45 per Bbl and the Henry Hub spot market price of natural gas on December 31, 2004 was \$6.21 per MMBtu and at December 31, 2003 were \$32.52 per Bbl and \$6.19 per MMBtu. The West Texas Intermediate posted price for crude oil on December 31, 2005 was \$57.75 per Bbl and the Henry Hub spot market price of natural gas on December 31, 2005 was \$10.08 per MMBtu. Any substantial decline in the price of oil and natural gas will likely have a material adverse effect on our operations, financial condition and level of expenditures for the development of our oil and natural gas reserves, and may result in write downs of oil and natural gas properties due to ceiling test limitations.

*Our success depends on finding, developing or acquiring additional reserves.*

Our future success depends upon our ability to find, develop or acquire additional oil and natural gas reserves that are economically recoverable. Our proved reserves will generally decline as reserves are depleted, except to the extent that we conduct successful exploration or development activities or acquire properties containing proved reserves, or both. To increase reserves and production, we undertake development, exploration and other replacement activities or use third parties to accomplish these activities. We make and expect to continue to make substantial capital expenditures in our business and operations for the development, production,

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exploration and acquisition of oil and natural gas reserves. To date, we have financed capital expenditures primarily with cash flow from operations, the issuance of equity securities and borrowings under our bank and other credit facilities. Our cash flow from operations and access to capital are subject to a number of variables, including:

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

We cannot assure you that we will have sufficient resources to undertake exploration for and development, production and acquisition of oil and natural gas reserves, that our exploratory projects or other replacement activities will result in significant additional reserves or that we will have success drilling productive wells at low finding and development costs. Furthermore, although our revenues may increase if prevailing oil and natural gas prices increase significantly, our finding costs for additional reserves could also increase.

### ***Shortage of rigs, equipment, supplies or personnel may restrict our operations.***

The oil and natural gas industry is cyclical, and at the present time there is a shortage of drilling rigs, equipment, supplies and personnel. The costs and delivery times of rigs, equipment and supplies has increased as drilling activities have increased. In addition, demand for, and wage rates of, qualified drilling rig crews have risen with increases in the number of active rigs in service. In accordance with customary industry practice, we rely on independent third party service providers to provide most of the services necessary to drill new wells. Shortages of drilling rigs, equipment, supplies, personnel, trucking services, tubulars, fracing and completion services and production equipment could delay or restrict our exploration and development operations, which in turn could impair our financial condition and results of operations.

### ***We rely on a few key employees whose absence or loss could disrupt our operations resulting in a loss of revenues.***

Many key responsibilities within our business have been assigned to a small number of employees. The loss of their services, particularly the loss of Mike Liddell, our Chairman of the Board, James D. Palm, our Chief Executive Officer, Michael G. Moore, our Chief Financial Officer, or our two geophysicists, Stuart Maier and Randy Wilson, could disrupt our operations resulting in a loss of revenues. We do not have an employment contract with any of our executives, with the exception of Mr. Liddell, and our executives are not restricted from competing with us if they cease to be employed by us. Additionally, as a practical matter, any employment agreement we may enter into will not assure the retention of our employees. In addition, we do not maintain "key person" life insurance policies on any of our employees. As a result, we are not insured against any losses resulting from the death of our key employees.

### ***Estimates of oil and natural gas reserves are uncertain and may vary substantially from actual production.***

There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of expenditures, including many factors beyond our control. The reserve information set forth in this prospectus represents only estimates based on reports prepared by NSAI as of December 31, 2005. Petroleum engineering is not an exact science. Information relating to our proved oil and natural gas reserves is based upon engineering estimates. Estimates of economically recoverable oil and natural gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, future site restoration and abandonment costs, the assumed effects of regulations by governmental agencies and assumptions concerning future oil and natural gas prices, future operating costs, severance and excise taxes,



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capital expenditures and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery and estimates of the future net cash flows expected therefrom prepared by different engineers or by the same engineers at different times may vary substantially. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

The present value of future net revenues from our proved reserves is not necessarily the same as the current market value of our estimated oil and natural gas reserves. We base the estimated discounted future net revenue from our proved reserves on prices and costs in effect on the day of estimate. However, actual future net revenues from our oil and natural gas properties also will be affected by factors such as:

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

The timing of both our production and our incurrence of costs in connection with the development and production of oil and natural gas properties will affect the timing of actual future net revenues from proved reserves, and thus their actual present value. In addition, the 10% discount factor we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the oil and natural gas industry in general. PV-10 is a non-GAAP measure because it excludes income tax effects. See “Business—Proved Oil and Natural Gas Reserves” for our definition of PV-10, a non-GAAP financial measure, and a reconciliation of our standardized measure of discounted future net cash flows to PV-10.

***Substantially all of our producing properties are located in Louisiana, making us vulnerable to risks associated with operating in this region.***

Our operations are concentrated in Louisiana. As a result, we may be disproportionately exposed to the impact of delays or interruptions of production from this region caused by hurricanes or other natural disasters, significant governmental regulation or lack of field infrastructure. Losses could occur for uninsured risks or in amounts in excess of any existing insurance coverage. We cannot assure you that we will be able to obtain and maintain adequate insurance at rates we consider reasonable or that any particular types of coverage will be available. See “Summary—Our Company—Impact of Hurricanes” and “Business—West Cote Blanche Bay Field,” “—East Hackberry Field” and “—West Hackberry Field” for a discussion regarding the impact of Hurricane Rita and Hurricane Katrina.

***Our identified drilling locations comprise an estimation of part of our future drilling plans over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of their drilling.***

We have identified over 200 drilling locations on our core properties. These drilling locations represent a significant part of our growth strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including the availability of capital, oil and natural gas prices, inclement weather, including hurricanes, costs and drilling results. Because of these uncertainties, we do not know if the numerous potential drilling locations we have identified will ever be drilled or if we will be able to produce oil or natural gas from these or any other potential drilling locations. As such, our actual drilling activities may materially differ from those presently identified, which could adversely affect our business.

***Operating hazards and uninsured risks may result in substantial losses.***

Our operations are subject to all of the hazards and operating risks inherent in drilling for and production of oil and gas, including the risk of fire, explosions, blowouts, pipe failure, abnormally pressured formations and

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environmental hazards such as oil spills, gas leaks, ruptures or discharges of toxic gases. The occurrence of any of these events could result in substantial losses to us due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. In accordance with customary industry practice, we historically have maintained insurance against some, but not all, of these risks. On April 1, 2006, our insurance expired and we are currently determining whether to renew our coverages. We cannot assure you that we will renew these coverages or, if we do, that such insurance will be adequate to cover any losses or liabilities we may suffer. We also cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase. In addition, we understand that insurance carriers are modifying or otherwise restricting insurance coverage or ceasing to provide certain types of insurance coverage in the Gulf Coast region. We may also be liable for environmental damage caused by previous owners of properties purchased by us, which liabilities would not be covered by insurance.

***Our operations are subject to various governmental regulations which require compliance that can be burdensome and expensive.***

Our oil and natural gas operations are subject to various federal, state and local governmental regulations that may be changed from time to time in response to economic and political conditions. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of oil and natural gas wells below actual production capacity to conserve supplies of oil and gas. In addition, the production, handling, storage, transportation and disposal of oil and gas, by-products thereof and other substances and materials produced or used in connection with oil and natural gas operations are subject to regulation under federal, state and local laws and regulations primarily relating to protection of human health and the environment. These laws and regulations have continually imposed increasingly strict requirements for water and air pollution control and solid waste management. Significant expenditures may be required to comply with governmental laws and regulations applicable to us. We believe the trend of more expansive and stricter environmental legislation and regulations will continue.

***We face extensive competition in our industry.***

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

***We depend upon two customers for the sale of most of our oil and natural gas production.***

The availability of a ready market for any oil and/or natural gas we produced depends on numerous factors beyond the control of our management, including but not limited to the extent of domestic production and imports of oil, the proximity and capacity of gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of gas sold in interstate commerce. The oil and natural gas we produce in Louisiana is sold to purchasers who service the areas where our wells are located. We sell the majority of our oil to Shell Trading Company, or Shell. Shell takes custody of the oil at the outlet from our oil storage barge. Our production is being sold in accordance with the posted price for West Texas/New Mexico Intermediate crude plus Platt's trade month average P+ value, plus or minus the Platt's WII/LLS differential less \$0.85 per Bbl for transportation. During 2005, we sold 99% of our oil production to Shell and 88% of our natural gas production to Chevron. During 2004, we sold 99% of our oil production to Shell and 68% and 21% of our natural gas production to Chevron and Apache Corporation, respectively. Our wells are not subject to any agreements that would prevent us from either selling our production on the spot market or

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committing such gas to a long-term contract; however, there can be no assurance that we will continue to have ready access to suitable markets for our future oil and natural gas production.

### ***Our method of accounting for oil and natural gas properties may result in impairment of asset value.***

We use the full cost method of accounting for oil and natural gas operations. Accordingly, all costs, including nonproductive costs and certain general and administrative costs associated with acquisition, exploration and development of oil and natural gas properties, are capitalized. Net capitalized costs are limited to the estimated future net revenues, after income taxes, discounted at 10% per year, from proven oil and natural gas reserves and the cost of the properties not subject to amortization. Such capitalized costs, including the estimated future development costs and site remediation costs, if any, are depleted by an equivalent units-of-production method, converting gas to barrels at the ratio of six Mcf of gas to one barrel of oil.

Companies that use the full cost method of accounting for oil and gas properties are required to perform a ceiling test each quarter. The test determines a limit, or ceiling, on the book value of the oil and gas properties. Net capitalized costs are limited to the lower of unamortized cost net of deferred income taxes or the cost center ceiling. The cost center ceiling is defined as the sum of (a) estimated future net revenues, discounted at 10% per annum, from proved reserves, based on unescalated year-end prices and costs, adjusted for any contract provisions or financial derivatives, if any, that hedge our oil and natural gas revenue, and excluding the estimated abandonment costs for properties with asset retirement obligations recorded on the balance sheet, (b) the cost of properties not being amortized, if any, and (c) the lower of cost or market value of unproved properties included in the cost being amortized, less income tax effects related to differences between the book and tax basis of the oil and natural gas properties. If the net book value reduced by the related net deferred income tax liability exceeds the ceiling, an impairment or noncash writedown is required. A ceiling test impairment can give us a significant loss for a particular period. Once incurred, a write down of oil and natural gas properties is not reversible at a later date, even if oil or gas prices increase.

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

Even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques are only tools used to assist geoscientists in identifying subsurface structures and hydrocarbon indicators and do not enable the interpreter to know whether hydrocarbons are, in fact, present in those structures. In addition, the use of 3-D seismic and other advanced technologies requires greater predrilling expenditures than traditional drilling strategies, and we could incur losses as a result of such expenditures. As a result, our drilling activities may not be successful or economical.

### ***We have hedged and may continue to hedge a portion of our production, which may result in our making cash payments or prevent us from receiving the full benefit of increases in prices for oil and gas.***

To reduce our exposure to short-term fluctuations in the price of oil and natural gas, we periodically enter into hedging arrangements. Our hedging arrangements currently in place for 2006 involve 45,000 barrels of oil per month at a price of \$64.05 per barrel. Such hedging arrangements may expose us to risk of financial loss in certain circumstances, including instances where production is less than expected or oil prices increase. For example, under these arrangements the counterparty may require us to post cash collateral approximately equal to the difference between the agreed contract price of \$64.05 per barrel and a defined market price multiplied by the remaining barrels of oil under the open contracts. As a result, significant increases in oil prices could adversely affect our financial position. In addition, our hedging arrangements may limit the benefit to us of increases in the price of oil.

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***We will be subject to the requirements of Section 404 of the Sarbanes-Oxley Act. If we are unable to timely comply with Section 404 or if the costs related to compliance are significant, our profitability, stock price and results of operations and financial condition could be materially adversely affected.***

We will be required to comply with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 as of December 31, 2007. Section 404 requires that we document and test our internal control over financial reporting and issue management's assessment of our internal control over financial reporting. This section also requires that our independent registered public accounting firm opine on those internal controls and management's assessment of those controls. We will be required to evaluate our existing controls against the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. During the course of our ongoing evaluation and integration of the internal control over financial reporting, we may identify areas requiring improvement, and we may have to design enhanced processes and controls to address issues identified through this review.

We believe that the out-of-pocket costs, the diversion of management's attention from running the day-to-day operations and operational changes caused by the need to comply with the requirements of Section 404 of the Sarbanes-Oxley Act could be significant. If the time and costs associated with such compliance exceed our current expectations, our results of operations could be adversely affected.

We cannot be certain at this time that we will be able to successfully complete the procedures, certification and attestation requirements of Section 404 or that we or our auditors will not identify material weaknesses in internal control over financial reporting. If we fail to comply with the requirements of Section 404 or if we or our auditors identify and report such material weakness, the accuracy and timeliness of the filing of our annual and quarterly reports may be materially adversely affected and could cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. In addition, a material weakness in the effectiveness of our internal control over financial reporting could result in an increased chance of fraud and the loss of customers, reduce our ability to obtain financing and require additional expenditures to comply with these requirements, each of which could have a material adverse effect on our business, results of operations and financial condition.

### **Risks Related to this Offering and Our Common Stock**

***If our quarterly revenues and operating results fluctuate significantly, the price of our common stock may be volatile.***

Our revenues and operating results may in the future vary significantly from quarter to quarter. If our quarterly results fluctuate, it may cause our stock price to be volatile. We believe that a number of factors could cause these fluctuations, including:

- changes in oil and natural gas prices;
- changes in production levels;
- changes in governmental regulations and taxes;
- geopolitical developments;
- the level of foreign imports of oil and natural gas; and
- conditions in the oil and natural gas industry and the overall economic environment.

Because of the factors listed above, among others, we believe that our quarterly revenues, expenses and operating results may vary significantly in the future and that period-to-period comparisons of our operating results are not necessarily meaningful. You should not rely on the results of one quarter as an indication of our future performance. It is also possible that in some future quarters, our operating results will fall below our expectations or the expectations of market analysts and investors. If we do not meet these expectations, the price of our common stock may decline significantly.

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### ***Our officers and directors together with our largest stockholder control a significant percentage of our common stock, and their interests may conflict with those of our other stockholders.***

As of the date hereof, our executive officers and directors, in the aggregate, beneficially own approximately 5.6% of our outstanding common stock. Additionally, Charles E. Davidson beneficially owns approximately 61.0% of our outstanding common stock. Upon completion of this offering, our officers and directors, in the aggregate, will beneficially own 4.4%, and Mr. Davidson will beneficially own 43.5% of our outstanding common stock. As a result, these stockholders acting together are able to exercise significant influence over most matters requiring approval by our stockholders, including the election of directors and the approval of significant corporate transactions. Such a concentration of ownership may have the effect of delaying or preventing a change in control of us, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices.

### ***We have incurred and will continue to incur increased costs as a result of being a public company.***

As a result of being a public company, we have incurred and will continue to incur significant legal, accounting and other expenses. We have incurred and will continue to incur costs associated with our public company reporting requirements and costs associated with recently adopted corporate governance requirements, including requirements under the Sarbanes-Oxley Act of 2002, as well as new rules implemented by the SEC and the NASD. Prior to the consummation of this offering, we were considered to be a “controlled company” for the purposes of The Nasdaq National Market’s corporate governance requirements, and as a result were eligible for exemptions from provisions of these rules requiring that our board have a majority of independent directors, nominating and corporate governance and compensation committees composed entirely of independent directors and written charters addressing specified matters. Because we will cease to be a controlled company within the meaning of these rules upon consummation of this offering, we will be required to comply with these provisions after the specified transition periods. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. We also expect these new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

### ***We can give no assurances as to the market for our common stock.***

Since February 28, 2006, our common stock has been quoted on The Nasdaq National Market under the symbol “GPOR.” Prior to that date, our common stock was traded on the NASD OTC Bulletin Board under the symbol “GPOR.OB.” There is a limited market for our shares. We cannot assure you that an active trading market will develop, or if it does, that it will be sustained.

### ***We do not currently pay dividends on our common stock and do not anticipate doing so in the future.***

We have paid no cash dividends on our common stock, and there can be no assurance that we will achieve sufficient earnings to pay cash dividends on our common stock in the future. We intend to retain any earnings to fund our operations. Therefore, we do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, the terms of our credit agreement prohibit the payment of any dividends to the holders of our common stock.

### ***A change of control could limit our use of net operating losses.***

As of December 31, 2005, we had a net operating loss, or NOL, carry forward of approximately \$100.4 million for federal income tax purposes. Transfers of our stock in the future could result in an ownership

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change. In such a case, our ability to use the NOLs generated through the ownership change date could be limited. In general, the amount of NOLs we could use for any tax year after the date of the ownership change would be limited to the value of our stock (as of the ownership change date) multiplied by the long-term tax-exempt rate.

### ***Future sales of our common stock may depress our stock price.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales may occur, could cause the market price of our common stock to decline. In addition, the sale of these shares could impair our ability to raise capital through the sale of common or preferred stock. As of April 18, 2006, we had 32,180,326 shares of common stock issued and outstanding.

In addition, some of our current stockholders may have “demand” and/or “piggyback” registration rights in connection with future offerings of our common stock. “Demand” rights enable the holders to demand that their shares be registered and may require us to file a registration statement under the Securities Act at our expense. “Piggyback” rights require that we provide notice to the relevant holders of our stock if we propose to register any of our securities under the Securities Act, and grant such holders the right to include their shares in the registration statement.

### ***We could issue additional preferred stock which could be entitled to dividend, liquidation and other special rights and preferences not shared by holders of our common stock or which could have anti-takeover effects.***

We are authorized to issue up to 5,000,000 shares of preferred stock, par value \$0.01 per share. Shares of preferred stock may be issued from time to time in one or more series as our board of directors, by resolution or resolutions, may from time to time determine, each such series to be distinctively designated. The voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions, if any, of each such series of preferred stock may differ from those of any and all other series of preferred stock at any time outstanding, and, subject to certain limitations of our certificate of incorporation and the Delaware General Corporation Law, or DGCL, our board of directors may fix or alter, by resolution or resolutions, the designation, number, voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, of each such series preferred stock. The issuance of any such preferred stock could materially adversely affect the rights of holders of our common stock and, therefore, could reduce the value of our common stock.

In addition, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell our assets to, a third party. The ability of our board of directors to issue preferred stock could discourage, delay or prevent a takeover of us, thereby preserving control of the company by the current stockholders.

### ***Provisions in our organizational documents could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders.***

The existence of some provisions in our organizational documents could delay or prevent a change in control of our company, even if that change would be beneficial to our stockholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult. See “Description of Capital Stock—Anti-takeover Effects of Provisions of Our Certificate of Incorporation and Our Bylaws.”

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts, included in this prospectus and the documents incorporated by reference herein that address activities, events or developments that we expect or anticipate 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 our 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 us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. However, whether actual results and developments will conform with our 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 us; competitive actions by other oil and natural gas companies; changes in laws or regulations; hurricanes and other natural disasters and other factors, many of which are beyond our control. Consequently, all of the forward-looking statements made in this prospectus, and the documents incorporated by reference in this prospectus, are qualified by these cautionary statements and we cannot assure you that the actual results or developments anticipated by us will be realized or, even if realized, that they will have the expected consequences to or effects on us, our business or operations. We have no intention, and disclaim any obligation, to update or revise any forward looking statements, whether as a result of new information, future results or otherwise.

## USE OF PROCEEDS

We will not receive any proceeds from the sale of shares of our common stock by the selling stockholders.

We have granted the underwriters an option to purchase up to an additional 907,500 shares of common stock from us to cover over-allotments, if any. Assuming the underwriters exercise their over-allotment option in full, the net proceeds from our sale of these shares of common stock will be approximately \$12.1 million, based on an assumed public offering price of \$14.72 per share (the last sale price of our common stock as reported on The Nasdaq National Market on April 18, 2006) and after deducting estimated underwriting discounts and commissions and estimated offering expenses. If the underwriters exercise their over-allotment option, we intend to use the net proceeds to repay outstanding borrowings under our credit facility with Bank of America. Our credit facility provides for a \$30.0 million revolver subject to a current borrowing base limitation of \$23.0 million. On April 18, 2006, \$19.5 million was outstanding under this facility. 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. Amounts borrowed against the credit facility bear interest at the Bank of America prime rate plus 0.25% (7.5% at December 31, 2005). Our obligations under the credit facility are collateralized by a lien on substantially all of our Louisiana based oil and natural gas assets. The outstanding borrowings under our credit facility were used for general corporate purposes.



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**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2005:

- on an actual basis; and
- on an as adjusted basis to reflect the exercise in full by the underwriters of their over-allotment to purchase from us up to 907,500 shares of common stock, and our receipt of the estimated net proceeds of \$12.1 million from such sale, based on an assumed public offering price of \$14.72 per share (the last sale price of our common stock as reported on The Nasdaq National Market on April 18, 2006), after deducting estimated underwriting discounts and commissions and estimated offering expenses.

You should read this table in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes which are incorporated by reference in this prospectus.

	As of December 31, 2005	
	Actual	As Adjusted (Unaudited)
	(Dollars in thousands, except share data)	
Cash and cash equivalents	\$ 2,119	\$ 4,019
Total debt (including current maturities) (1)	\$ 10,200	\$ —
Stockholder’s Equity:		
Common stock, \$0.01 par value, 55,000,000 authorized, 32,168,203 issued and outstanding actual; 55,000,000 authorized, 33,075,703 issued and outstanding as adjusted	322	331
Paid-in capital	119,192	131,283
Accumulated other comprehensive income	759	759
Accumulated deficit	(35,946)	(35,946)
Total stockholder’s equity	\$ 84,327	\$ 96,427
Total capitalization	\$ 94,527	\$ 96,427

(1) On April 18, 2006, total debt was \$22.5 million.

### PRICE RANGE OF COMMON STOCK

Since February 28, 2006, our common stock has been quoted on The Nasdaq National Market under the symbol “GPOR.” Prior to that date, our common stock was traded on the NASD OTC Bulletin Board under the symbol “GPOR.OB.” The following table sets forth:

- the high and low sales prices for our common stock as reported by The Nasdaq National Market for each quarter during the period from February 28, 2006 through April 18, 2006; and
- the high and low sales prices for our common stock as reported by the NASD OTC Bulletin Board for each quarter in 2004 and 2005 and for the first quarter of 2006 through February 27, 2006, which quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

	<u>Low</u>	<u>High</u>
<b>Year Ending December 31, 2006</b>		
First Quarter (through February 27, 2006)	\$10.00	\$15.35
First Quarter (beginning February 28, 2006)	\$12.24	\$16.00
Second Quarter (through April 18, 2006)	\$14.50	\$15.75
<b>Year Ended December 31, 2005</b>		
First Quarter	\$ 3.24	\$ 5.90
Second Quarter	\$ 5.00	\$ 6.90
Third Quarter	\$ 6.70	\$11.50
Fourth Quarter	\$ 9.10	\$13.00
<b>Year Ended December 31, 2004</b>		
First Quarter	\$ 2.80	\$ 3.40
Second Quarter	\$ 2.15	\$ 3.10
Third Quarter	\$ 1.55	\$ 3.90
Fourth Quarter	\$ 2.75	\$ 4.00

On April 18, 2006, the last reported sale price of our common stock on The Nasdaq National Market was \$14.72 and there were 32,180,326 shares of our common stock outstanding and approximately 400 stockholders of record.

### DIVIDEND POLICY

We have never paid dividends on our common stock. We currently intend to retain all earnings to fund our operations. Therefore, we do not intend to pay any cash dividends on the common stock in the foreseeable future. In addition, the terms of our credit facility prohibits the payment of any dividends to the holders of our common stock.

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**SELECTED HISTORICAL FINANCIAL DATA**

The following table sets forth our selected historical financial data as of and for each of the years indicated. We derived the selected historical financial data as of and for each of the years ended 2005, 2004 and 2003 from our historical audited financial statements. You should review this information together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and historical financial statements and related notes incorporated by reference in this prospectus.

	Year Ended December 31,		
	2005	2004	2003
(In thousands, except per share amounts)			
<b>Consolidated Statements of Operations Information:</b>			
Revenues:			
Gas sales	\$ 3,437	\$ 1,484	\$ 498
Oil and condensate sales	23,986	21,587	15,311
Other income	136	119	138
Total revenues	<u>27,559</u>	<u>23,190</u>	<u>15,947</u>
Costs and expenses:			
Lease operating expenses	7,654	6,586	5,886
Production taxes	3,622	2,629	1,882
Depreciation, depletion, and amortization	4,789	4,952	4,637
General and administrative	1,561	2,107	1,843
Accretion expense	516	490	393
Total costs and expenses	<u>18,142</u>	<u>16,764</u>	<u>14,641</u>
Income from operations:	<u>9,417</u>	<u>6,426</u>	<u>1,306</u>
Other expense (income):			
Interest expense	250	246	112
Interest expense—preferred stock	272	1,949	875
Business interruption insurance recoveries	(1,710)	—	—
Interest income	(290)	(73)	(30)
Total other expense (income)	<u>(1,478)</u>	<u>2,122</u>	<u>957</u>
Income before taxes:	<u>10,895</u>	<u>4,304</u>	<u>349</u>
Income tax expense:	<u>—</u>	<u>—</u>	<u>—</u>
Net income before effect of change in accounting principle:	<u>10,895</u>	<u>4,304</u>	<u>349</u>
Cumulative effect of change in accounting principle:	<u>—</u>	<u>—</u>	<u>270</u>
Net income	<u>10,895</u>	<u>4,304</u>	<u>619</u>
Less: Preferred stock dividends	<u>—</u>	<u>—</u>	<u>(838)</u>
Net income (loss) available to common stockholders	<u>\$10,895</u>	<u>\$ 4,304</u>	<u>\$ (219)</u>
Net income (loss) per common share—basic:			
Per common share before effect of change in accounting principle	\$ 0.36	\$ 0.31	\$ (0.05)
Effect per common share of change in accounting principle	<u>—</u>	<u>—</u>	<u>0.03</u>
	<u>\$ 0.36</u>	<u>\$ 0.31</u>	<u>\$ (0.02)</u>
Net income (loss) per common share—diluted:			
Per common share before effect of change in accounting principle	\$ 0.34	\$ 0.28	\$ (0.05)
Effect per common share of change in accounting principle	<u>—</u>	<u>—</u>	<u>0.03</u>
	<u>\$ 0.34</u>	<u>\$ 0.28</u>	<u>\$ (0.02)</u>

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	Year Ended December 31,		
	2005	2004	2003
	(In thousands)		
<b>Consolidated Cash Flow Information:</b>			
Net cash provided (used) by:			
Operating activities	\$ 15,200	\$ 8,403	\$ 6,872
Investing activities	(36,703)	(15,123)	(8,617)
Financing activities	16,080	12,720	2,178

	At December 31,		
	2005	2004	2003
	(In thousands)		
<b>Consolidated Balance Sheet Information:</b>			
Total current assets	\$ 12,249	\$ 12,337	\$ 3,440
Total assets	111,820	78,150	58,980
Long-term obligations and redeemable preferred stock, excluding current maturities	17,971	24,191	19,548
Total liabilities	27,493	29,053	25,832
Total stockholders' equity	84,327	49,097	33,148

**BUSINESS**

**General**

We are an independent oil and natural gas exploration and production company with properties located along the Louisiana Gulf Coast. Our operations are concentrated in two fields: WCBB and East Hackberry. As of December 31, 2005, we had 23.2 MMboe of proved reserves, of which 84% was oil, with a present value of estimated future net revenues, discounted at 10%, or PV-10, of approximately \$456.9 million and associated standardized measure of discounted future net cash flows of approximately \$369.8 million. See “—Proved Oil and Natural Gas Reserves” for our definition of PV-10, a non-GAAP financial measure, and a reconciliation of our standardized measure of discounted future net cash flows to PV-10. Our 2005 production was 84% oil.

We seek to achieve reserve and production growth and increase our cash flow through our annual drilling programs. In 2005, we drilled 17 wells and recompleted 11 existing wells in our WCBB field for a total estimated cost of \$21.1 million. Of our 17 new wells, nine were completed as producing wells, seven were waiting to be completed at year end (one of which will be side-tracked in 2006 to test deeper zones) and one was a dry hole. During 2006, we intend to drill 22 wells, recomplete 18 existing wells at our WCBB field and complete six wells that we drilled in 2005 for an estimated aggregate cost of \$33.2 million. As of April 18, 2006, we had drilled ten new wells of which eight are awaiting completion and two were dry holes. During 2005, we completed a 3-D seismic program at our East Hackberry field to enhance our drilling program at that field and we currently intend to drill up to six wells in 2006 for an estimated aggregate cost of \$13.3 million.

**Principal Oil and Natural Gas Properties**

We own interests in producing oil and natural gas properties located along the Louisiana Gulf Coast. The following table presents certain information as of December 31, 2005 reflecting our net interest in our principal producing oil and natural gas properties in Louisiana.

Field	NRI/WI <sup>(1)</sup> Percentages	Producing Wells <sup>(2)</sup>		Non-Producing Wells		Developed Acreage <sup>(3)</sup>		Proved Reserves		
		Gross	Net	Gross	Net	Gross	Net	Gas Mboe	Oil Mboe	Total Mboe
		West Cote Blanche Bay <sup>(4)</sup>	79.4/100	0	0.0	258	258	5,668	5,668	2,937
East Hackberry	78.7/100	6	6.0	70	70	3,147	3,147	693	2,717	3,410
West Hackberry	87.5/100	3	3.0	24	24	592	592	—	157	157
Overrides/Royalty Non-operated	Various	9	0.4	28	1.3	4,956	586	—	5	5
<b>Total</b>		<b>18</b>	<b>9.4</b>	<b>380</b>	<b>353.3</b>	<b>14,363</b>	<b>9,993</b>	<b>3,630</b>	<b>19,542</b>	<b>23,172</b>

(1) Net Revenue Interest (NRI)/Working Interest (WI).

(2) On September 21, 2005, we began shutting in all of our producing wells at WCBB and the Hackberry fields in preparation for the arrival of Hurricane Rita. Six of our 11 producing wells in the Hackberry fields returned to production in November 2005. Our WCBB facilities, however, sustained more damage and the 57 wells that were producing on September 20, 2005 before the hurricane struck remained shut-in at December 31, 2005. As a result, all of these wells have been classified as non-producing wells at December 31, 2005 in the above table. Our main tank batteries and gas sales line became operational, and we began returning wells to production, in February 2006. As of April 18, 2006, 27 of the 57 active wells at WCBB prior to Hurricane Rita had returned to production on an intermittent basis. We expect the remaining wells, as well as 15 additional wells drilled at WCBB after the hurricane but not completed due to the damage to our facilities, to commence production during the second quarter of 2006.

(3) Developed acres are acres allocated or assignable to productive wells or wells capable of production. All of our acreage is developed acreage. All of the oil and natural gas leases in which we own an interest have been perpetuated by production. The operator may surrender the leases at any time by notice to the lessors, or by the cessation of production.

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- (4) We have a 100% working interest (79.4% average NRI) from the surface to the base of the 13900 Sand which is located at 11,320 feet. Below the base of the 13900 Sand, we have a 40.4% non-operated working interest (30.0% NRI).

### **West Cote Blanche Bay Field**

#### *Location and Land*

The WCBB field lies approximately five miles off the coast of Louisiana, primarily in St. Mary Parish, in a shallow bay with water depths averaging eight to ten feet. Currently, we own a 100% working interest (79.4% NRI), and are the operator, in depths above the base of the 13900 Sand which is located at 11,320 feet. In addition, we own a 40.4% non-operated working interest (30.0% NRI) in depths below the base of the 13900 Sand, which is operated by Chevron Corporation. Our leasehold interests at WCBB cover a portion of Louisiana State Lease 340 and contain 5,668 gross acres.

#### *Area History and Production*

Texaco, now Chevron Corporation, drilled the discovery well in this field in 1940 based on a seismic and gravitational anomaly. WCBB was subsequently developed on an even 160-acre pattern for much of the remainder of the decade. Developmental drilling continued and reached its peak in the 1970s when over 300 wells were drilled in the field. Of the 846 wells drilled as of December 31, 2005, 766 were completed as producing wells. As a result, the field has a historic success rate of 90% for all wells drilled. As of December 31, 2005, estimated field cumulative gross production was 193 MMbo and 234 Bcf of gas.

Of the 846 wells drilled in WCBB as of December 31, 2005, 57 were producing prior to being shut-in beginning on September 21, 2005 in preparation for Hurricane Rita, nine were drilled after Hurricane Rita but not completed by year end, 172 were shut-in, 30 were producing intermittently and five were being used as salt water disposal wells. The other 573 wells have been plugged and abandoned. During the period January 1, 2005 through September 21, 2005, our net daily production at WCBB averaged 1,727 barrels of oil, 1,934 Mcf of gas and 11,470 barrels of water.

In 1991, Texaco conducted a 70 square mile 3-D seismic survey. In 1993, an undershoot survey around the crest and production facilities was completed. We own the rights to the seismic data. In December 1999, we completed the reprocessing of the seismic data which our technical staff used to identify and develop prospects in areas of the field that would have otherwise remained obscure. During the first half of 2005, we again reprocessed the seismic data using the most recent advances in seismic data processing.

From our acquisition of WCBB in 1997 through December 31, 2005, we drilled 62 new wells, seven of which were dry holes, for an 89% success rate. These wells produced 2,749 gross Mboe through December 31, 2005. We have also recompleted 57 existing wells resulting in 44 producing wells. These recompleted wells produced 1,193 gross Mboe through December 31, 2005.

#### *Geology*

WCBB overlies one of the largest salt dome structures on the Gulf Coast. The field is characterized by a piercement salt dome, which created traps from the Pleistocene through the Miocene formations. The relative movements affected deposition and created a complex system of fault traps. The compensating fault sets generally trend northwest to southeast and are intersected by sets having a major radial component. Later-stage movement caused extension over the dome and a large graben system (a downthrown area bounded by normal faults) was formed.

There are over 100 distinct sandstone reservoirs recognized throughout most of the field, and nearly 200 major and minor discrete intervals have been tested. Within the 846 wellbores that had been drilled in the field as of December 31, 2005, over 4,000 potential zones have been penetrated. These sands are highly porous and permeable reservoirs primarily with a strong water drive.

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WCBB is a structurally and stratigraphically complex field. All of the PUD locations at WCBB are adjacent to faults and abut at least one fault. Our drilling programs are designed to penetrate each PUD trap with a new wellbore in a structurally optimum position, usually very close to the fault seal. The majority of these wells have been, and new wells drilled in connection with our drilling programs will be, directionally drilled using steering tools and downhole motors. The tolerance for error in getting near the fault is low, so the complex faulting does introduce the risk of crossing the fault before encountering the zone of interest, which could result in part or all of the zone being absent in the borehole. This, in turn, can result in lower than expected or no reserves for that zone. The new wellbores eliminate the mechanical risk associated with trying to produce the zone from an old existing wellbore, while the wellbore locations are selected in an effort to more efficiently drain each reservoir. The vast majority of the PUD targets are up-dip offsets to wells that produced from a sub-optimal position within a particular zone. Our inventory of prospects includes approximately 120 PUD wells. The drilling schedule used in the reserve report anticipates that all of those wells will be drilled by 2015.

### *Facilities*

We own and operate a production facility at WCBB that includes four production tank batteries and is equipped with hydrocarbon separation equipment, four natural gas compressor platforms, a dehydration unit and a salt water disposal system. We sustained minimal damage to our facilities at WCBB from Hurricane Katrina which came onshore on August 29, 2005. Our WCBB facilities were shut-in and evacuated for precautionary reasons for only four days. On September 24, 2005, however, the tidal surge from Hurricane Rita caused damage to our WCBB facilities and all of our active WCBB wells were shut-in. Our main tank batteries, which handled approximately 70% of our production before Hurricane Rita, and the gas sales line are now operational, and we anticipate that the balance of our production facilities at WCBB will be brought on line in the second and third quarters of 2006. We began returning WCBB wells to production on February 5, 2006, and as of April 18, 2006, 27 of the 57 active wells in the field prior to Hurricane Rita had been returned to production on an intermittent basis. We continue to reactivate our remaining shut-in WCBB wells and are in the process of completing 15 wells that have been drilled after Hurricane Rita but not completed due to the damage to our facilities caused by that storm. We expect that all of these wells will begin producing during the second quarter of 2006. We had an insurance program in place that we believe will adequately cover damage to our platform and facilities at WCBB. In addition, business interruption insurance has helped mitigate the financial impact of Hurricane Rita on our WCBB operations. Once fully operational, we believe our facilities will have capacity in excess of our current and anticipated production volumes.

### *Recent and Future Activity*

In 2005, we drilled 17 wells and recompleted 11 existing wells at WCBB. Of these 17 new wells, nine were completed as producers, seven were drilled subsequent to Hurricane Rita and have not yet been completed (including one that will be side-tracked in 2006 to test deeper zones) and one was a dry hole. We anticipate drilling 22 wells and recompleting 18 wells at WCBB during 2006. As of April 18, 2006, we had drilled ten new wells and production casing has been run on seven of these wells, bringing to 15 the number of wells that have been drilled but not yet been completed due to the effects of Hurricane Rita. The 15 wells that are now in the process of being completed are expected to begin producing in the second quarter of 2006. The remaining two wells drilled in 2006 were dry holes.

The ten wells we have drilled at WCBB to date in 2006 include three deep wells, three intermediate depth wells and four shallow wells. The deep wells, with total depths ranging from 8,850 to 9,400 feet, have approximately 373 feet of apparent net pay. The intermediate wells, with total depths ranging from 5,000 to 7,500 feet, have approximately 188 feet of apparent net pay. Two of the shallow wells, at depths of less than 3,000 feet, have 40 feet of apparent net pay. Two additional shallow wells were unsuccessful, including one exploratory well that was drilled to satisfy our drilling commitment to hold the non-productive portions of WCBB.

In the second quarter of 2006, we anticipate drilling a 12,000 foot wildcat test well targeting the higher-pressure gas zones in the field for an anticipated well cost of approximately \$5.5 million. The cost of this wildcat well is approximately four times the cost of a typical well drilled to 9,500 feet, and has more geologic risk.

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However, we believe the additional geological risk is warranted by the higher reserve and production potential of the wildcat test. We have also identified other deeper wildcat gas test wells on the WCBB salt dome acreage, as well as undrilled conventional depth fault blocks. We expect to test these exploratory prospects in 2007 and thereafter based on our drilling results and available cash flows.

### *Production Status*

On September 20, 2005, prior to Hurricane Rita, 57 wells, including nine productive wells we drilled in 2005, were producing and total net production at WCBB on that date was 2,204 Boe, 97% of which was from oil and 3% of which was from natural gas. During the period March 20, 2006 through March 30, 2006, total net production at WCBB from 27 of the 57 active wells that were shut-in in preparation for Hurricane Rita ranged from 1,754 Boe to 3,032 Boe per day. Aggregate net production from WCBB during the first quarter of 2006 was 59.1 Mboe. We expect our WCBB production to increase substantially in the second quarter of 2006 as the remaining wells shut-in for Hurricane Rita are returned to production and our 15 new wells drilled after the hurricane, together with additional wells that are now being drilled as part of our 2006 drilling program, are completed and brought on-line.

## **East Hackberry Field**

### *Location and Land*

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. We own a 100% working interest (approximately 79% average NRI) in certain producing oil and natural 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.

### *Area History and Production*

The East Hackberry field was discovered in 1926 by Gulf Oil Company, now Chevron Corporation, by a gravitational anomaly survey. The massive shallow salt stock presented an easily recognizable gravity anomaly indicating a productive field. Initial production began in 1927 and has continued to the present. The estimated cumulative oil and condensate production through 2005 was over 49 MMbo and 41 Bcf of casinghead gas production. There have been a total of 170 wells drilled on our portion of the field. As of December 31, 2005, six wells had daily production, 84 were shut-in and two had been converted to salt water disposal wells. The remaining 78 wells had been plugged and abandoned.

### *Geology*

The Hackberry salt ridge is a major salt intrusive feature, elliptical in shape as opposed to a classic "dome," divided into east and west field entities by a saddle. Structurally, our East Hackberry acreage is located on the eastern end of the Hackberry salt ridge. There are over 30 pay zones at this field. The salt intrusion formed a series of structurally complex and steeply dipping fault blocks in the Lower Miocene and Oligocene age rocks. These fault blocks serve as traps for hydrocarbon accumulation. Our wells currently produce from perforations found between 5,100 and 12,200 feet.

### *Facilities*

We have land-based production and processing facilities located at the East Hackberry field. The facilities include dehydrating units and disposal pumps. We also have a field office that serves both the East and West Hackberry fields.



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### *Recent and Future Activity*

During 2005, we completed a proprietary 42 square mile 3-D seismic survey at East Hackberry for a total cost in 2004 and 2005 of approximately \$5.0 million. Given that previous drilling activities at the East Hackberry field were undertaken without the benefit of modern seismic information, we believe that the newly acquired 3-D seismic data will enhance our probability of drilling success. We are evaluating the newly processed 3-D seismic data to identify additional drilling locations. We currently intend to drill six wells during 2006 to measured depths of approximately 13,000 feet using directional drilling techniques. The 3-D seismic data also suggests the possibility of deep gas production and, as a result, we intend to drill a deep wildcat well during 2007 for a total anticipated well cost of approximately \$4.0 million. If productive, multiple offset locations could be drilled.

Prior to shutting-in our 11 producing East Hackberry wells on September 20, 2005 in preparation for Hurricane Rita, aggregate net production was approximately 299 Boe per day. Production was re-established from six of these wells in November 2005, and during the period March 20, 2006 through March 30, 2006, aggregate net production from these wells ranged from approximately 181 Boe to 219 Boe per day. Due to damage to certain of our production facilities caused by Hurricane Rita, five wells in our State Lease 50 Block remain shut-in. Prior to being shut-in, these five wells in the field had aggregate production of approximately 50 Boe per day with a limited amount of gas. We plan on replacing or upgrading certain of our East Hackberry facilities in connection with our 2006 drilling program and intend to put the five remaining shut-in wells back on line when these facilities are completed. Aggregate net production from the East Hackberry field during the first quarter of 2006 was 14.6 Mboe.

### **West Hackberry Field**

#### *Location and Land*

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. We own a 100% working interest (approximately 87.5% NRI) in 592 acres within the West Hackberry field. Our leases at West Hackberry are located within two miles of one of the United States Department of Energy's Strategic Petroleum Reserves.

#### *Area History and Production*

The first discovery well at West Hackberry was drilled in 1938 and the field was developed by Superior Oil Company, now ExxonMobil Corporation, between 1938 and 1988. The estimated cumulative oil and condensate production through 2005 was 18.4 MMbo and 12.9 Bcf of natural gas. There have been 36 wells drilled to date on our portion of West Hackberry. Currently, three are producing, 24 are shut-in and one has been converted to a saltwater disposal well. The remaining eight wells have been plugged and abandoned. During the period March 20, 2006 through March 30, 2006, aggregate net production from the wells ranged from 72 Boe to 83 Boe per day.

#### *Geology*

Structurally, our West Hackberry acreage is located on the western end of the Hackberry salt ridge. There are over 30 pay zones at this field. West Hackberry consists of a series of fault-bounded traps in the Oligocene-age Vincent and Keough sands associated with the Hackberry salt ridge. Recoveries from these thick, porous, water-drive reservoirs have resulted in per well cumulative production of almost 700 Mboe.

#### *Facilities*

We have land-based production and processing facilities located at the West Hackberry field and maintain a field office that serves both the East and West Hackberry fields.

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### Additional Properties

*Louisiana.* In addition to our interests in the WCBB, East Hackberry and West Hackberry fields, we also own working interests and an overriding royalty interest in various fields in Louisiana as described in the following table:

Field	Parish	Acreage Working Interest	Overriding Royalty Interests	Producing Wells	Non-Producing Wells
Bayou Long	Iberia	3.125%	0%	1	0
Bayou Penchant	Terrebonne	3.125%	0%	1	13
Bayou Pigeon	Iberia	6.250%	0%	4	8
Deer Island	Terrebonne	6.250%	0%	0	6
Golden Meadow	Lafourche	3.125%	0%	0	1
Napoleonville	Assumption	0%	2.5%	3	0

*Thailand.* During March 2005, we purchased a 23.5% ownership interest in Tatex Thailand II, LLC, or Tatex, at a cost of \$2,400,000. The remaining interests in Tatex are owned by other entities controlled by Wexford Capital LLC, or Wexford, an affiliate of ours. Tatex holds approximately 8.5% of the outstanding shares of APICO, LLC, or APICO, an international oil and gas exploration company, and our investment is accounted for on the cost method. APICO has a reserve base located in Southeast Asia through its ownership interests in concessions covering 3 million acres. Our interest in Tatex includes proved reserves, net to our interest, of 3.36 Bcf of natural gas and 10,082 barrels of oil at August 1, 2005, the latest date that reserve information is available to us. These reserves are not included in our December 31, 2005 reserve report.

*Williston Basin.* During 2005, we purchased a 20% ownership interest in Windsor Bakken, LLC, or Bakken. The remaining interests in Bakken are owned by other entities controlled by Wexford, an affiliate of ours. As of December 31, 2005, Bakken had acquired leases covering approximately 83,300 gross and 41,600 net acres, all of which is undeveloped, in the Williston Basin located in western North Dakota and eastern Montana. The Williston Basin has production from 11 major geologic horizons that range in depth from 1,000 to over 14,000 feet, with our current zones of interest lying at depths ranging from 9,000 to 12,000 feet. Activities in this basin are expected to include both exploration and development drilling programs to different horizons including the Bakken shale. It is currently contemplated that Bakken will contribute all of its assets to Windsor Energy Resources, Inc., or Windsor Energy, in connection with Windsor Energy's proposed initial public offering. We would receive an indirect equity interest in Windsor Energy as a result of that contribution. Windsor Energy is beneficially owned by Wexford and is an affiliate of ours.

*Marquiss Field.* In February 2005, we acquired our interest in the Marquiss field, an approximately 9,500 net acre coalbed methane play in Campbell County, Wyoming, for \$375,000. As of December 31, 2005, the Marquiss field included a total of 162 wells, of which 105 were producing and 57 were shut-in. The effective date of the sale was December 1, 2004. The wells produce from multiple horizons with additional upside potential from deeper coals and operational efficiencies. The Marquiss field contained proved gas reserves, net to our interest, of 212,548 Mcf at December 31, 2005. These reserves are not included in our December 31, 2005 reserve report. We plan to contribute these properties to Windsor Energy, an affiliate of our company, in connection with its initial public offering in exchange for common stock of Windsor Energy.

### Competition and Markets

The oil and natural gas industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce oil and natural gas, but also carry on midstream and refining operations and market petroleum and other products on a regional, national or worldwide basis. These competitors may be better positioned to take advantage of industry opportunities and to withstand changes affecting the industry, such as fluctuations in oil and natural gas prices and production, the availability of alternative energy sources and the application of government regulation.

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The availability of a ready market for any oil and/or natural gas we produce depends on numerous factors beyond the control of our management, including but not limited to the extent of domestic production and imports of oil, the proximity and capacity of gas pipelines, the availability of skilled labor, materials and equipment, the effect of state and federal regulation of oil and natural gas production and federal regulation of gas sold in interstate commerce. The oil and natural gas we produce in Louisiana is sold to purchasers who service the areas where our wells are located. We sell the majority of our oil to Shell Trading Company, or Shell. Shell takes custody of the oil at the outlet from our oil storage barge. Our production is being sold in accordance with the posted price for West Texas/New Mexico Intermediate crude plus Platt's trade month average P+ value, plus or minus the Platt's WII/LLS differential less \$0.85 per Bbl for transportation. During 2005, we sold 99% of our oil production to Shell and 88% of our natural gas production to Chevron. During 2004, we sold 99% of our oil production to Shell and 68% and 21% of our natural gas production to Chevron and Apache Corporation, respectively. Our wells are not subject to any agreements that would prevent us from either selling our production on the spot market or committing such natural gas to a long-term contract; however, there can be no assurance that we will continue to have ready access to suitable markets for our future oil and natural gas production.

Production from our Marquiss field in Wyoming is gathered in the field and delivered to Western Gas Resources at two gas sales meters located in our field. We are paid based on a Gas Daily CIG index net of various deductions for gathering, quality and fuel for compression.

Oil and natural gas prices can be extremely volatile and are subject to substantial seasonal, political and other fluctuations. The prices at which the oil and natural gas we produce may be sold is uncertain and it is possible that under some market conditions the production and sale of oil and natural gas from some or all of our properties may not be economical. Because of all of the factors influencing the price of oil and natural gas, it is impossible to accurately predict future prices.

We established an oil price-hedging program in August 2005 to reduce our 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. We pay the counterparty the excess of the oil market price over the fixed price and will receive the excess of the fixed price over the market price as defined in each contract. These contracts allow us 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, we will not benefit from market prices that are higher than the fixed prices in the contracts for hedged production. For the year ended December 31, 2005, price swap contracts hedged 8.7% of our oil production. As of December 31, 2005, price swap contracts were in place to hedge 540,000 barrels of estimated future production during 2006. For the year ended December 31, 2005, fixed-price sales contracts covered 71% of our oil production.

## **Regulation**

### *Regulation of Oil and Natural Gas Production*

Oil and natural gas operations are subject to various types of regulation by state and federal agencies. Legislation affecting the oil and natural gas industry is under constant review for amendment or expansion. Also, numerous departments and agencies, both federal and state, are authorized by statute to issue rules and regulations binding on the oil and natural gas industry and its individual members, some of which carry substantial penalties for failure to comply. The regulatory burden on the oil and natural gas industry increases our cost of doing business and, consequently, affects our profitability.

We own interests in a number of producing oil and natural gas properties located along the Louisiana Gulf Coast and Wyoming. These states regulate the production and sale of oil and natural gas, including requirements for obtaining drilling permits, the method of developing new fields and the spacing and operation of wells. In addition, regulations governing conservation matters aimed at preventing the waste of oil and natural gas resources could affect the rate of production and may include maximum daily production allowables for wells on a market demand or conservation basis.

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### *Environmental Regulation*

Our oil and natural gas exploration, development and production operations are subject to stringent federal, state and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency, or EPA, issue regulations to implement and enforce such laws, which often require difficult and costly compliance measures that carry substantial administrative, civil and criminal penalties or may result in injunctive relief for failure to comply. These laws and regulations may require the acquisition of a permit before drilling commences, restrict the types, quantities and concentrations of various substances that can be released into the environment in connection with drilling and production activities, limit or prohibit construction or drilling activities on certain lands lying within wilderness, wetlands, ecologically sensitive and other protected areas, require remedial action to prevent pollution from former operations, such as plugging abandoned wells or closing pits, and impose substantial liabilities for pollution resulting from our operations. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly waste handling, storage, transport, disposal, cleanup or permitting requirements could materially adversely affect our operations and financial position, as well as the oil and natural gas industry in general. Our management believes that we are in substantial compliance with current applicable environmental laws and regulations and we have not experienced any material adverse effect from compliance with these environmental requirements; this trend, however, may not continue in the future.

*Waste Handling.* The Resource Conservation and Recovery Act, or RCRA, and comparable state statutes, affect oil and natural gas exploration and production activities by imposing regulations on the generation, transportation, treatment, storage, disposal and cleanup of “hazardous wastes” and on the disposal of non-hazardous wastes. With federal approval, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Although wastes associated with the exploration, development and production of crude oil and natural gas are exempt from regulation as hazardous wastes under RCRA, such wastes may constitute “solid wastes” that are subject to the less stringent requirements of non-hazardous waste provisions. However, there can be no assurance that the EPA or the state or local governments will not adopt more stringent requirements for the handling of non-hazardous wastes or categorize some non-hazardous wastes as hazardous for future regulation. Indeed, legislation has been proposed from time to time to re-categorize certain oil and natural gas exploration and production wastes as “hazardous wastes.”

Administrative, civil and criminal penalties can be imposed for failure to comply with waste handling requirements. We believe that we are in substantial compliance with the requirements of RCRA and related state and local laws and regulations, and that we hold all necessary and up-to-date permits, registrations and other authorizations to the extent that our operations require them under such laws and regulations. Although we do not believe that the current costs of managing our wastes as they are presently classified to be significant, any legislative or regulatory reclassification of oil and natural gas exploration and production wastes could increase our costs to manage and dispose of such wastes.

*Comprehensive Environmental Response, Compensation and Liability Act.* The Comprehensive Environmental Response, Compensation and Liability Act, also known as CERCLA or the “Superfund” law, and comparable state statutes, generally impose joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include the current owner or operator of a contaminated facility, a former owner or operator of the facility at the time of contamination and those persons that disposed or arranged for the disposal of the hazardous substance. Under CERCLA, such persons may be subject to strict joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. In the course of our operations, we use, and previous operators of our properties may have used, materials, that, if released, would be subject to CERCLA. Therefore, governmental agencies or third parties may seek to hold us responsible under CERCLA for all or part of the costs to clean up sites at which such “hazardous substances” have been deposited.

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*Water Discharges.* The Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants, including produced waters and other gas and oil wastes, into state waters or waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or the state. These proscriptions also prohibit certain activity in wetlands unless authorized by a permit issued by the U.S. Army Corps of Engineers. The Clean Water Act and the Oil Pollution Act of 1990 (OPA) require facilities that store or otherwise handle oil in excess of specified quantities to prepare and implement spill prevention, control and countermeasure plans and facility response plans relating to possible discharges of oil to surface water. Costs may be associated with the treatment of wastewater or developing and implementing required plans. We believe that we have obtained or applied for all permits required under the Clean Water Act. Sanctions for failure to comply with Clean Water Act requirement include administrative, civil and criminal penalties, as well as injunctive relief.

*Air Emissions.* The federal Clean Air Act, and associated state laws and regulations, regulate emissions of various air pollutants through the issuance of permits and the imposition of other requirements. In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants at specified sources. Some of our new facilities will be required to obtain permits before work can begin, permits may be required for our facilities' operations, and existing facilities may be required to incur capital costs to remain in compliance. These regulations may increase the costs of compliance for some facilities we own or operate, and federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the federal Clean Air Act and associated state laws and regulations. We believe that we are in substantial compliance with all air emissions regulations and that we hold all necessary and valid construction and operating permits for our operations. Obtaining permits has the potential to delay the development of oil and natural gas projects.

*Coastal Coordination.* Various state and federal programs regulate the conservation and development of coastal resources. The federal Coastal Zone Management Act, CZMA, was passed in 1972 to preserve and, where possible, restore the natural resources of the Nation's coastal zone. The CZMA provides for federal grants for state management programs that regulate land use, water use and coastal development. In Louisiana, state legislation enacted in 1978 established the Louisiana Coastal Zone Management Program, LCZMP, to protect, develop and, where feasible, restore and enhance coastal resources of the state. Under the LCZMP, coastal use permits are required for certain activities in the coastal zone, even if the activity only partially infringes on the coastal zone. The Coastal Management Division of Louisiana's Department of Natural Resources administers the coastal use permit program which applies in the coastal areas of 18 of Louisiana's 64 parishes. Activities requiring such a permit include, among other things, projects involving the use of state lands and water bottoms, dredge or fill activities that intersect with more than one body of water, mineral activities, including the exploration and production of oil and gas, and pipelines for the gathering, transportation or transmission of oil, gas and other minerals. General permits, which entail a reduced administrative burden, are available for a number of routine oil and gas activities. The LCZMP and its requirement to obtain coastal use permits may result in additional permitting requirements and associated time constraints for our projects.

*OSHA.* We are subject to the requirements of the federal Occupational Safety and Health Act, OSHA, and comparable state statutes. The OSHA Hazard Communications Standard, the EPA Community Right to Know regulations under Title III of CERCLA, and similar state statutes require us to organize and/or disclose information about hazardous materials used or produced in our operations. We believe we are in substantial compliance with the applicable requirements.

### **Operational Hazards and Insurance**

Our operations are subject to all of the risks normally incident to the production of oil and natural gas, including blowouts, cratering, pipe failure, casing collapse, oil spills and fires, each of which could result in severe damage to or destruction of oil and natural gas wells, production facilities or other property, or injury to persons. The energy business is also subject to environmental hazards, such as oil spills, gas leaks, and ruptures

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and discharge of toxic substances or gases that could expose us to substantial liability due to pollution and other environmental damage. In accordance with customary industry practice, we historically have maintained insurance against some, but not all, of these risks. On April 1, 2006, our insurance expired and we are currently determining whether to renew our coverages. We cannot assure you that we will renew these coverages or, if we do, that such insurance will be adequate to cover any losses or liabilities we may suffer. We also cannot predict the continued availability of insurance, or its availability at premium levels that justify its purchase. In addition, we understand that insurance carriers are modifying or otherwise restricting insurance coverage or ceasing to provide certain types of insurance coverage in the Gulf Coast region. We may also be liable for environmental damage caused by previous owners of properties purchased by us, which liabilities would not be covered by insurance.

### Headquarters and Other Facilities

We own an approximately 28,500 square foot office building in Oklahoma City, Oklahoma that serves as our corporate headquarters. We lease a portion of this office space to certain of our affiliates. We also own an approximately 12,500 square foot building in Lafayette, Louisiana that is used as our Louisiana headquarters. This building contains approximately 6,200 square feet of finished office area and 6,300 square feet of warehouse area.

### Employees

As of April 15, 2006, we had 83 employees. Certain of our employees perform management and administrative services for affiliated companies. We are reimbursed by these affiliates for the salaries and benefits of these individuals based on the estimated time they spent working for those affiliates. In addition, we receive 100% of the Council of Petroleum Accountants Societies (COPAS) overhead charges billed to these affiliated companies. For the years ended December 31, 2005 and 2004, expenses reimbursed to us under these arrangements were \$6,232,000 and \$2,146,000, respectively, and are reflected as a reduction in our general and administrative expenses. A Louisiana well servicing company serves as contract operator of WCBB and the Hackberry fields and provides all necessary field personnel.

### Proved Oil and Natural Gas Reserves

The oil and natural gas reserve information set forth below represents estimates as prepared by the independent engineering firm of NSAI. Reserve engineering is a subjective process of estimating volumes of economically recoverable oil and natural gas that cannot be measured in an exact manner. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation. As a result, the estimates of different engineers often vary. In addition, the results of drilling, testing and production may justify revisions of such estimates. Accordingly, reserve estimates often differ from the quantities of oil and natural gas that are ultimately recovered. Estimates of economically recoverable oil and natural gas and of future net revenues are based on a number of variables and assumptions, all of which may vary from actual results, including geologic interpretation, prices, and future production rates and costs. See "Risk Factors" contained elsewhere in this prospectus. We have not filed any estimates of total, proved net oil or gas reserves with any federal authority or agency other than the SEC since the beginning of our last fiscal year.

The following table sets forth estimates of our proved oil and natural gas reserves at December 31, 2005 and 2004, as estimated by NSAI.

	December 31, 2005			December 31, 2004		
	Developed	Undeveloped	Total	Developed	Undeveloped	Total
Oil (MBbls)	4,308	15,234	19,542	4,633	16,272	20,905
Gas (MMcf)	3,758	18,022	21,780	4,635	18,527	23,162
Mboe	4,934	18,238	23,172	5,405	19,360	24,765
PV-10 (in millions) (1)	\$ 135.9	\$ 321.0	\$ 456.9	\$ 89.5	\$ 272.0	\$ 361.5
Standardized measure (in millions) (2)	—	—	\$ 369.8	—	—	\$ 301.0

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- (1) Represents present value, discounted at 10% per annum, of estimated future net revenue before income tax of our estimated proven reserves. The estimated future net revenues set forth above were determined by using reserve quantities of proved reserves and the periods in which they are expected to be developed and produced based on economic conditions prevailing at December 31, 2005 and 2004, respectively. The estimated future production is priced at December 31, 2005, without escalation, using \$57.75 per Bbl and \$10.08 per MMBtu, and at December 31, 2004, without escalation, using \$40.25 per Bbl and \$6.18 per MMBtu, in each case adjusted by lease for transportation fees and regional price differentials.

PV-10 is a non-GAAP financial measure because it excludes income tax effects. Management believes that the presentation of the non-GAAP financial measure of PV-10 provides useful information to investors because it is widely used by professional analysts and sophisticated investors in evaluating oil and natural gas companies. PV-10 is not a measure of financial or operating performance under GAAP. PV-10 should not be considered as an alternative to the standardized measure as defined under GAAP. We have included a reconciliation of PV-10 to the most directly comparable GAAP measure—standardized measure of discounted future net cash flows—in the following table:

	As of December 31,	
	2005	2004
Standardized measure of discounted future net cash flows	\$ 369,824,000	\$ 301,047,000
Add: Present value of future income tax discounted at 10%	<u>87,086,000</u>	<u>60,495,000</u>
PV-10	<u>\$ 456,910,000</u>	<u>\$ 361,542,000</u>

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

The above table does not include (a) proved reserves, net to our interest in Tatex, of 3.36 Bcf of gas and 10,082 barrels of oil at August 1, 2005 or (b) proved reserves attributable to our Marquiss field of 212,584 Mcf of gas at December 31, 2005. For further discussion of our interests in Tatex and the Marquiss field, see “Business—Additional Properties.”

Proved developed reserves are proved reserves that can be expected to be recovered from existing wells with existing equipment and operating methods. Proved undeveloped reserves are proved reserves that are expected to be recovered from new wells drilled to known reservoirs on undrilled acreage for which the existence and recoverability of such reserves can be estimated with reasonable certainty, or from existing wells on which a relatively major expenditure is required to establish production.

Total proved reserves decreased 1,593 Mboe to 23,172 Mboe at December 31, 2005 from 24,765 at December 31, 2004. This decrease in reserves is mainly attributable to reserve revisions and reductions related to our 2005 production. Further, a significant portion of the reserves that were categorized as proved developed producing at December 31, 2004 have been recategorized as proved developed non-producing shut-in or proved undeveloped as a result of the damage caused by Hurricane Rita in September 2005.

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### Production, Prices and Production Costs

The following table presents our production volumes and average prices received during the periods indicated:

	2005	2004	2003
<b>Production Volumes:</b>			
Oil (MBbls)	517	584	571
Gas (MMcf)	575	284	123
Oil Equivalents (Mboe)	613	631	592
<b>Average Prices:</b>			
Oil (per Bbl)	\$46.39 <sup>(1)</sup>	\$36.97 <sup>(1)</sup>	\$27.66 <sup>(1)</sup>
Gas (per Mcf)	\$ 5.98	\$ 5.24	\$ 4.04
Oil Equivalents (per Mboe)	\$44.75	\$36.58	\$26.70
Average Production Costs (per Boe)	\$12.49 <sup>(2)</sup>	\$10.44 <sup>(2)</sup>	\$ 9.93 <sup>(2)</sup>
Average Production Taxes (per Boe)	\$ 5.91	\$ 4.17	\$ 3.17
Total Production Costs (per Boe)	<u>\$18.40</u>	<u>\$14.61</u>	<u>\$13.10</u>

(1) Includes fixed contract prices of:

January 2003	\$28.50
February 2003	\$28.34
March 2003	\$27.95
April 2003	\$27.08
May 2003	\$26.95
June 2003	\$24.27
July 2003	\$24.33
August 2003	\$24.42
September 2003	\$24.45
October 2003	\$24.45
November 2003	\$24.25
December 2003	\$24.10
January—June 2004	\$30.00
July—December 2004	\$33.60
January—June 2005	\$33.10
July—December 2005	\$39.70

Also includes financial hedge contracts with a mark-to-market value of approximately \$50,000 total for the months of September—December 2005.

Excluding the effect of the fixed price contracts, the average oil price for 2005 would have been \$56.17 per Bbl and \$52.99 per Bbl oil equivalent price. Excluding the effect of the fixed price contracts, the average oil price for 2004 would have been \$42.72 per Bbl and \$41.88 per Bbl oil equivalent price. Excluding the effect of the fixed price contracts, the average oil price for 2003 would have been \$32.38 per Bbl and \$32.08 per Bbl oil equivalent price.

(2) Does not include production taxes.



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### Productive Wells and Acreage

The following table presents our total gross and net productive wells, expressed separately for oil and gas, and the total gross and net developed acres as of December 31, 2005:

Field	Producing Wells (1)		Non-Producing Wells		Developed Acreage (2)	
	Gross	Net	Gross	Net	Gross (3)	Net (4)
West Cote Blanche Bay	0	0	258	258	5,668	5,668
East Hackberry	6	6	70	70	3,147	3,147
West Hackberry	3	3	24	24	592	592
Overrides/Royalty Non-operated	9	0.4	28	1.3	4,956	586
<b>Total</b>	<b>18</b>	<b>9.4</b>	<b>380</b>	<b>353.3</b>	<b>14,363</b>	<b>9,993</b>

- (1) On September 21, 2005, we began shutting-in all of our producing wells at WCBB and the Hackberry fields in preparation for the arrival of Hurricane Rita. Six of our 11 producing wells in the Hackberry fields returned to production in November 2005. Our WCBB facilities, however, sustained more damage and the 57 wells that were producing on September 30, 2005 before the hurricane struck remained shut-in at December 31, 2005. As a result, all of these wells have been classified as non-producing wells at December 31, 2005 in the above table. Our main tank batteries and gas sales line became operational, and we began returning wells to production, in February 2006. As of April 18, 2006, 27 of the 57 active wells at WCBB prior to Hurricane Rita had returned to production on an intermittent basis. We expect the remaining wells, as well as 15 additional wells drilled at WCBB after the hurricane but not completed due to the damage to our facilities, to commence production during the second quarter of 2006.
- (2) Developed acres are acres allocated or assignable to productive wells or wells capable of production. All of our acreage is developed acreage. All of the oil and natural gas leases in which we own an interest have been perpetuated by production. The operator may surrender the leases at any time by notice to the lessors, or by the cessation of production.
- (3) A gross acre is an acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.
- (4) A net acre is deemed to exist when the sum of the fractional ownership working interests in gross acres equals one. The number of net acres is the sum of the fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

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### Completed and Present Recompletion and Drilling Activities

The following table sets forth information with respect to wells completed during the periods indicated. The information should not be considered indicative of future performance, nor should it be assumed that there is necessarily any correlation between the number of productive wells drilled, quantities of reserves found or economic value. Productive wells are those that are found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

	2005 (1)		2004		2003	
	Gross	Net	Gross	Net	Gross	Net
<b>Recompletions:</b>						
Productive	11	11	13	13	8	8
Dry	0	0	0	0	1	1
Total	<u>11</u>	<u>11</u>	<u>13</u>	<u>13</u>	<u>9</u>	<u>9</u>
<b>Development:</b>						
Productive	16	16	8	8	7	7
Dry	0	0	0	0	0	0
<b>Exploratory:</b>						
Productive	0	0	0	0	0	0
Dry	1	1	0	0	1	1

- (1) Includes seven gross and net wells that were drilled during 2005 but not completed due to the damage caused by Hurricane Rita. For further discussion of the impact of Hurricane Rita, see "Summary—Our Company—Impact of Hurricanes."

### Title to Oil and Natural Gas Properties

It is customary in the oil and natural gas industry to make only a cursory review of title to undeveloped oil and natural gas leases at the time they are acquired and to obtain more extensive title examinations when acquiring producing properties. In future acquisitions, we will conduct title examinations on material portions of such properties in a manner generally consistent with industry practice. Certain of our oil and natural gas properties may be subject to title defects, encumbrances, easements, servitudes or other restrictions, none of which, in management's opinion, will in the aggregate materially restrict our operations.

### Legal Proceedings

We have been named as a defendant in various lawsuits related to our business. The ultimate resolution of these matters is not expected to have a material adverse effect on our financial condition or results of operations.

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### MANAGEMENT

Our officers, directors and other key employees are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mike Liddell	52	Chairman of the Board and Director
James D. Palm	61	Director, Chief Executive Officer
Michael G. Moore	49	Vice President and Chief Financial Officer
Joel H. McNatt	47	Vice President, Secretary and General Counsel
Stuart Maier	52	Geological/Geophysical Manager
Randy Wilson	54	Geological/Geophysical Manager
Robert E. Brooks	59	Director
David L. Houston	53	Director
Mickey Liddell	44	Director
Dan Noles	58	Director
Phillip G. Lancaster	48	Director

*Mike Liddell* has served as a director of our company since July 1997 and as Chairman of the Board of our company since July 1998. Mr. Liddell served as Chief Executive Officer of our company from April 1998 to December 2005 and President of our company from July 2000 to December 2005. In addition, Mr. Liddell served as Chief Executive Officer of DLB Oil & Gas, Inc., a publicly held oil and natural gas company, from October 1994 to April 1998, and as a director of DLB Oil & Gas from 1991 through April 1998. From 1991 to 1994, Mr. Liddell was President of DLB Oil & Gas. From 1979 to 1991, he was President and Chief Executive Officer of DLB Energy. Mr. Liddell has served since May 2005 as Chairman of the Board and a director of Bronco Drilling Company, Inc., a provider of contract land drilling services. Mr. Liddell has served since December 2005 as the Chairman of the Board and a director of Windsor Energy Resources, Inc., an independent energy company focused on the exploration, exploitation and development of both conventional and unconventional onshore oil and natural gas reserves. Windsor Energy Resources is indirectly controlled by Wexford Capital LLC and Bronco Drilling Company is a company in which Wexford Capital LLC beneficially owns approximately 47% of the outstanding shares of common stock. Mr. Liddell received a Bachelor of Science degree in education from Oklahoma State University. Mr. Liddell is the brother of Mickey Liddell and brother-in-law of Dan Noles.

*James D. Palm* has served as a director of our company since February 2006 and as Chief Executive Officer of our company since December 2005. Mr. Palm is the manager and owner of Crescent Exploration, LLC, an independent oil and natural gas exploration company founded by Mr. Palm in 1995 and operating primarily in Oklahoma, the Texas Panhandle and Kansas. Mr. Palm currently serves as a member of the Industry Advisory Committee of the Oklahoma Corporation Commission. From October 2001 through October 2003, Mr. Palm served as the Chairman of the Oklahoma Energy Resources Board. From 1997 through 1999, Mr. Palm served as the President of the Oklahoma Independent Petroleum Association. Mr. Palm received a Bachelor of Science degree in Mechanical Engineering in 1968, and a Masters in Business Administration in 1971, both from Oklahoma State University.

*Michael G. Moore* has served as a Vice President and Chief Financial Officer of our company since July 2000. From May 1998 through July 2000, Mr. Moore served as Vice President and Chief Financial Officer of Indian Oil Company. From September 1995 through May 1998, Mr. Moore served as Controller of DLB Oil & Gas. Prior to that, Mr. Moore served as Controller of LEDCO, Inc., a Houston based gas marketing company. Mr. Moore received both his Bachelor of Business Administration degree in finance and his Masters in Business Administration from the University of Central Oklahoma.

*Joel H. McNatt* has served as a Vice President, General Counsel and Secretary of our company since November 2004. From May 1996 through October 2004, Mr. McNatt practiced in the areas of energy, products liability and complex business litigation with the firm McKinney & Stringer, P.C. Mr. McNatt received his juris

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doctorate, *summa cum laude*, from Oklahoma City University School of Law in 1996, and prior to that his Bachelor of Art in journalism from the University of Oklahoma.

*Stuart Maier* has served as a Geological/Geophysical Manager of our company since May 1998. From 1993 to May 1998, he had served as Senior Geologist with DLB Oil & Gas. From 1992 until joining DLB Oil & Gas, Mr. Maier was a consulting geologist/geophysicist and, from 1981 to 1991, Mr. Maier was a geologist/geophysicist with The Anschutz Corporation, an oil and natural gas exploration and production company. From 1979 to 1981, Mr. Maier was a production geologist for Gulf Oil Exploration and Production Company. From 1977 to 1979, Mr. Maier was a well site geologist. Mr. Maier received a Bachelor of Science degree in geology from the University of Missouri. Mr. Maier is a member of the American Association of Petroleum Geologists.

*Randy Wilson* has served as a Geologist/Geophysicist of our company since May 1998. From 1994 to May 1998, Mr. Wilson had served as Geologist with DLB Oil & Gas. From 1992 until joining DLB Oil & Gas, Mr. Wilson was President of J.L. Resources, Inc., a geological and geophysical consulting services company. From 1980 to 1987, Mr. Wilson was a geological/geophysical manager for The Anschutz Corporation Mid-continent division. From 1987 to 1992, Mr. Wilson was the Division Manager for The Anschutz Corporation Mid-continent division. From 1978 to 1980, Mr. Wilson was employed as a geophysicist with Terra Resources, Inc., an oil and natural gas exploration and production company. From 1977 to 1978, Mr. Wilson was a geologist for Monsanto Company and, from 1974 to 1977, Mr. Wilson was a geophysicist for Cities Service Oil Company, an oil and natural gas exploration and production company. Mr. Wilson received a Bachelor of Science degree in geology from Wichita State University. Mr. Wilson is a member of the American Association of Petroleum Geologists.

*Robert E. Brooks* has served as a director of our company since July 1997. Mr. Brooks is currently President of Delphi Oil & Gas, Inc. From 1997 to 2002, Mr. Brooks was a partner with Brooks Greenblatt, a commercial finance company located in Baton Rouge, Louisiana that was formed by Mr. Brooks in July 1997. Mr. Brooks is a Certified Public Accountant and was Senior Vice President in charge of Asset Finance and Managed Assets for Bank One, Louisiana between 1993 and July 1997. Mr. Brooks received his Bachelor of Science degree from Purdue University in mechanical engineering in 1969. Mr. Brooks obtained graduate degrees in finance and accounting from the Graduate School of Business at the University of Chicago in 1974.

*David L. Houston* has served as a director of our company since July 1998. Since 1991, Mr. Houston has been the principal of Houston & Associates, a firm that offers life and disability insurance, compensation and benefits plans and estate planning. Mr. Houston has served as a director of Bronco Drilling Company since May 2005. Mr. Houston is a nominee to serve as director of Windsor Energy Resources upon completion of its initial public offering. Windsor Energy Resources is indirectly controlled by Wexford Capital LLC and Bronco Drilling Company is a company in which Wexford Capital LLC beneficially owns approximately 47% of the outstanding shares of common stock. Prior to 1991, Mr. Houston was President and Chief Executive Officer of Equity Bank for Savings, F.A., an Oklahoma-based savings bank. Mr. Houston currently serves on the board of directors and executive committee of Deaconess Hospital, Oklahoma City, Oklahoma, and is the former chair of the Oklahoma State Ethics Commission and the Oklahoma League of Savings Institutions. Mr. Houston received a Bachelor of Science degree in business from Oklahoma State University and a graduate degree in banking from Louisiana State University.

*Mickey Liddell* has served as a director of our company since January 1999. Since 2001, Mr. Liddell has been the President of Berlanti-Liddell Entertainment, LLC, a television and motion picture production company. From 2000 through 2001, Mr. Liddell served as President of Entertainment Services, LLC. From 1994 through 1999, Mr. Liddell served as President of Banner Entertainment, LLC. Both Banner Entertainment LLC and Mr. Liddell filed for bankruptcy in 1999. Mr. Liddell received a Bachelor of Arts from the University of Oklahoma in Communications in 1984 and a graduate degree from Parson School of Design in New York, New York in 1987. Mr. Liddell is the brother of Mike Liddell and brother-in-law of Dan Noles.

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*Dan Noles* has served as a director of our company since January 2000. Mr. Noles is the President of Dan Noles Construction LLC. Prior to that he served as the President of Atoka Management Company, an oilfield equipment company. Mr. Noles received his Bachelor degree in Finance from the University of Oklahoma in 1970. Mr. Noles is the brother-in-law of Mike Liddell and Mickey Liddell.

*Phillip G. Lancaster* has served as a director of our company since February 2006. Mr. Lancaster is currently a director and founder of three Australian companies, Ozpride Pty LTD., Texoz Pty LTD and Magipark Pty LTD, whose principal business is real-estate investment and property management in Australia. Mr. Lancaster has served as a director of Bronco Drilling Company since July 2005. Bronco Drilling Company is a company in which Wexford Capital LLC beneficially owns approximately 47% of the outstanding shares of common stock. Mr. Lancaster is also currently a management partner for a sports management facility in Dallas, Texas affiliated with ClubCorp. Mr. Lancaster was the managing partner of Lankin Drilling Fund, Inc. from 1985 through 1999. Mr. Lancaster received a Bachelor of Science degree in Sociology from David Lipscomb College in 1978.

### **Board of Directors and Committees**

We are managed under the direction of our board of directors. The size of our board of directors is set at seven members, and we currently have seven directors including five non-employee directors. Our directors generally serve one-year terms from the time of their election until the next annual meeting of stockholders or until their successors are duly elected and qualified. Our board of directors has two standing committees: the audit committee and the compensation committee, each of which are further described below.

*Audit Committee.* The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. In that regard, the audit committee assists our board of directors in monitoring (1) our accounting, auditing and financial reporting processes generally, including the qualifications, independence and performance of the independent auditor, (2) the integrity of our financial statements, (3) our systems of internal control regarding finance and accounting and (4) our compliance with legal and regulatory requirements.

The audit committee is composed of David L. Houston, Robert E. Brooks and Phillip G. Lancaster, all of whom are non-employee directors. All of the members of the audit committee are financially literate and Mr. Houston serves as chairman of the audit committee and is designated as the “audit committee financial expert” as such term is defined in Item 401(e) of Regulation S-B of the Securities Exchange Act of 1934, as amended. Messrs. Houston, Brooks and Lancaster are “independent” within the meaning of the NASD’s director independence standards. In February 2006, our board of directors and audit committee amended and restated the Audit Committee Charter, which sets for the specific functions and responsibilities of the audit committee.

*Compensation Committee.* The compensation committee considers executive employment agreements, adoption of employee benefit plans and other issues related to compensation and employee benefits. The compensation committee is comprised of Phillip G. Lancaster and David L. Houston, both of whom are “non-employee directors” as defined by Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and “outside directors” as defined by Section 162(m) of the Internal Revenue Code.

Because we are considered to be controlled by Charles E. Davidson under The Nasdaq National Market rules, we are eligible for exemptions from provisions of these rules requiring that a majority of our board of directors be comprised of independent directors and a nominating and corporate governance committee composed entirely of independent directors and written charters addressing specified matters. We have elected to take advantage of certain of these exemptions. Upon consummation of this offering, however, we will cease to be a controlled company within the meaning of these rules. Accordingly, we will be required to comply with these provisions after the specified transition periods.

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### Director Compensation

Members of our board of directors who are also our officers or employees do not receive compensation for their services as directors. We pay our non-employee directors a monthly retainer of \$1,000 and a per meeting attendance fee of \$500 and reimburse all ordinary and necessary expenses incurred by non-employee directors in the conduct of our business.

During 2005, we implemented our 2005 Stock Incentive Plan. Under the 2005 Stock Incentive Plan, each non-employee director was granted nonqualified stock options during 2005 to purchase 20,000 shares of our common stock at an exercise price of \$3.36, an amount equal to the fair market value of our common stock on the date of grant. Options granted to eligible non-employee directors under the 2005 Stock Incentive Plan vest in 36 equal monthly installments beginning on the date of grant and are exercisable for a period of ten years beginning on the date of grant.

### Compensation Committee Interlocks

None of our executive officers serves, or has served during the past year, as a member of the board of directors or compensation committee of any other company that has one or more executive officers serving as a member of our board of directors or compensation committee.

### Executive Compensation

#### *Summary Compensation Table*

The following table sets forth information for the fiscal years ended December 31, 2005, 2004 and 2003 with respect to compensation earned by our chief executive officer and by our three other highest paid executive officers as of the end of the last fiscal year.

Name and Principal Position	Year	Annual Compensation (1)		Long Term Compensation	
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	All Other Compensation (2)
Mike Liddell (3) Chairman of the Board	2005	\$230,687	\$ 70,395	467,270	\$ 25,290
	2004	224,184	29,108	—	22,423
	2003	218,566	24,000	—	19,500
James D. Palm (4) Chief Executive Officer	2005	\$ 16,167	\$ —	200,000	\$ 1,000
Michael G. Moore Vice President and Chief Financial Officer	2005	\$176,333	\$120,000	30,000	\$ 17,780
	2004	128,813	17,138	—	8,757
	2003	105,000	13,800	—	7,128
Joel H. McNatt (5) Vice President, General Counsel and Secretary	2005	\$130,333	\$ 40,000	20,000	\$ 10,220
	2004	17,769	5,000	—	2,043

- (1) Amounts shown include cash and non-cash compensation earned and received by the named executives as well as amounts earned but deferred at their election. We provide various perquisites to certain employees, including the named executives. In each case, the aggregate value of the perquisite provided to the named executives did not exceed \$50,000 or 10% of such named executive's total annual salary and bonus.
- (2) Amounts for Mike Liddell include our matching 401(k) plan contributions of \$18,065, \$15,198 and \$12,000 during 2005, 2004 and 2003, respectively, and life insurance premium payments of \$7,225, \$7,225 and \$7,500 during 2005, 2004 and 2003, respectively. Amounts for Messrs. Palm, Moore and McNatt represent our matching 401(k) plan contributions during each of the indicated years.

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- (3) Mr. Liddell resigned as our Chief Executive Officer and President in December 2005, but remains our Chairman of the Board and a director.
- (4) Mr. Palm joined us as Chief Executive Officer in December 2005 with a salary of \$200,000.
- (5) Mr. McNatt joined us as Vice President, General Counsel and Secretary in November 2004 with a salary of \$120,000.

### *Option Grants in Last Fiscal Year*

The following table sets forth certain information concerning option grants made to named executive officers during 2005 pursuant to our 2005 Stock Incentive Plan.

	Individual Grants			
	Number of Securities Underlying Options Granted (#)	Percentage of Total Options Granted to Employees in Fiscal Year (1)	Exercise Price (\$/Sh)	Expiration Date
Mike Liddell	457,270	46%	\$ 3.36	1/24/2015
James D. Palm	200,000	20%	\$ 11.20	12/1/2015
Michael G. Moore	10,000	1%	\$ 3.36	1/24/2015
	20,000	2%	\$ 9.07	9/9/2015
Joel H. McNatt	20,000	2%	\$ 3.36	1/24/2015

- (1) In 2005, we granted options to purchase a total of 997,269 shares of our common stock at exercise prices ranging from \$3.36 to \$11.20 per share.

### *Option Exercises in Last Fiscal Year and Fiscal Year End Option Values*

The following table sets forth certain information concerning the exercise of options during 2005 and the number of unexercised options held by named executive officers as of December 31, 2005.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year End (#)		Value of Unexercised In-the-Money Options at Year End (\$)	
			Exercisable (1)	Unexercisable	Exercisable(2)	Unexercisable
Mike Liddell	—	—	457,270	457,270	\$ 4,600,000	\$ 4,000,000
James D. Palm	—	—	5,555	194,444	\$ 4,722	\$ 165,277
Michael G. Moore	6,581	\$36,000	2,220	27,780	\$ 6,616	\$ 139,884
Joel H. McNatt	—	—	—	20,000	\$ —	\$ 173,800

- (1) These options are exercisable at a weighted average exercise price per share of \$2.12 per share.
- (2) Value for “in the money” options represents the positive spread between the respective exercise prices of outstanding options and the closing price of the shares of our common stock of \$12.05 per share as reported by the NASD OTC Bulletin Board on December 30, 2005.

### *2005 Stock Incentive Plan*

We have implemented a 2005 Stock Incentive Plan. The purpose of the plan is to enable our company, and any of its affiliates, to attract and retain the services of the types of employees, consultants and directors who will contribute to our company’s long range success and to provide incentives which are linked directly to increases in share value which will inure to the benefit of our stockholders. The plan provides a means by which eligible recipients of awards may be given an opportunity to benefit from increases in value of our common stock through the granting of incentive stock options and nonstatutory stock options.

Eligible award recipients are our employees, consultants and directors and our affiliates. Incentive stock options may be granted only to our employees. Awards other than incentive stock options may be granted to

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employees, consultants and directors. The shares that may be issued pursuant to awards consist of our authorized but unissued common stock, and the maximum aggregate amount of such common stock which may be issued upon exercise of all awards under the plan, including incentive stock options, may not exceed 1,904,606 shares, subject to adjustments to reflect certain corporate transactions or changes in our capital structure.

In 2005, we granted options to employees and certain non-employee directors to purchase a total of 997,269 shares of our common stock under the plan. These options have a weighted average exercise price of \$5.62 per share, have a term of ten years and vest in 36 equal monthly installments beginning on the date of grant. In addition, we have granted options to eligible non-employee directors as described in “—Director Compensation” above.

Our board of directors and a majority of our stockholders approved amendments to the plan which, when effective, will:

- expand the plan to include (a) Incentive Stock Options, (b) Nonstatutory Stock Options, (c) Restricted Awards (Restricted Stock and Restricted Stock Units), (d) Performance Awards and (e) Stock Appreciation Rights; and
- increase the maximum aggregate amount of common stock which may be issued under the plan from 1,904,606 shares to 3,000,000 shares.

### *Employment Agreements*

In May 1999, we entered into an employment agreement with Mike Liddell. The agreement has a five year term and automatically renews for successive one-year terms thereafter. The agreement provides for an annual base salary of \$200,000, adjusted for cost of living increases. Upon termination of Mr. Liddell’s employment by us without cause, Mr. Liddell is entitled to receive twelve months of his then current base salary, and all of Mr. Liddell’s then unexercisable options will become exercisable. The agreement also restricts Mr. Liddell’s use or disclosure of any of our confidential information during the term of the agreement and for a period of five years thereafter.

We entered into an oral agreement with James D. Palm with respect to his compensation and benefits, pursuant to which Mr. Palm will be entitled to an annual salary of \$200,000 and, at the discretion of our board of directors, an annual cash incentive bonus. Mr. Palm will also be eligible to participate in all insurance, retirement and benefits plans available to our other employees.



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**PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth certain information regarding the beneficial ownership of our common stock as of the date hereof, before and after this offering, by (1) each director, (2) each named executive officer, (3) each person known or believed by us to own beneficially five percent or more of our outstanding common stock, (4) all directors and executive officers as a group and (5) each selling stockholder. Except as otherwise indicated, the beneficial owners named in the table below have sole voting and investment power with respect to all shares of capital stock held by them.

Name and Address of Beneficial Owner	Beneficial Ownership (1) Prior to the Offering		Number of Shares Offered	Beneficial Ownership After the Offering	
	Number	Percentage		Number	Percentage
Charles E. Davidson (2) 411 West Putnam Avenue Greenwich, CT 06830	19,637,446	61.0%	5,631,011	14,006,435	43.5%
Southpoint Capital Advisors, LP(3) 237 Park Avenue, Suite 900 New York, NY 10017	2,018,527	6.3%	—	2,018,527	6.3%
Luxor Capital Group (4) 767 Fifth Avenue, 19 <sup>th</sup> Floor New York, New York 10153	1,606,948	5.0%	—	1,606,948	5.0%
Mike Liddell (5)	1,714,880	5.2%	418,989	1,295,891	4.0%
Robert Brooks (6)	24,000	*	—	24,000	*
David Houston (7)	24,000	*	—	24,000	*
Mickey Liddell (8)	24,000	*	—	24,000	*
Dan Noles (9)	24,000	*	—	24,000	*
Michael G. Moore (10)	7,555	*	—	7,555	*
Joel McNatt (11)	4,000	*	—	4,000	*
James D. Palm (12)	38,889	*	—	38,889	*
Phillip Lancaster (13)	5,555	*	—	5,555	*
All directors and executive officers as a group (9 individuals)	1,866,879	5.7%	—	1,466,879	4.5%

\* Less than one percent

- (1) Beneficial ownership is determined in accordance with SEC rules. In computing percentage ownership of each person, shares of common stock subject to options held by that person that are currently exercisable, or exercisable within 60 days of the date hereof, are deemed to be beneficially owned. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of each other person. The percentage of shares beneficially owned is based on 32,180,326 shares of common stock outstanding prior to and after the offering. Unless otherwise indicated, all amounts exclude shares issuable upon the exercise of outstanding options that are not exercisable as of the date hereof or exercisable within 60 days of the date hereof.
- (2) Includes 13,195,478 shares of common stock held by CD Holdings, L.L.C. and 810,957 shares of common stock held in an IRA for Mr. Davidson. Mr. Davidson is the manager and a member of CD Holdings, L.L.C. Mr. Davidson is the Chairman and controlling member of Wexford Capital LLC. In addition, the amount includes 5,631,011 shares of common stock owned by the following investment funds that are affiliated with Wexford: Wexford Special Situations 1996, L.P.; Wexford Special Situations 1996 Institutional, L.P.;

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Wexford Special Situations 1996 Limited; Wexford-Euris Special Situations 1996, L.P.; Wexford Spectrum Investors LLC; Wexford Capital Partners II, L.P.; and Wexford Overseas Partners I, L.P., which we refer to collectively as the Wexford investment funds. Mr. Davidson disclaims beneficial ownership of the 5,631,011 shares of common stock owned by the Wexford investment funds. The Wexford investment funds are selling all of their shares of common stock in this offering.

- (3) Based solely upon information obtained from Amendment No. 1 to Schedule 13G filed with the SEC on March 10, 2005 on behalf of Southpoint Capital Advisors LLC, a Delaware limited liability company, Southpoint GP, LLC, a Delaware limited liability company, Southpoint Capital Advisors LP, a Delaware limited partnership, Southpoint GP, LP, Robert W. Butts and John S. Clark II. Southpoint Capital Advisors LP, Southpoint GP LP, Southpoint Capital Advisors LLC, Southpoint GP LLC, Robert W. Butts and John S. Clark II have sole voting and dispositive power over 2,018,527 shares of common stock. Southpoint Capital Advisors LLC is the general partner of Southpoint Capital Advisors LP. Southpoint GP LLC is the general partner of Southpoint GP, LP. Southpoint GP, LP is the general partner of Southpoint Fund LP, a Delaware limited partnership, Southpoint Qualified Fund LP, a Delaware limited partnership, and Southpoint Offshore Operating Fund, LP, a Cayman Islands exempted limited partnership. Southpoint Offshore Fund, Ltd., a Cayman Island exempted company, is also a general partner of the Southpoint Offshore Operating Fund, LP.
- (4) Based solely upon information obtained from the Schedule 13G filed by Luxor Capital Partners, LP, LCG Select, LLC, Luxor Capital Partners Offshore, Ltd., Luxor Capital Group, LP, Luxor Management, LLC, LCG Holdings, LLC and Christian Leone with the SEC on February 14, 2006. Luxor Capital Partners, LP, Luxor Capital Group, LP, Luxor Management, LLC, LCG Holdings, LLC and Mr. Leone share voting and dispositive power over 690,171 shares of common stock held by Luxor Capital Partners, LP. LCG Select, LLC, Luxor Capital Group, LP, Luxor Management, LLC, LCG Holdings, LLC and Mr. Leone share voting and dispositive power over 8,472 shares of common stock held by LCG Select, LLC. Luxor Capital Partners Offshore, Ltd., Luxor Capital Group, LP, Luxor Management, LLC and Mr. Leone share voting and dispositive power over 908,305 shares of common stock held by Luxor Capital Partners Offshore, Ltd. Luxor Capital Group, LP is the Investment Manager of Luxor Capital Partners, LP, LCG Select, LLC and Luxor Capital Partners Offshore, Ltd. Luxor Management, LLC is the general partner of Luxor Capital Group, LP, and Mr. Leone is the managing member of Luxor Management, LLC. LCG Holdings, LLC is the general partner of Luxor Capital Partners, LP and LCG Select, LLC and Mr. Leone is the managing member of LCG Holdings, LLC. Luxor Capital Partners Offshore, Ltd. is an entity organized in the Cayman Islands.
- (5) Includes 1,123,070 shares of common stock held of record by Liddell Investments, L.L.C. Mr. Liddell is the sole member of Liddell Investments, L.L.C. Includes 43,086 shares of common stock held of record by a certain family member of Mr. Liddell. Also includes 548,724 shares of common stock issuable upon the exercise of options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (6) Represents 24,000 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (7) Represents 24,000 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (8) Represents 24,000 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (9) Represents 24,000 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (10) Includes 7,555 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (11) Represents 4,000 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (12) Represents 38,889 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.
- (13) Represents 5,555 shares of common stock issuable upon the exercise of stock options that, as of the date hereof, were exercisable or exercisable within 60 days of the date hereof.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### Back-stop Agreement

Pursuant to an agreement dated April 14, 2004, between us and CD Holdings, L.L.C., an entity controlled by Charles E. Davidson, one of our principal stockholders, CD Holdings agreed, subject to certain conditions, to back-stop our 2004 rights offering by purchasing all of the shares of our common stock that were not otherwise subscribed for by the other holders of subscription rights under their basic subscription privileges and over-subscription privileges. In return for its agreement to back-stop the rights offering, CD Holdings received a commitment fee equal to 2% of the gross proceeds of the rights offering, or \$240,000, which was applied to the subscription price payable upon exercise of the rights issued to it in the rights offering.

### Credit Agreement

In connection with our 2004 rights offering, we entered into a \$3,000,000 revolving credit facility dated April 30, 2004 with CD Holdings. Borrowings under the CD Holdings credit facility were due on the earlier of the closing of the rights offering or August 1, 2005, and bore interest at the rate of 10.0% per annum. The CD Holdings credit facility provided that if the rights offering was not completed, CD Holdings had the right to convert any borrowings plus any accrued but unpaid interest under the facility into shares of our common stock at a conversion price equal to \$1.20 per share. Under the CD Holdings credit facility, CD Holdings had the option to apply the outstanding principal amount and any accrued but unpaid interest either (1) to the subscription price payable upon exercise of the rights issued to CD Holdings in the rights offering, or (2) to the purchase price for the common stock. Upon closing of the rights offering, \$500,000 had been borrowed on the facility to fund a part of our 2004 drilling program. CD Holdings applied all amounts due it under this credit facility to the exercise price payable upon exercise of rights it received in the rights offering. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Credit Facilities" incorporated by reference in this prospectus for additional information regarding this credit facility.

### Administrative Services for Affiliates

Effective April 1, 2005, we entered into an administrative services agreement with Bronco Drilling Company, Inc. Under this agreement, we agreed to provide certain services to Bronco Drilling Company including accounting, human resources, legal and technical support services. In return for these services, Bronco Drilling Company agreed to pay us an annual fee of approximately \$414,000 payable in equal monthly installments during the term of this agreement. In addition, Bronco Drilling Company leased approximately 1,200 square feet of office space from us for its headquarters located in Oklahoma City, Oklahoma for which it agreed to pay us annual rent of \$20,880 in equal monthly installments. The services we provide under the administrative services agreement and the fees for such services can be amended by mutual agreement of the parties. In January 2006, Bronco Drilling Company reduced the level of administrative services being provided by us and increased the office space it leases to approximately 2,500 square feet. As a result, our annual fee for administrative services was reduced to approximately \$150,000 and our annual rental was increased to approximately \$44,000. 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 Drilling Company at any time with at least 30 days prior written notice to us 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. Prior to entry into this administrative services agreement, Bronco Drilling Company reimbursed us for our dedicated employee time, office space and general and administrative costs based upon the pro rata share of time its employees spent performing services for Bronco Drilling Company. In 2005, 2004 and 2003, we received payments from Bronco Drilling Company for such services and overhead totaling approximately \$353,000, \$115,000 and \$33,000, respectively. Three of our directors, Mike Liddell, David L. Houston and Phillip G. Lancaster, are also directors of Bronco Drilling Company and Mr. Liddell serves as chairman of Bronco Drilling Company. Wexford Capital

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LLC is the sole manager of Bronco Drilling Holdings, L.L.C., which beneficially owned 47.3% of the common stock of Bronco Drilling Company as of March 17, 2006. Charles E. Davidson is the Chairman of Wexford Capital.

In addition, our personnel help manage the oil and natural gas production and oil and natural gas related assets owned by certain of our affiliates. In return for these services, we are reimbursed for our dedicated employee time, office space and general and administrative costs based upon the pro rata share of time our employees spend performing these services. In 2005, 2004 and 2003, we received payments from these affiliates, excluding Bronco Drilling Company, for such services and overhead totaling approximately \$5,876,000, \$2,030,000 and \$732,000, respectively.

## DESCRIPTION OF CAPITAL STOCK

The following summary description of our capital stock is qualified in its entirety by reference to our certificate of incorporation and bylaws, each of which is incorporated by reference in this prospectus.

### Common Stock

We are currently authorized to issue up to 55,000,000 shares of common stock, par value \$0.01 per share, of which there were 32,180,326 shares outstanding as of the date hereof. Holders of our common stock are entitled to cast one vote for each share held of record on each matter submitted to a vote of stockholders. There is no cumulative voting for election of directors. Subject to the prior rights of any series of preferred stock which may from time to time be outstanding, if any, holders of our common stock are entitled to receive ratably dividends when, as, and if declared by the board of directors out of funds legally available therefor and, upon the liquidation, dissolution or winding up of the company, are entitled to share ratably in all assets remaining after payment of liabilities and payment of accrued dividends and liquidation preferences on the preferred stock, if any. There are no redemption or sinking fund provisions that are applicable to our common stock. Subject only to the requirements of the DGCL, the board of directors may issue shares of our common stock without stockholder approval, at any time and from time to time, to such persons and for such consideration as the board of directors deems appropriate. Holders of our common stock have no preemptive rights and have no rights to convert their common stock into any other securities. The outstanding common stock is validly authorized and issued, fully paid, and nonassessable.

### Preferred Stock

We are authorized to issue up to 5,000,000 shares of preferred stock, par value \$.01 per share. Shares of preferred stock may be issued from time to time in one or more series as the board of directors, by resolution or resolutions, may from time to time determine, each of said series to be distinctively designated. The voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, if any, of each such series of preferred stock may differ from those of any and all other series of preferred stock at any time outstanding, and, subject to certain limitations of our certificate of incorporation and the DGCL, the board of directors may fix or alter, by resolution or resolutions, the designation, number, voting powers, preferences and relative, participating, optional and other special rights, and qualifications, limitations and restrictions thereof, of each such series of preferred stock.

The issuance of any such preferred stock could adversely affect the rights of the holders of our common stock and therefore, reduce the value of the common stock. The ability of the board of directors to issue preferred stock could discourage, delay, or prevent a takeover of us. See "Risk Factors."

### Anti-takeover Effects of Provisions of Our Certificate of Incorporation and Our Bylaws

Some provisions of our certificate of incorporation and our bylaws contain provisions that could make it more difficult to acquire us by means of a merger, tender offer, proxy contest or otherwise, or to remove our incumbent officers and directors. These provisions, summarized below, are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because negotiation of such proposals could result in an improvement of their terms.

*Preferred stock.* Our certificate of incorporation permits our board of directors to authorize and issue one or more series of preferred stock, which may render more difficult or discourage an attempt to change control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary

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obligations, the board of directors were to determine that a takeover proposal is not in our best interest, the board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group.

*Stockholder meetings.* Our bylaws provide that a special meeting of stockholders may be called only by the Chairman of the Board, the President, or upon the request of a majority of our board of directors or the holders of not less than sixty-six percent of our outstanding shares entitled to vote at such a special meeting.

*Requirements for advance notification of stockholder nominations and proposals.* Our bylaws and certificate of incorporation establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors.

*Amendment of the bylaws.* Under Delaware law, the power to adopt, amend or repeal bylaws is conferred upon the stockholders. A corporation may, however, in its certificate of incorporation also confer upon the board of directors the power to adopt, amend or repeal its bylaws. Both our certificate of incorporation and bylaws grant our board of directors and stockholders the power to adopt, amend and repeal our bylaws.

*Removal of Directors.* Our bylaws provide that members of our board of directors may only be removed for cause and only by the affirmative vote of holders of at least 66% of the voting power of all then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class.

The provisions of our certificate of incorporation and bylaws could have the effect of discouraging others from attempting hostile takeovers and, as a consequence, they may also inhibit temporary fluctuations in the market price of our common stock that often result from actual or rumored hostile takeover attempts. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is UMB Bank, N.A.

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**UNDERWRITING**

We and the selling stockholders have entered into an underwriting agreement with the underwriters named below with respect to the shares being offered. Subject to the terms and conditions of the underwriting agreement, the underwriters named below have severally agreed to purchase from the selling stockholders the number of shares of our common stock set forth opposite their names on the table below at the public offering price, less the underwriting discounts and commissions shown on the cover page of this prospectus as follows:

<u>Name</u>	<u>Number of Shares</u>
Johnson Rice & Company L.L.C.	
Dahlman Rose & Company, LLC	
First Albany Capital Inc.	
Pritchard Capital Partners, LLC	
Simmons & Company International	
Total	6,050,000

The underwriting agreement provides that the underwriters' obligation to purchase shares of our common stock depend on the satisfaction of the conditions contained in the underwriting agreement. The conditions contained in the underwriting agreement include the condition that the representations and warranties made by us and the selling stockholders to the underwriters are true, that there has been no material adverse change to our condition or in the financial markets and that we and the selling stockholders deliver to the underwriters customary closing documents. The underwriters are obligated to purchase all of the shares of common stock (other than those covered by the over-allotment option described below) if they purchase any of the shares.

The underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus. The underwriters may offer the common stock to securities dealers at the price to the public less a concession not in excess of \$ per share. Security dealers may reallocate a concession not in excess of \$ per share to other dealers. After the shares of common stock are released for sale to the public, the underwriters may vary the offering price and other selling terms from time to time.

We have granted to the underwriters an option, exercisable for 30 days from the date of the underwriting agreement, to purchase up to 907,500 additional shares at the public offering price per share less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise this option solely to cover over-allotments, if any, made in connection with this offering.

The following table summarizes the compensation to be paid to the underwriters by us and the selling stockholders in connection with this offering.

	<u>Per Share</u>	<u>Total</u>	
		<u>Without Over-allotment</u>	<u>With Over-allotment</u>
Public offering price by the selling stockholders	\$	\$	\$
Underwriting fees to be paid by the selling stockholders			
Proceeds, before expenses, to the selling stockholders			
Public offering price by us			
Underwriting fees to be paid by us			
Proceeds, before expenses, to us			

We estimate our expenses associated with the offering, excluding underwriting discounts and commissions, will be approximately \$500,000.

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We and the selling stockholders have agreed to indemnify the underwriters against certain liabilities, including liabilities under the federal securities laws, or to contribute to payments that may be required to be made in respect of these liabilities.

We, our officers and directors, and the selling stockholders and certain of their affiliates have agreed that, for a period of 90 days from the date of this prospectus, we and they will not, without the prior written consent of Johnson Rice & Company L.L.C., directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any share of common stock or any securities convertible into or exercisable or exchangeable for common stock, or file any registration statement under the Securities Act of 1933 with respect to any of the foregoing or enter into any swap or any other agreement or transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the common stock, except for the sale to the underwriters in this offering, the issuance by us of any securities or options to purchase common stock under existing, amended or new employee benefit plans maintained by us and the filing of or amendment to any registration statement related to the foregoing, the issuance by us of securities in exchange for or upon conversion of our outstanding securities described herein, the filing of or an amendment to any registration statement pursuant to registration rights held by third parties not subject to a lock-up agreement or certain transfers in the case of officers, directors or other stockholders in the form of bona fide gifts, intra family transfers and transfers related to estate planning matters. Notwithstanding the foregoing, if (1) during the last 17 days of such 90-day restricted period we issue an earnings release or (2) prior to the expiration of such 90-day restricted period we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day restricted period, the foregoing restrictions shall continue to apply until the expiration of the 90-day period beginning on the issuance of the earnings release; provided, however, that this sentence will not apply if, as of the expiration of the restricted period, shares of our common stock are “actively-traded securities” as defined in Regulation M. The underwriters have advised us that they do not have any present intent to release the lock-up agreements prior to the expiration of the applicable restricted period.

The underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Covered short sales are sales made in an amount not greater than the number of shares available for purchase by the underwriters under their over-allotment option. The underwriters may close out a covered short sale by exercising their over-allotment option or purchasing shares in the open market. Naked short sales are sales made in an amount in excess of the number of shares available under the over-allotment option. The underwriters must close out any naked short sale by purchasing shares in the open market. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of the shares of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the shares of common stock originally sold by such syndicate member is purchased in a syndicate covering transaction to cover syndicate short positions. Penalty bids may have the effect of deterring syndicate members from selling to people who have a history of quickly selling their shares. In passive market making, market makers in the shares of common stock who are underwriters or prospective underwriters may, subject to certain limitations, make bids for or purchases of the shares of common stock until the time, if any, at which a stabilizing bid is made. These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the shares of common stock to be higher than it would otherwise be in the absence of these transactions. The underwriters are not required to engage in these activities, and may end any of these activities at any time.



## LEGAL MATTERS

The validity of the shares of common stock to be offered hereby will be passed upon by Akin Gump Strauss Hauer & Feld LLP. Certain legal matters will be passed upon for the underwriters by Porter & Hedges, L.L.P.

## EXPERTS

The balance sheet of Gulfport Energy Corporation as of December 31, 2005 and the related statements of operations, stockholders' equity and comprehensive income and cash flows for each of the two years in the period ended December 31, 2005 appearing in Gulfport's Annual Report on Form 10-KSB for the year ended December 31, 2005 have been audited by Grant Thornton LLP, independent registered public accounting firm, as set forth in their report with respect thereto. Such financial statements have been incorporated herein by reference in reliance upon the authority of such firm as experts in accounting and auditing.

Information included in this prospectus regarding the estimated quantities of oil and natural gas reserves and the discounted present value of future pre-tax cash flows therefrom is based upon estimates of such reserves and present values prepared by or derived from estimates included in our Annual Report on Form 10-KSB for the year ended December 31, 2005, prepared by NSAI and incorporated herein by reference. All of such information has been so included herein in reliance upon the authority of such firm as experts in such matters.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, a registration statement on Form S-3 under the Securities Act, covering the securities offered by this prospectus. This prospectus does not contain all of the information that you can find in that registration statement and its exhibits. Certain items are omitted from this prospectus in accordance with the rules and regulations of the SEC. For further information with respect to us and the common stock offered by this prospectus, reference is made to the registration statement and the exhibits filed with the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance such statement is qualified by reference to each such contract or document filed with or incorporated by reference as part of the registration statement. We file reports, proxy and information statements and other information with the SEC. You may read any materials we have filed with the SEC free of charge at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of all or any part of these documents may be obtained from such office upon the payment of the fees prescribed by the SEC. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is <http://www.sec.gov>. The registration statement, including all exhibits thereto and amendments thereof, has been filed electronically with the SEC.

The SEC allows us to "incorporate by reference" into this prospectus the information we provide in other documents filed by us with the SEC. The information incorporated by reference is an important part of this prospectus. Any statement contained in a document that is incorporated by reference in this prospectus is automatically updated and superseded if information contained in this prospectus, or information that we later file with the SEC, modifies and replaces this information. We incorporate by reference the following documents that we have filed with the SEC (other than those furnished pursuant to Item 2.02 or Item 7.01 on Form 8-K):

- Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005, filed on March 31, 2006.
- Current Report on Form 8-K filed on January 17, 2006.
- Current Report on Form 8-K filed on February 14, 2006.
- Current Report on Form 8-K filed on March 7, 2006.
- Current Report on Form 8-K filed on April 26, 2006.

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In addition, all documents filed by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act (other than those furnished pursuant to Item 2.02 or Item 7.01 on Form 8-K) after the date of this prospectus and prior to the termination of this offering, will be considered to be incorporated by reference into this prospectus and to be a part of this prospectus from the dates of the filing of such documents.

You may get copies of this prospectus or any of the incorporated documents (excluding exhibits, unless the exhibits are specifically incorporated) at no charge to you by writing or calling Joel H. McNatt, General Counsel, at Gulfport Energy Corporation, 14313 North May Avenue, Suite 100, Oklahoma City, Oklahoma 73134, or call (405) 242-4404.

## GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a description of the meanings of some of the oil and natural gas industry terms used in this prospectus.

**3-D seismic.** Geophysical data that depict the subsurface strata in three dimensions. 3-D seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2-D, or two-dimensional, seismic.

**Bbl.** Stock tank barrel, or 42 U.S. gallons liquid volume, used in this prospectus in reference to crude oil or other liquid hydrocarbons.

**Bcf.** Billion cubic feet of natural gas.

**Boe.** Barrels of oil equivalent, with six thousand cubic feet of natural gas being equivalent to one barrel of oil.

**Btu or British thermal unit.** The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

**Coalbed methane (CBM).** Natural gas formed as a byproduct of the coal formation process, which is trapped in coal seams and produced by non-traditional means.

**Completion.** The process of treating a drilled well followed by the installation of permanent equipment for the production of natural gas or oil, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

**Condensate.** Liquid hydrocarbons associated with the production of a primarily natural gas reserve.

**Developed acreage.** The number of acres that are allocated or assignable to productive wells or wells capable of production.

**Dry hole.** A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

**Exploratory well.** A well drilled to find and produce natural gas or oil reserves not classified as proved, to find a new reservoir in a field previously found to be productive of natural gas or oil in another reservoir or to extend a known reservoir.

**Field.** An area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

**Finding and development costs.** Capital costs incurred in the acquisition, exploitation and exploration of proved oil and natural gas reserves divided by proved reserve additions and revisions to proved reserves.

**Gross acres.** The total acres in which a working interest is owned.

**Identified drilling locations.** Total gross locations specifically identified by management to be included in the Company's multi-year drilling activities on existing acreage. The Company's actual drilling activities may change depending on the availability of capital, regulatory approvals, seasonal restrictions, oil and natural gas prices, costs, drilling results and other factors.

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**MBbls.** Thousand barrels of crude oil or other liquid hydrocarbons.

**Mbo.** Thousand barrels of oil.

**Mboe.** Thousand barrels of oil equivalent.

**Mcf.** Thousand cubic feet of natural gas.

**MMBbls.** Million barrels of crude oil or other liquid hydrocarbons.

**MMbo.** Million barrels of oil.

**MMboe.** Million barrels of oil equivalent.

**MMBtu.** Million British Thermal Units.

**MMcf.** Million cubic feet of natural gas.

**Net acres or net wells.** The sum of the fractional working interest owned in gross acres or gross wells, as the case may be.

**Net revenue interest (NRI).** An owner's interest in the revenues of a well after deducting proceeds allocated to royalty and overriding interests.

**PDNP.** Proved developed non-producing.

**PDP.** Proved developed producing.

**Play.** A set of discovered or prospective oil and/or natural gas accumulations sharing similar geologic, geographic and temporal properties, such as source rock, reservoir structure, timing, trapping mechanism and hydrocarbon type.

**Plugging and abandonment.** Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another or to the surface. Regulations of all states require plugging of abandoned wells.

**PUD.** Proved undeveloped.

**Present value of future net revenues (PV-10).** The present value of estimated future revenues to be generated from the production of proved reserves, before income taxes, of proved reserves calculated in accordance with Financial Accounting Standards Board guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to hedging activities, non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

**Productive well.** A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

**Proved developed reserves (PDP).** Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

**Proved reserves.** The estimated quantities of oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

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**Proved undeveloped reserves (PUD).** Proved reserves that are expected to be recovered from new wells drilled to known reservoirs on undrilled acreage for which the existence and recoverability of such reserves can be estimated with reasonable certainty, or from existing wells on which a relatively major expenditure is required to establish production.

**PV-10.** Present value of future net revenues.

**Recompletion.** The process of re-entering an existing wellbore that is either producing or not producing and completing new reservoirs in an attempt to establish or increase existing production.

**Reservoir.** A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

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

**Undeveloped acreage.** Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

**Working interest (WI).** The operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

6,050,000 Shares



Common Stock

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PROSPECTUS

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**Johnson Rice & Company L.L.C.**

**Dahlman Rose & Company**

**First Albany Capital**

**Pritchard Capital Partners, LLC**

**Simmons & Company International**

, 2006

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. Other Expenses of Issuance and Distribution.**

The following table sets forth all expenses payable by the Registrant in connection with the registration of the common stock. The selling stockholders will not pay any of the Registration expenses.

SEC registration fee	\$ 11,308
NASD filing fee	11,068
Legal fees and expenses	250,000
Accounting fees and expenses	130,000
Printing expenses	90,000
Miscellaneous expenses	7,624
<b>Total</b>	<b><u>\$ 500,000</u></b>

**Item 15. Indemnification of Directors and Officers.**

The Company is empowered by Section 145 of the DGCL, subject to the procedures and limitations stated therein, to indemnify certain parties. Section 145 of the DGCL provides in part that a corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. Similar indemnity is authorized for such persons against expenses (including attorneys' fees) actually and reasonably incurred in the defense or settlement of any threatened, pending or completed action or suit by or in the right of the corporation, if such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and provided further that (unless a court of competent jurisdiction otherwise provides) such person shall not have been adjudged liable to the corporation. Any such indemnification may be made only as authorized in each specific case upon a determination by the stockholders or disinterested directors that indemnification is proper because the indemnitee has met the applicable standard of conduct. Where an officer or a director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director actually or reasonably incurred. Section 145 provides further that indemnification pursuant to its provisions is not exclusive of other rights of indemnification to which a person may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

The Company's Bylaws provide that the Company shall indemnify and advance expenses to each person who is a director or officer of the Company to the fullest extent permitted under Section 145 of the DGCL, and such indemnity and advancement of expenses shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Article VI of the Company's Restated Certificate of Incorporation eliminates the personal liability of the Company's directors to the fullest extent permitted under Section 102(b)(7) of the DGCL, as amended. Such section permits a company's certificate of incorporation to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve

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intentional misconduct or a knowing violation of law; (iii) under Section 174 of the DGCL (which addresses director liability for unlawful payment of a dividend or unlawful stock purchase or redemption) or (iv) for any transaction from which the director derived an improper personal benefit.

Article VI of the Bylaws of the Company provides that the Company shall, to the fullest extent permitted by Delaware law, indemnify any and all persons whom it shall have power to indemnify against any and all of the costs, expenses, liabilities or other matters incurred by them by reason of having been officers or directors of the Company, any such subsidiary of the Company or of any other corporation for which he acted as officer or director at the request of the Company.

The Company maintains director and officer liability insurance providing insurance protection for specified liabilities under specified terms.

The Company has adopted provisions in its Bylaws and in its Certificate which provide for indemnification of its officers and directors to the maximum extent permitted under the DGCL.

### **Item 16. Exhibits.**

The following is a list of exhibits filed as a part of this registration statement.

<u>Exhibit Number</u>	<u>Description</u>
1.1*	Form of Underwriting Agreement.
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).
5*	Opinion of Akin Gump Strauss Hauer & Feld LLP.
10.1†	Employment Agreement, dated effective June 1, 1999, by and between the Company and Mike Liddell (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-3, File No. 333-133109 filed by the Company with the SEC on April 7, 2006).
23.1*	Consent of Akin Gump Strauss Hauer & Feld LLP (included on Exhibit 5).
23.2*	Consent of Grant Thornton LLP.
23.3*	Consent of Netherland, Sewell & Associates, Inc.
24	Power of Attorney (included on signature page of the Registration Statement on Form S-3, File No. 333-133109, filed by the Company with the SEC on April 7, 2006).

\* Filed herewith.

† Management contract, compensatory plan or arrangement.

### **Item 17. Undertakings.**

The undersigned registrant hereby undertakes that:

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act") may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the



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securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(b) (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.



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**Gulfport Energy Corporation**  
**Exhibit Index**

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\* Filed herewith.

† Management contract, compensatory plan or arrangement.

6,050,000

**Gulfport Energy Corporation**  
**Common Stock**  
**UNDERWRITING AGREEMENT**

April \_\_, 2006

JOHNSON RICE & COMPANY, L.L.C.  
As Representative of the several Underwriters  
c/o JOHNSON RICE & COMPANY, L.L.C.  
639 Loyola Avenue, Suite 2775  
New Orleans, Louisiana 70113

Ladies and Gentlemen:

**Introductory.** The stockholders of Gulfport Energy Corporation, a Delaware corporation (the “**Company**”), named in Schedule B (collectively, the “**Selling Stockholders**”) severally propose to sell to the several underwriters named in Schedule A (the “**Underwriters**”) an aggregate of 6,050,000 shares (the “**Firm Shares**”) of common stock, par value \$.01 per share (the “**Shares**”), of the Company. In addition, the Company has granted to the Underwriters an option to purchase up to an additional 907,500 Shares (the “**Optional Shares**”), as provided in Section 2. The Firm Shares and, if and to the extent such option is exercised, the Optional Shares are collectively called the “**Offered Shares**.” Johnson Rice & Company, L.L.C. (“**JRCO**”) has agreed to act as representative of the several Underwriters (in such capacity, the “**Representative**”) in connection with the offering and sale of the Offered Shares.

The Company has prepared and filed with the Securities and Exchange Commission (the “**Commission**”) a registration statement on Form S-3 (File No. 333-133109), and amendments thereto, and related preliminary prospectuses to be used in connection with the public offering and sale of the Offered Shares. Such registration statement, as amended, including the prospectus, financial statements, exhibits and schedules thereto, in the form in which it was declared effective by the Commission under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (collectively, the “**Securities Act**”), including all documents incorporated or deemed to be incorporated by reference therein and any information deemed to be a part thereof at the time of effectiveness pursuant to Rule 430A under the Securities Act or the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (collectively, the “**Exchange Act**”), is called the “**Registration Statement**.” Any registration statement filed by the Company pursuant to Rule 462(b) under the Securities Act is called the “**Rule 462(b) Registration Statement**,” and from and after the date and time of filing of the Rule 462(b) Registration Statement the term “Registration Statement” shall include the Rule 462(b) Registration Statement. The prospectus, in the form first used by the Underwriters to confirm sales of the Offered Shares or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act, is called the “**Prospectus**.” Any preliminary prospectus included in the Registration Statement or filed with the Commission pursuant to Rule 424 under the Securities Act is called a “**preliminary prospectus**.” As used herein, “**free writing**

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**prospectus**” has the meaning set forth in Rule 405 under the Securities Act, and “**Time of Sale Prospectus**” means any preliminary prospectus, together with the free writing prospectuses, if any, identified on Schedule C. As used herein, the terms “Registration Statement,” “preliminary prospectus” and Prospectus shall include the documents, if any, incorporated by reference therein pursuant to Item 12 of Form S-3, which were filed under the Exchange Act on or before the effective date of the Registration Statement or the date of any preliminary prospectus or the Prospectus, as the case may be, and any reference herein to the terms “amend,” “amendment” or “supplement” with respect to the Registration Statement, any preliminary prospectus or the Prospectus shall be deemed to refer to and include (i) the filing of any document under the Exchange Act after the effective date of the Registration Statement or the date of any preliminary prospectus or the Prospectus, as the case may be, which is incorporated therein by reference and (ii) any such document so filed. All references in this Agreement to (i) the Registration Statement, 462(b) Registration Statement, a preliminary prospectus, or the Prospectus, or any amendments or supplements to any of the foregoing, shall include any copy thereof filed with the Commission pursuant to its Electronic Data Gathering, Analysis and Retrieval System (“**EDGAR**”) and (ii) the Prospectus shall be deemed to include the “**electronic Prospectus**” provided for use in connection with the offering of the Offered Shares as contemplated by Section 3(A)(n) of this Agreement. All references in this Agreement to financial statements and schedules and other information which are “**contained**,” “**included**” or “**stated**” in the Registration Statement or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is or is deemed to be incorporated by reference in the Registration Statement or the Prospectus pursuant to Item 12 of Form S-3, which were filed under the Exchange Act on or before the effective date of the Registration Statement or the date of any preliminary prospectus or the Prospectus, as the case may be.

The Company and each of the Selling Stockholders hereby confirm their respective agreements with the Underwriters as follows:

### **Section 1. Representations and Warranties**

**A. Representations and Warranties of the Company.** The Company hereby represents, warrants and covenants to each Underwriter as follows:

(a) *Compliance with Registration Requirements.* The Registration Statement and any Rule 462(b) Registration Statement have been declared effective by the Commission under the Securities Act. The Company has complied with all requests of the Commission for additional or supplemental information. No stop order suspending the effectiveness of the Registration Statement or any Rule 462(b) Registration Statement is in effect and no proceedings for such purpose have been instituted or are pending or, to the best knowledge of the Company, are contemplated or threatened by the Commission.

Each preliminary prospectus and the Prospectus when filed complied in all material respects with the Securities Act and, if filed by electronic transmission pursuant to EDGAR (except as may be permitted by Regulation S T under the Securities Act), was identical to the copy thereof delivered to the Underwriters for use in connection with the offer and sale of the Offered Shares. Each of the Registration Statement, any Rule 462(b) Registration Statement and any post-effective amendment thereto, at the time it became effective complied and, as amended or supplemented, if applicable, will, as of the date of such amendment or supplement, as applicable, comply in all material respects with the Securities Act and did not and, as amended or supplemented, if applicable, will not, as of the date of such amendment or supplement, as applicable, contain any untrue statement of a material fact or omit to state a material fact required

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to be stated therein or necessary to make the statements therein not misleading. The Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering and at the First Closing Date (as defined in Section 2), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Prospectus, as of its date, did not and, as amended or supplemented, if applicable, will not, as of the date of such amendment or supplement, as applicable, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The representations and warranties set forth in the three immediately preceding sentences do not apply to statements in or omissions from the Registration Statement any Rule 462(b) Registration Statement, or any post-effective amendment thereto, or the Prospectus or Time of Sale Prospectus, or any amendments or supplements thereto, made in reliance upon and in conformity with information relating to any Underwriter furnished to the Company in writing by the Representative expressly for use therein, it being understood and agreed that the only such information furnished by the Representative to the Company consists of the information described in Section 9(c) below. There are no contracts or other documents required to be described in the Prospectus or to be filed as exhibits to the Registration Statement which have not been described or filed as required.

The Company is not an “ineligible issuer” (as defined in Rule 405 under the Securities Act) in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act. Except for the free writing prospectuses, if any, identified on Schedule C, and electronic road shows, if any, furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(b) *Offering Materials Furnished to Underwriters.* The Company has delivered to the Representative one complete manually signed copy of the Registration Statement and of each consent and certificate of experts filed as a part thereof, and conformed copies of the Registration Statement (without exhibits) and preliminary prospectuses, Time of Sale Prospectus, and the Prospectus, as amended or supplemented, in such quantities and at such places as the Representative has reasonably requested for each of the Underwriters.

(c) *Distribution of Offering Material By the Company.* The Company has not distributed and will not distribute, prior to the later of (i) the expiration or termination of the option granted to the several Underwriters in Section 2 and (ii) the completion of the Underwriters’ distribution of the Offered Shares, any offering material in connection with the offering and sale of the Offered Shares other than a preliminary prospectus, Time of Sale Prospectus, the Prospectus or the Registration Statement or any other document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act.

(d) *Independent Accountants.* Grant Thornton LLP (i) was listed as an independent registered public accounting firm with the Public Company Accounting Oversight Board as of the date hereof and, to the knowledge of the Company, continues to hold this status and (ii) to the knowledge of the Company, is, with respect to the Company, in compliance with subsections (g)

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through (l) of Section 10A of the Exchange Act. Hogan & Slovacek, a professional corporation, (i) was listed as an independent registered public accounting firm with the Public Company Accounting Oversight Board as of the date hereof and, to the knowledge of the Company, continues to hold this status and (ii) to the knowledge of the Company, is, with respect to the Company, in compliance with subsections (g) through (l) of Section 10A of the Exchange Act.

(e) *Financial Statements.* The financial statements filed with the Commission as a part of or incorporated by reference into the Registration Statement, the Prospectus and Time of Sale Prospectus present fairly in all material respects the financial condition of the Company as of and at the dates indicated, and the statements of operations, stockholders' equity and comprehensive income and cash flows of the Company for the periods specified; such financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("**GAAP**") applied on a consistent basis throughout the periods involved except to the extent disclosed in the notes thereto. The selected historical financial data and the summary financial data included in the Prospectus present fairly, in all material respects, the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included or incorporated by reference into the Registration Statement. The other financial and statistical data set forth in the Registration Statement and included in either the Prospectus or the Time of Sale Prospectus are accurately presented and prepared on a basis consistent with the financial statements and books and records of the Company. There are no financial statements (historical or pro forma) that are required to be included in the Registration Statement and either the Prospectus or the Time of Sale Prospectus that are not included as required. The Company has not engaged in or effected any transaction or arrangement that would constitute an "off-balance sheet arrangement" (as defined in Item 303 of Regulation S-K of the Commission ("**Regulation S-K**")). All non-GAAP financial measures (as defined in Regulation G of the Commission) and ratios derived using non-GAAP financial measures have been presented in compliance with Item 10 of Regulation S-K.

(f) *Reserve Report Data.* The oil and gas reserve estimates of the Company contained or incorporated by reference into the Registration Statement and included in the Prospectus and Time of Sale Prospectus have been prepared by independent reserve engineers in accordance with Commission guidelines applied on a consistent basis throughout the periods involved, and the Company has no reason to believe that such estimates do not fairly reflect the oil and gas reserves of the Company at the dates indicated. Other than production of the reserves in the ordinary course of business and intervening product price fluctuations described in the Registration Statement, Prospectus and Time of Sale Prospectus, the Company is not aware of any facts or circumstances that would cause a Material Adverse Change in the reserves or the present value of future net cash flows therefrom as described in the Registration Statement, Prospectus or Time of Sale Prospectus.

(g) *No Material Adverse Change in Business.* Except as disclosed in the Time of Sale Prospectus, subsequent to the respective dates as of which information is given in the Time of Sale Prospectus, there has been no (i) material adverse change in the condition, financial or otherwise, results of operations or prospects of the Company taken as a whole (the "**Enterprise**"), whether or not arising in the ordinary course of business (a "**Material Adverse Change**"), (ii) transaction which is material to the Enterprise, (iii) any obligation, direct or contingent (including any off-balance sheet obligations), incurred by the Company, which is material to the Enterprise, (iv) change in the capital stock of the Company, (v) material change in the outstanding indebtedness of the Company or (vi) dividend or distribution of any kind declared, paid or made on the capital stock of the Company.

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(h) *Good Standing of the Company.* The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and Time of Sale Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each other jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or to be in good standing would not result in a Material Adverse Change. Except as otherwise set forth in the Registration Statement, the Prospectus or the Time of Sale Prospectus, the Company does not own or control, directly or indirectly, any corporation, association or other entity.

(i) *Capitalization.* The authorized capital stock of the Company, and the issued and outstanding capital stock of the Company as of the date hereof after giving effect to the offering of the Shares and the other transactions contemplated by this Agreement and assuming the exercise by the Underwriters of the option to purchase the Optional Shares, as provided in Section 2, is as set forth in the Time of Sale Prospectus under the caption "Capitalization" under the "As Adjusted" column (other than for subsequent issuances, if any, pursuant to employee benefit plans described in the Time of Sale Prospectus or upon exercise of outstanding options described in the Time of Sale Prospectus). The shares of issued and outstanding capital stock of the Company have been duly authorized and validly issued and are fully paid and non-assessable and none of the outstanding shares of capital stock of the Company was issued in violation of the preemptive or similar rights of any security holder of the Company. The description of the Company's stock option, stock bonus and other stock plans or arrangements, and the options or other rights granted thereunder, as described in the Registration Statement or in the Time of Sale Prospectus accurately and fairly present in all material respects the information required to be shown with respect to such plans, arrangements, options and rights.

(j) *Other Securities.* Except as disclosed in the Time of Sale Prospectus, there are no outstanding (i) securities or obligations of the Company convertible into or exchangeable for any equity interests of the Company, (ii) warrants, rights or options to subscribe for or purchase from the Company any equity interests or any such convertible or exchangeable securities or obligations, or (iii) obligations of the Company to issue any equity interests, any such convertible or exchangeable securities or obligations, or any such warrants, rights or options.

(k) *Stock Exchange Listing.* The Shares are registered pursuant to Section 12(g) of the Exchange Act and are listed on the Nasdaq National Market and the Company has taken no action designed to, or likely to have the effect of, terminating the registration of the Shares under the Exchange Act or delisting the Shares from the Nasdaq National Market, nor has the Company received any notification that the Commission or the Nasdaq National Market is contemplating terminating such registration of listing.

(l) *Authorization of Agreement and Binding Effect.* This Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other laws or court decisions relating to or affecting creditor's rights generally, and except to the extent that enforcement of the indemnification and contribution obligations provided for herein may be limited by federal or state securities laws or the public policies underlying such laws.



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(m) *Authorization and Description of Optional Shares.* The Optional Shares have been duly authorized for issuance and sale to the Underwriters pursuant to this Agreement. When the Company issues and delivers the Optional Shares pursuant to this Agreement against payment of the consideration set forth herein, the Optional Shares will be validly issued, fully paid and non-assessable; the capital stock of the Company conforms in all material respects to the description thereof contained in the Time of Sale Prospectus, and such descriptions conform in all material respects to the rights set forth in the instruments defining the same; the issuance by the Company of the Optional Shares is not subject to preemptive or other similar rights of any security holder of the Company; and the Company has authorized and available a sufficient number of Shares for issuance of the Optional Shares pursuant to this Agreement and for issuance upon the exercise, conversion or exchange of all outstanding options and other securities of the Company that are convertible into or exchangeable for Shares.

(n) *Absence of Defaults and Conflicts.* The Company is not (i) in violation of its certificate of incorporation or by-laws, or (ii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which it is a party or by which it may be bound, or to which any of the property or assets of the Company is subject (collectively, “**Agreements and Instruments**”) except, in the case of clause (ii), for any defaults which, singularly or in the aggregate, would not result in a Material Adverse Change; and the execution, delivery and performance of this Agreement, the consummation of the transactions contemplated by this Agreement and in the Time of Sale Prospectus including the issuance and sale of the Offered Shares and the use of the proceeds from the sale of the Offered Shares as described therein, and the compliance by the Company with its obligations under this Agreement (except as contemplated by the Time of Sale Prospectus) do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the properties or assets of the Company pursuant to the Agreements and Instruments except for such conflicts, breaches, defaults, liens, charges or encumbrances which, singularly or in the aggregate, would not result in a Material Adverse Change, nor will such action result in any violation of the provisions of the certificate of incorporation or by-laws of the Company or any applicable law, statute, rule, regulation, judgment, order, writ or decree of any government, government instrumentality or court, domestic or foreign, having jurisdiction over the Company or any of its assets, properties or operations. As used herein, a “**Repayment Event**” means any event or condition which gives the holder of any note, debenture or other evidence of indebtedness (or any person acting on such holder’s behalf) the right to require the repurchase, redemption or repayment of all or a portion of such indebtedness by the Company.

(o) *Absence of Labor Dispute.* No labor dispute with the employees of the Company exists or to the knowledge of the Company is imminent, and the Company is not aware of any existing or imminent labor disturbance by the employees of any of its principal operators, contractors, suppliers or customers, which, in either case, would result in a Material Adverse Change. The Company is not aware that any key employee or significant group of employees of the Company plans to terminate employment with the Company.

(p) *Absence of Proceedings.* There is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending, or, to the knowledge of the Company, threatened, against or affecting the Company, which is required to be disclosed in the Registration Statement (other than as disclosed in the Time of Sale Prospectus), or which might result in a Material Adverse Change, or which might

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materially and adversely affect the properties or assets of the Enterprise or the consummation of the transactions contemplated in this Agreement or the performance by the Company of its obligations hereunder; the aggregate of any and all pending legal or governmental proceedings to which the Company is a party or of which any of its property or assets is the subject which are not described in the Time of Sale Prospectus, including ordinary routine litigation incidental to the business, could not result in a Material Adverse Change.

(q) *Accuracy of Exhibits.* There are no contracts or documents which are required to be described in the Registration Statement or the Prospectus pursuant to Form S-3 or to be filed as exhibits to the Registration Statement pursuant to Item 601 of Regulation S-K or incorporated by reference therein which have not been so described, filed or incorporated as required.

(r) *Possession of Intellectual Property.* The Company owns or possesses, or can acquire on reasonable terms, adequate patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks, trade names or other intellectual property (collectively, "Intellectual Property") necessary to carry on the business now operated by it, except where the failure to own or possess, or have the ability to acquire on reasonable terms such Intellectual Property would not, singularly or in the aggregate, cause a Material Adverse Change. The Company has not received any notice and is not otherwise aware of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company therein, and which infringement or conflict (if the subject of any unfavorable decision, ruling or finding) or invalidity or inadequacy, singly or in the aggregate, would result in a Material Adverse Change.

(s) *Absence of Further Requirements.* No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by the Company of its obligations hereunder, or in connection with the offering, issuance or sale of the Offered Shares under this Agreement or the consummation of the transactions contemplated by this Agreement except such as have been already obtained or as may be required under the Securities Act or the regulations promulgated thereunder or state securities laws or by the National Association of Securities Dealers ("NASD").

(t) *No Price Stabilization or Manipulation; Compliance with Regulation M.* The Company has not taken, directly or indirectly, any action designed to or that would be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other "reference security" (as defined in Rule 100 of Regulation M under the Exchange Act ("**Regulation M**")) whether to facilitate the sale or resale of the Offered Shares or otherwise, and has taken no action which would directly or indirectly violate Regulation M. The Company acknowledges that the Underwriters may engage in passive market making transactions in the Offered Shares on the Nasdaq National Market in accordance with Regulation M.

(u) *Possession of Licenses and Permits.* The Company possesses such permits, licenses, certificates, approvals, consents and other authorizations (collectively, "**Governmental Licenses**") issued by appropriate federal, state, local or foreign regulatory bodies necessary for the ownership of its assets and to conduct the business now operated by it, except where the failure to have obtained the same would not cause a Material Adverse Change; the Company is in compliance with the terms and conditions of all such Governmental Licenses, except where the failure to so comply would not singly or in the aggregate cause a Material Adverse Change; all of

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the Governmental Licenses are valid and in full force and effect, except where the invalidity or the failure to be in full force and effect would not singly or in the aggregate cause a Material Adverse Change; and the Company has not received any notice of proceedings relating to the revocation or modification of any such Governmental Licenses which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding would result in a Material Adverse Change.

(v) *Properties.* Except as otherwise set forth in the Registration Statement, the Prospectus or the Time of Sale Prospectus or such as in the aggregate does not now cause or will in the future cause a Material Adverse Change, the Company has title to its properties as follows: (a) with respect to its wells (including leasehold interests and appurtenant personal property) and its non-producing oil and gas properties (including undeveloped locations on leases held by production and those leases not held by production), such title is good and free and clear of all liens, security interests, pledges, charges, encumbrances, mortgages and restrictions, (b) with respect to its non-producing properties in exploration prospects, such title was investigated in accordance with customary industry procedures prior to the Company's acquisition thereof; (c) with respect to its real property other than oil and gas interests, such title is good and marketable free and clear of all liens, security interests, pledges, charges, encumbrances, mortgages and restrictions; and (d) with respect to its personal property other than that appurtenant to its oil and gas interests, such title is free and clear of all liens, security interests, pledges, charges, encumbrances, mortgages and restrictions. No real property owned, leased, licensed, or used by the Company lies in an area which is, or to the knowledge of the Company will be, subject to restrictions which would prohibit, and no statements of facts relating to the actions or inaction of another person or entity or his or its ownership, leasing, licensing, or use of any real or personal property exists or will exist which would prevent, the continued effective ownership, leasing, licensing, exploration, development or production or use of such real property in the business of the Company as presently conducted or as the Registration Statement, the Prospectus or the Time of Sale Prospectus indicates it contemplates conducting, except as may be properly described in the Registration Statement, the Prospectus or the Time of Sale Prospectus or such as in the aggregate do not now cause and will not in the future cause a Material Adverse Change.

(w) *Insurance.* Except as otherwise set forth in the Registration Statement, the Prospectus or the Time of Sale Prospectus, the Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are adequate for the conduct of its businesses and as are customary for the business in which it is engaged; all such policies of insurance insuring the Company are in full force and effect and the Company has no reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business.

(x) *Taxes.* The Company has filed on a timely basis all foreign, federal, state and local tax returns that are required to be filed or have requested extensions thereof (except in any case in which the failure so to file would not cause a Material Adverse Change) and has paid all taxes required to be paid by it and any other assessment, fine or penalty levied against it to the extent due and payable, except for any such assessment, fine or penalty that is currently being contested in good faith or would not cause a Material Adverse Change.

(y) *Investment Company Act.* The Company is not required, and upon the issuance and sale of the Offered Shares as herein contemplated and the application of the net proceeds therefrom as described in the Time of Sale Prospectus will not be required, to register as an

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“investment company” within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

(z) *Environmental Laws.* There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of hazardous substances or hazardous wastes by the Company (or, to the knowledge the Company or any of its predecessors in interest), at, upon or from any of the property now or previously owned, leased or operated by the Company in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit that would require the Company to undertake any remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action that would not, individually or in the aggregate with all such violations and remedial actions, cause a Material Adverse Change. Except for abandonment and similar costs incurred or to be incurred in the ordinary course of business of the Company, there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto any property now or previously owned, leased or operated by the Company or into the environment surrounding such property of any hazardous substances or hazardous wastes due to or caused by the Company (or, to the knowledge of the Company, any of its predecessors in interest), except for any such spill, discharge, leak, emission, injection, escape, dumping or release that would not, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, result in a Material Adverse Change; and the terms “hazardous substances,” and “hazardous wastes” shall be construed broadly to include such terms and similar terms, all of which shall have the meanings specified in any applicable local, state and federal laws or regulations with respect to environmental protection. Except as set forth in the Time of Sale Prospectus, the Company has not been named as a “potentially responsible party” under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

(aa) *Registration Rights.* There are no persons with registration rights or other similar rights to have any securities of the Company registered pursuant to the Registration Statement or sold in the offering contemplated by this Agreement, other than the Selling Stockholders with respect to the Offered Shares included in the Registration Statement, except for such rights as have been duly waived.

(bb) *Internal Accounting.* Subject to such exceptions, if any, as could not reasonably be expected to cause a Material Adverse Change, the Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management’s general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets, (iii) access to assets is permitted only in accordance with management’s general or specific authorization, and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(cc) *Disclosure Controls and Procedures.* The Company has established and maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), which (i) are designed to ensure that material information relating to the Company is made known to the Company’s principal executive officer and its principal financial officer by others within the Company, particularly during the periods in which the periodic reports required under the Exchange Act are being prepared; (ii) have been evaluated for effectiveness as of a date within 90 days prior to the earlier of the date that the Company filed its most recent annual or quarterly report with the Commission and the date of the Time of Sale Prospectus; and (iii) are

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effective in all material respects to perform the functions for which they were established. Based on the most recent evaluation of its disclosure controls and procedures, (i) the Company is not aware of material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information, (ii) the Company's audit committee of the Company's board of directors and the Company's independent registered public accounting firm have been made aware of any significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information and (iii) the Company is not aware of any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting. The Company is not aware of any change in its internal control over financial reporting that has occurred during its most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

(dd) *Certain Relationships and Related Transactions*. No relationship, direct or indirect, exists between or among the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand, which is required to be described or incorporated by reference in the Prospectus and which is not so described or incorporated. The Time of Sale Prospectus contains in all material respects the same description of the matters set forth in the preceding sentence contained in the Prospectus.

(ee) *Brokers*. The Company is not a party to any contract, agreement or understanding with any person that would give rise to a valid claim against the Company or the Underwriters for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Offered Shares.

(ff) *Sarbanes-Oxley Act of 2002*. The Company is in compliance, in all material respects, with all applicable provisions of the Sarbanes-Oxley Act of 2002 and all rules and regulations promulgated thereunder or implementing the provisions thereof.

(gg) *Certain Payments*. Neither the Company nor, to the best knowledge of the Company, any director, officer, agent, employee or other person associated with or acting on behalf of the Company, (i) has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds, (ii) violated or is in violation of any provisions of the Foreign Corrupt Practices Act of 1977, or (iii) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment.

(hh) *ERISA*. The minimum funding standard under Section 302 of the Employee Retirement Income Security Act of 1974, as amended, and the regulations and published interpretations thereunder ("**ERISA**"), has been satisfied by each "pension plan" (as defined in Section 3(2) of ERISA) which has been established or maintained by the Company, and the trust forming part of each such plan which is intended to be qualified under Section 401 of the Internal Revenue Code of 1986, as amended, is so qualified; the Company has fulfilled its obligations, if any, under Section 515 of ERISA; the Company does not maintain and is not required to contribute to a "welfare plan" (as defined in Section 3(1) of ERISA) which provides retiree or other post-employment welfare benefits or insurance coverage (other than "continuation coverage" (as defined in Section 602 of ERISA)); each pension plan and welfare plan established or maintained by the Company is in compliance with the currently applicable provisions of

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ERISA, except where the failure to comply would not cause a Material Adverse Change; and the Company has not incurred or could reasonably be expected to incur any withdrawal liability under Section 4201 of ERISA, any liability under Section 4062, 4063, or 4064 of ERISA, or any other liability under Title IV of ERISA.

(ii) *Corporate Records.* The minute book of the Company has been made available to the Underwriters and counsel for the Underwriters, and such book (i) reflects all meetings and actions of the board of directors (including each board committee) and stockholders of the Company since the time of its respective organization through the date of the latest meeting and action, and (ii) accurately in all material respects reflect all transactions referred to in such minutes.

(jj) *Margin Securities.* The Company does not own any “margin securities” as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System (the “**Federal Reserve Board**”), and none of the proceeds of the sale of the Offered Shares will be used, directly or indirectly, for the purpose of purchasing or carrying any margin security, for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might cause any of the Offered Shares to be considered a “purpose credit” within the meanings of Regulation T, U or X of the Federal Reserve Board.

(kk) *Prospectus Statements.* The statements set forth in the Time of Sale Prospectus under the captions “Risk Factors,” “Prospectus Summary” and “Business,” insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate and complete in all material respects.

(ll) *Transfer Taxes.* There are no transfer taxes or other similar fees or charges under federal law or laws of any state or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the issuance by the Company or the sale by the Company of the Offered Shares.

Any certificate signed by any officer of the Company that is delivered to the Representative or to counsel for the Underwriters pursuant to this Agreement shall be deemed a representation and warranty by the Company to each Underwriter as to the matters covered thereby.

***B. Representations and Warranties of the Selling Stockholders.*** Each Selling Stockholder represents, warrants and covenants to each Underwriter as follows:

(a) *Authorization of Agreement and Binding Effect.* This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder and constitutes a valid and binding obligation of such Selling Stockholder enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency or other laws or court decisions relating to or affecting creditor’s rights generally, and except to the extent that enforcement of the indemnification and contribution obligations provided for herein may be limited by federal or state securities laws or the public policies underlying such laws.

(b) *Ownership of Offered Shares.* Such Selling Stockholder is the beneficial owner of the Shares to be sold by it hereunder free and clear of all liens, encumbrances, equities and claims and, where applicable, has duly endorsed such Shares in blank, and, assuming that each Underwriter acquires its interest in the Offered Shares it has purchased from such Selling

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Stockholder without notice of any adverse claim (within the meaning of Section 8-105 of the Delaware Uniform Commercial Code (“UCC”)), each Underwriter that has purchased such Offered Shares delivered on the First Closing Date, to The Depository Trust Company or other securities intermediary by making payment therefor as provided herein, and that has had such Offered Shares credited to the securities account or accounts of such Underwriters maintained with The Depository Trust Company or such other securities intermediary will have acquired a security entitlement (within the meaning of Section 8-102(a)(17) of the UCC) to such Offered Shares purchased by such Underwriter, and no action based on an adverse claim (within the meaning of Section 8-105 of the UCC) may be asserted against such Underwriter with respect to such Offered Shares.

(c) *Delivery of the Offered Shares to be Sold.* Delivery of the Offered Shares which are sold by such Selling Stockholder pursuant to this Agreement will pass good and valid title to such Offered Shares, free and clear of any security interest, mortgage, pledge, lien, encumbrance or other adverse claim.

(d) *No Price Stabilization or Manipulation; Compliance with Regulation M.* Such Selling Stockholder has not taken, directly or indirectly, any action designed to or that would be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and has taken no action which would directly or indirectly violate any provision of Regulation M.

(e) *Absence of Further Requirements.* No filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any court or governmental authority or agency is necessary or required for the performance by such Selling Stockholder of its obligations hereunder, or in connection with the offering or sale of the Offered Shares under this Agreement or the consummation of the transactions contemplated by this Agreement except such as have been already obtained or as may be required under the Securities Act or the regulations promulgated thereunder, state securities laws or by the NASD.

(f) *Absence of Defaults and Conflicts.* Neither the sale of the Shares being sold by such Selling Stockholder nor the consummation of any other of the transactions herein contemplated by such Selling Stockholder or the fulfillment of the terms hereof by such Selling Stockholder will conflict with, result in a breach or violation of, or constitute a default under any law or, if such Selling Stockholder is a corporation, association or other entity, the charter, by-laws or similar organizational documents of such Selling Stockholder or, as to all such Selling Stockholders, the terms of any indenture or other agreement or instrument to which such Selling Stockholder is a party or bound, or any judgment, order or decree applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder.

(g) *Selling Stockholder Information.* In respect of any statements in or omissions from the Registration Statement or the Time of Sale Prospectus or any supplements thereto made in reliance upon and in conformity with information furnished in writing to the Company by such Selling Stockholder specifically for use in connection with the preparation thereof, such information does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make such statements not misleading. The parties acknowledge that the only information furnished by or on behalf of such Selling Stockholder in writing expressly for use in connection with the preparation of the Registration Statement or the Time of Sale Prospectus or any supplements thereto is the information as to its

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name, address, the amount of shares of the Company held by such Selling Stockholder prior to the offering and to be offered for such Selling Stockholder's account, and with respect to all such Selling Stockholders other than Liddell Investments, L.L.C., the information set forth under the caption "Prospectus Summary—Our Equity Sponsor."

(h) *No Registration, Pre-emptive, Co-Sale or Other Similar Rights.* Such Selling Stockholder (i) does not have any registration or other similar rights to have any equity or debt securities registered for sale by the Company under the Registration Statement or included in the offering contemplated by this Agreement except to the extent exercised and so included or hereby waived, (ii) does not have any preemptive right, co-sale right or right of first refusal or other similar right to purchase any of the Offered Shares that are to be sold by the Company to the Underwriters pursuant to this Agreement, except for such rights as such Selling Stockholder has waived prior to the date hereof and as have been described in the Registration Statement and Time of Sale Prospectus, and (iii) does not own any warrants, options or similar rights to acquire, and does not have any right or arrangement to acquire, any capital stock, right, warrants, options or other securities from the Company, other than those, in each instance, described in the Registration Statement and the Time of Sale Prospectus.

(i) *No Transfer Taxes or Other Fees.* There are no transfer taxes or other similar fees or charges under Federal law or the laws of any state, or any political subdivision thereof, required to be paid in connection with the execution and delivery of this Agreement or the sale by such Selling Stockholder of the Offered Shares.

(j) *Distribution of Offering Materials by the Selling Stockholders.* Such Selling Stockholder has not distributed and will not distribute, prior to the later of (i) the expiration or termination of the option granted to the several Underwriters under Section 2 and (ii) the completion of the Underwriters' distribution of the Offered Shares, any offering material in connection with the offering and sale of the Offered Shares other than a preliminary prospectus, the Time of Sale Prospectus or the Registration Statement.

Such Selling Stockholder acknowledges that the Underwriters and, for purposes of the opinion to be delivered pursuant to Section 6 hereof, counsel to such Selling Stockholder and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

## **Section 2. Purchase, Sale and Delivery of the Offered Shares.**

(a) *The Firm Shares.* The Selling Stockholders agree to sell to the several Underwriters the Firm Shares upon the terms set forth herein, with each Selling Stockholder selling the number of Firm Shares set forth opposite such Selling Stockholder's name on Schedule B. On the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Underwriters agree, severally and not jointly, to purchase from the Selling Stockholders the respective number of Firm Shares set forth opposite their names on Schedule A. The purchase price per Firm Share to be paid by the several Underwriters to the Selling Stockholders shall be \$[\_\_\_\_\_] per share.

(b) *The First Closing Date.* Delivery of certificates for the Firm Shares to be purchased by the Underwriters and payment therefor shall be made at the offices of Akin Gump Strauss Hauer & Feld LLP, 1700 Pacific Avenue, Suite 4100, Dallas, Texas (or such other place as may be agreed to by the Company and the Representative) at 9:00 a.m. New York time, on May \_\_, 2006, or such other time and date as shall be agreed upon by the Representative and the Company



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(the time and date of such closing are called the “**First Closing Date**”). The Company and the Selling Stockholders hereby acknowledge that circumstances under which the Representative may provide notice to postpone the First Closing Date as originally scheduled include, but are in no way limited to, any determination by the Company, the Selling Stockholders or the Representative to recirculate to the public copies of an amended or supplemented Prospectus or a delay as contemplated by the provisions of Section 11.

(c) *The Optional Shares; Option Closing Date.* In addition, on the basis of the representations, warranties and agreements herein contained, and upon the terms but subject to the conditions herein set forth, the Company hereby grants an option to the several Underwriters to purchase, severally and not jointly, up to an aggregate of 907,500 Optional Shares from the Company at the purchase price per share to be paid by the Underwriters for the Firm Shares. The option granted hereunder is for use by the Underwriters solely in covering any over-allotments in connection with the sale and distribution of the Firm Shares. The option granted hereunder may be exercised at any time and from time to time in whole or in part upon notice by the Representative to the Company, which notice may be given at any time within 30 days from the date of this Agreement. Such notice shall set forth (i) the aggregate number of Optional Shares as to which the Underwriters are exercising the option, (ii) the names and denominations in which the certificates for the Optional Shares are to be registered and (iii) the time, date and place at which such certificates will be delivered (which time and date may be simultaneous with, but not earlier than, the First Closing Date; and in such case the term “**First Closing Date**” shall refer to the time and date of delivery of certificates for the Firm Shares and such Optional Shares). Such time and date of delivery, if subsequent to the First Closing Date, is called an “**Option Closing Date**” and shall be determined by the Representative and shall not be earlier than two nor later than five full business days after delivery of such notice of exercise. If any Optional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Optional Shares (subject to such adjustments to eliminate fractional shares as the Representative may determine) that bears the same proportion to the total number of Optional Shares to be purchased as the number of Firm Shares set forth on Schedule A opposite the name of such Underwriter bears to the total number of Firm Shares. The Representative may cancel the option at any time prior to its expiration by giving written notice of such cancellation to the Company.

(d) *Public Offering of the Offered Shares.* The Representative hereby advises the Company and the Selling Stockholders that the Underwriters intend to offer for sale to the public, initially on the terms set forth in the Prospectus, their respective portions of the Offered Shares as soon after this Agreement has been executed and the Registration Statement has been declared effective as the Representative, in its sole judgment, has determined is advisable and practicable.

(e) *Payment for the Offered Shares.* Payment for the Offered Shares to be sold by the Selling Stockholders shall be made at the First Closing Date by wire transfer of immediately available funds to the order of each Selling Stockholder. Payment for the Offered Shares to be sold by the Company shall be made at the First Closing Date (and, if applicable, at each Option Closing Date) by wire transfer of immediately available funds to the order of the Company.

It is understood that the Representative has been authorized, for its own account and the accounts of the several Underwriters, to accept delivery of and receipt for, and make payment of the purchase price for, the Firm Shares and any Optional Shares the Underwriters have agreed to purchase. JRCO, individually and not as the Representative of the Underwriters, may (but shall not be obligated to) make payment for any Offered Shares to be purchased by any Underwriter whose funds shall not have been received by the Representative by the First Closing Date or the applicable Option Closing Date, as the case may be, for the account of such

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Underwriter, but any such payment shall not relieve such Underwriter from any of its obligations under this Agreement.

Each Selling Stockholder hereby agrees that it will pay all stock transfer taxes, stamp duties and other similar taxes, if any, payable upon the sale or delivery of the Offered Shares to be sold by such Selling Stockholder to the several Underwriters, or otherwise in connection with the performance of such Selling Stockholder's obligations hereunder.

(f) *Delivery of the Offered Shares.* The Selling Stockholders shall deliver, or cause to be delivered, to the Representative for the accounts of the several Underwriters certificates for the Firm Shares to be sold by them at the First Closing Date, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The Company shall deliver, or cause to be delivered, to the Representative for the accounts of the several Underwriters, certificates for the Optional Shares the Underwriters have agreed to purchase at the First Closing Date or the applicable Option Closing Date, as the case may be, against the irrevocable release of a wire transfer of immediately available funds for the amount of the purchase price therefor. The certificates for the Offered Shares shall be in definitive form and registered in such names and denominations as the Representative shall have requested at least two full business days prior to the First Closing Date (or the applicable Option Closing Date, as the case may be) and shall be made available for inspection on the business day preceding the First Closing Date (or the applicable Option Closing Date, as the case may be) at a location in New York City as the Representative may designate. Time shall be of the essence, and delivery at the time and place specified in this Agreement is a further condition to the obligations of the Underwriters.

### **Section 3. Additional Covenants.**

**A. Covenants of the Company.** The Company further covenants and agrees with each Underwriter as follows:

(a) *Delivery of Registration Statement, Time of Sale Prospectus and Prospectus.* Upon request, the Company shall furnish to you, without charge, signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 3(A)(e) or 3(A)(g) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) *Representative's Review of Proposed Amendments and Supplements.* Prior to amending or supplementing the Registration Statement (including any registration statement filed under Rule 462(b) under the Securities Act), the Time of Sale Prospectus or the Prospectus, including any amendment or supplement through incorporation by reference of any report filed under the Exchange Act, the Company shall furnish to the Representative for review a copy of each such proposed amendment or supplement, and the Company shall not file any such proposed amendment or supplement without the Representative's consent, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

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(c) *Free Writing Prospectuses.* The Company shall furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) *Filing of Underwriter Free Writing Prospectuses.* The Company shall not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) *Amendments to Time of Sale Prospectus.* If the Time of Sale Prospectus is being used to solicit offers to buy the Offered Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) *Securities Act Compliance.* After the date of this Agreement, the Company shall promptly advise the Representative in writing (i) of the receipt of any comments of, or requests for additional or supplemental information from, the Commission, (ii) of the time and date of any filing of any post-effective amendment to the Registration Statement or any amendment or supplement to any preliminary prospectus or the Prospectus, (iii) of the time and date that any post-effective amendment to the Registration Statement becomes effective and (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or of any order preventing or suspending the use of any preliminary prospectus or the Prospectus, or of any proceedings to remove, suspend or terminate from listing or quotation the Shares from any securities exchange upon which it is listed for trading or included or designated for quotation, or of the threatening or initiation of any proceedings for any of such purposes. If the Commission shall enter any such stop order at any time, the Company will use its best efforts to obtain the lifting of such order at the earliest possible moment. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b) and 430A, as applicable, under the Securities Act and will use its reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) were received in a timely manner by the Commission.

(g) *Amendments and Supplements to the Prospectus and Other Securities Act Matters.* If the delivery of a prospectus is required at any time after the date hereof and if at such time any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus is delivered to a purchaser, not misleading, or if in the opinion of the Representative or counsel for the Underwriters it is otherwise necessary to amend or supplement the Prospectus

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to comply with law, the Company agrees to promptly prepare (subject to Section 3(A)(a) hereof), file with the Commission and furnish at its own expense to the Underwriters and to dealers, amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with law. Neither the Representative's consent to, or delivery of, any such amendment or supplement shall constitute a waiver of any of the Company's obligations under this Section 3(A)(g).

(h) *Blue Sky Compliance.* The Company shall cooperate with the Representative and counsel for the Underwriters to qualify or register the Offered Shares for sale under (or obtain exemptions from the application of) the state securities or blue sky laws of those jurisdictions designated by the Representative, shall comply with such laws and shall continue such qualifications, registrations and exemptions in effect so long as required for the distribution of the Offered Shares. The Company shall not be required to qualify as a foreign corporation or to take any action that would subject it to general service of process in any such jurisdiction where it is not presently qualified or where it would be subject to taxation as a foreign corporation. The Company will advise the Representative promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Offered Shares for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(i) *Use of Proceeds.* The Company shall apply the net proceeds, if any, from the sale of the Offered Shares sold by it in the manner described under the caption "Use of Proceeds" in the Prospectus.

(j) *Transfer Agent.* The Company shall continue to engage and maintain, at its expense, a registrar and transfer agent for the Shares.

(k) *Earnings Statement.* As soon as practicable, the Company will make generally available to its security holders and to the Representative an earnings statement (which need not be audited) covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(l) *Periodic Reporting Obligations.* The Company, during the period when the Prospectus is required to be delivered under the Securities Act, shall file, on a timely basis, with the Commission and, where required, the Nasdaq National Market all reports and documents required to be filed under the Exchange Act.

(m) *Listing.* The Company will use its best efforts to effect and maintain the inclusion and quotation of the Offered Shares on the Nasdaq National Market and to maintain the inclusion and quotation of the Shares on the Nasdaq National Market unless and until such security is listed on another exchange or automated quotation system of at least comparable reputation.

(n) *Company to Provide Copy of the Prospectus in Form That May be Downloaded from the Internet.* The Company shall cause to be prepared and delivered, at its expense, within one business day from the effective date of this Agreement, to JRCO an "electronic Prospectus" to be used by the Underwriters in connection with the offering and sale of the Offered Shares. As used

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herein, the term “**electronic Prospectus**” means a form of Time of Sale Prospectus, and any amendment or supplement thereto, that meets each of the following conditions: (i) it shall be encoded in an electronic format, satisfactory to JRCO, that may be transmitted electronically by JRCO and the other Underwriters to offerees and purchasers of the Offered Shares; (ii) it shall disclose the same information as the paper Time of Sale Prospectus, except to the extent that graphic and image material cannot be disseminated electronically, in which case such graphic and image material shall be replaced in the electronic Prospectus with a fair and accurate narrative description or tabular representation of such material, as appropriate; and (iii) it shall be in or convertible into a paper format or an electronic format, satisfactory to JRCO, that will allow investors to store and have continuously ready access to the Time of Sale Prospectus at any future time, without charge to investors (other than any fee charged for subscription to the Internet as a whole and for on-line time). The Company hereby confirms that it has included or will include in the Prospectus filed pursuant to EDGAR or otherwise with the Commission and in the Registration Statement at the time it was declared effective an undertaking that, upon receipt of a request by an investor or his or her representative, the Company shall transmit or cause to be transmitted promptly, without charge, a paper copy of the Time of Sale Prospectus.

(o) *Agreement Not to Offer or Sell Additional Shares.* During the period commencing on the date hereof and ending on the 90th day following the date of the Prospectus (the “**Lock-up Period**”), the Company will not, without the prior written consent of JRCO (which consent may be withheld at the sole discretion of JRCO), directly or indirectly, sell, offer, contract or grant any option to sell, pledge, transfer or establish an open “put equivalent position” within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of or transfer, or announce the offering of, or file any registration statement under the Securities Act in respect of, any Shares, options or warrants to acquire Shares or securities exchangeable or exercisable for or convertible into Shares (other than as contemplated by this Agreement with respect to the Offered Shares); provided, however, that (1) the Company may issue Shares or options to purchase its Shares, or Shares upon exercise of options, pursuant to any stock option, stock bonus or other stock plan or arrangement described in the Prospectus or any amendment to or replacement of such plan, (2) file one or more registration statements on Form S-8 or amendments thereto relating to the issuance of Shares or the issuance and exercise of options to purchase Shares granted under the employee benefit plans of the Company existing on the date of the Prospectus or any amendment to or replacement of such plan, (3) the Company may issue shares upon the exercise of warrants outstanding on the date hereof and (4) the Company may file one or more registration statements under the Securities Act or amendments thereto relating to any registration rights held by persons other than the Selling Stockholders. Notwithstanding the foregoing, if (i) during the last 17 days of the Lock-up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (ii) prior to the expiration of the Lock-up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-up Period, then in each case the Lock-up Period will be extended until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the occurrence of the material news or material event, as applicable, except that such extension will not apply if, (i) at the expiration of the Lock-up Period, the Shares are “actively traded securities” (as defined in Regulation M) and (ii) that the Company meets the applicable requirements of paragraph (a)(1) of Rule 139 under the Securities Act of 1933, as amended, in the manner contemplated by Rule 2711(f)(4) of NASD.

(p) *Investment Limitation.* The Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Offered Shares in such a manner as would require the Company to register as an investment company under the Investment Company Act.

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(q) *No Stabilization or Manipulation; Compliance with Regulation M.* Prior to the completion of the distribution of the Offered Shares, the Company will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and the Company will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M. Prior to the completion of the distribution of the Offered Shares, if the limitations of Rule 102 of Regulation M (“**Rule 102**”) do not apply with respect to the Offered Shares or any other reference security pursuant to any exception set forth in Section (d) of Rule 102, then promptly upon notice from the Representative (or, if later, at the time stated in the notice), the Company will, and shall cause each of its affiliates to, comply with Rule 102 as though such exception were not available but the other provisions of Rule 102 (as interpreted by the Commission) did apply.

**B. Covenants of the Selling Stockholders.** Each Selling Stockholder further covenants and agrees with each Underwriter:

(a) *Agreement Not to Offer or Sell Additional Shares.* Such Selling Stockholder will not, without the prior written consent of JRCO (which consent may be withheld in its sole discretion), directly or indirectly, sell, offer, contract or grant any option to sell (including without limitation any short sale), pledge, transfer, establish an open “put equivalent position” within the meaning of Rule 16a-1(h) under the Exchange Act, or otherwise dispose of any Shares, options or warrants to acquire Shares, or securities exchangeable or exercisable for or convertible into Shares currently or hereafter owned either of record or beneficially (as defined in Rule 13d-3 under Exchange Act of 1934) by such Selling Stockholder, or publicly announce such Selling Stockholder’s intention to do any of the foregoing, for a period commencing on the date hereof and continuing through the close of trading on the last day of the Lock-up Period. The foregoing sentence shall not apply to (1) the Offered Shares to be sold hereunder or (2) a transfer by such Selling Stockholder to an affiliate, provided that such affiliate agrees in writing to be bound for the Lock-Up Period. Notwithstanding the foregoing, if (i) during the last 17 days of the Lock-up Period, the Company issues an earnings release or material news or a material event relating to the Company occurs or (ii) prior to the expiration of the Lock-up Period, the Company announces that it will release earnings results during the 16-day period beginning on the last day of the Lock-up Period, then in each case the Lock-up Period will be extended until the expiration of the 18-day period beginning on the date of the issuance of the earnings release or the occurrence of the material news or material event, as applicable, except that such extension will not apply if, (i) at the expiration of the Lock-up Period, the Shares are “actively traded securities” (as defined in Regulation M) and (ii) that the Company meets the applicable requirements of paragraph (a)(1) of Rule 139 under the Securities Act of 1933, as amended, in the manner contemplated by Rule 2711(f)(4) of NASD.

(b) *No Stabilization or Manipulation; Compliance with Regulation M.* Prior to the completion of the distribution of the Offered Shares, such Selling Stockholder will not take, directly or indirectly, any action designed to or that might be reasonably expected to cause or result in stabilization or manipulation of the price of the Shares or any other reference security, whether to facilitate the sale or resale of the Offered Shares or otherwise, and such Selling Stockholder will, and shall cause each of its affiliates to, comply with all applicable provisions of Regulation M. Prior to the completion of the distribution of the Offered Shares, if the limitations of Rule 102 do not apply with respect to the Offered Shares or any other reference security pursuant to any exception set forth in Section (d) of Rule 102, then promptly upon notice from the Representative (or, if later, at the time stated in the notice), such Selling Stockholder will, and

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shall cause each of its affiliates to, comply with Rule 102 as though such exception were not available but the other provisions of Rule 102 (as interpreted by the Commission) did apply.

(c) *Delivery of Forms W-9.* To deliver to the Representative prior to the First Closing Date a properly completed and executed United States Treasury Department Form W-9.

C. JRCO, on behalf of the several Underwriters, may, in its sole discretion, waive in writing the performance by the Company or any Selling Stockholder of any one or more of the foregoing covenants or extend the time for their performance.

**Section 4. Payment of Expenses.** The Company agrees to pay all costs, fees and expenses incurred in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including without limitation (i) all expenses incident to the issuance and delivery of the Offered Shares (including all printing and engraving costs), (ii) all fees and expenses of the registrar and transfer agent of the Shares, (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Offered Shares to the Underwriters, (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors, (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, and each preliminary prospectus, and all amendments and supplements thereto, and this Agreement, (vi) all filing fees and reasonable attorneys' fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Offered Shares for offer and sale under the state securities or blue sky laws, and, if requested by the Representative, preparing and printing a "Blue Sky Survey" or memorandum, and any supplements thereto, advising the Underwriters of such qualifications, registrations, determinations and exemptions, (vii) the filing fees incident to, and the reasonable fees and expenses of counsel for the Underwriters in connection with, the NASD's review and approval of the Underwriters' participation in the offering and distribution of the Offered Shares, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the Offered Shares, including without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of aircraft and other transportation chartered in connection with the road shows, (ix) the fees and expenses associated with listing the Offered Shares on the Nasdaq National Market and (x) all other fees, costs and expenses referred to in Item 14 of Part II of the Registration Statement. Except as provided in this Section 4, Section 7, Section 9 and Section 10 hereof, the Underwriters shall pay their own expenses, including the fees and disbursements of their counsel.

The Selling Stockholders further agree with each Underwriter to pay (directly or by reimbursement) all fees and expenses incident to the performance of their obligations under this Agreement which are not otherwise specifically provided for herein, including but not limited to (i) fees and expenses of counsel and other advisors for such Selling Stockholders and (ii) expenses and taxes incident to the sale and delivery of the Offered Shares to be sold by such Selling Stockholders to the Underwriters hereunder.

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This Section 4 shall not affect or modify any separate, valid agreement relating to the allocation of payment of expenses between the Company, on the one hand, and the Selling Stockholders, on the other hand.

**Section 5. Covenant of the Underwriters.** Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter

**Section 6. Conditions of the Obligations of the Underwriters.** The obligations of the several Underwriters to purchase and pay for the Offered Shares as provided herein on the First Closing Date and, with respect to the Optional Shares, each Option Closing Date, shall be subject to the accuracy of the representations and warranties on the part of the Company and the Selling Stockholders set forth in Sections 1(A) and 1(B) hereof as of the date hereof and as of the First Closing Date as though then made and, with respect to the Optional Shares, as of each Option Closing Date as though then made, to the timely performance by the Company and the Selling Stockholders of their respective covenants and other obligations hereunder, and to each of the following additional conditions:

(a) *Comfort Letters.* On the date hereof, the Representative shall have received from:

(i) Grant Thornton LLP, independent certified public accountants for the Company, (i) a letter dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited financial statements and certain financial information incorporated by reference in the Registration Statement, Time of Sale Prospectus, and the Prospectus (and the Representative shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters), and (ii) confirming that they are (A) independent public or certified public accountants as required by the Securities Act and the Exchange Act and (B) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission ("**Regulation S-X**");

(ii) Hogan & Slovacek, a professional corporation, independent public or certified public accountants for the Company, (i) a letter dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representative, containing statements and information of the type ordinarily included in accountant's "comfort letters" to underwriters, delivered according to Statement of Auditing Standards No. 72 (or any successor bulletin), with respect to the audited financial statements and certain financial information contained in the Registration Statement, Time of Sale Prospectus, and the Prospectus (and the Representative shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters), and (ii) confirming that they are (A) independent public or certified public accountants as required by the Securities Act and the Exchange Act and (B) in compliance with the applicable requirements relating to the qualification of accountants under Rule 2 01 of Regulation S-X;



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(iii) Netherland, Sewell & Associates, Inc. a letter dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representative, stating the conclusions and findings of such firm with respect to the oil and natural gas reserves of the Company (and the Representative shall have received an additional four conformed copies of such letter for each of the several Underwriters); and

(iv) Grant Thornton LLP, independent certified public accountants for the Company, an agreed-upon procedures report dated the date hereof addressed to the Underwriters, in form and substance satisfactory to the Representative enumerating the results of applying the following procedures (i) comparing certain historical financial amounts included in or incorporated by reference into the Registration Statement, Time of Sale Prospectus, and the Prospectus to amounts in the financial statements or notes (audited by other auditors) included in the Company's Form 10-KSB for the fiscal year ended December 31, 2004, as amended, (ii) recomputing certain amounts as of the indicated date or for the period indicated using amounts included in or derived from a management-prepared analysis that includes amounts or percentages from the audited financial statements or notes thereto (audited by other auditors) included in the Company's Form 10-KSB for the fiscal year ended December 31, 2004, as amended, and (iii) comparing or recomputing certain historical financial statement amounts to amounts in the financial statements or notes thereto (audited by other auditors) included in the Company's Form 10-KSB for the fiscal year ended December 31, 2003 (and the Representative shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters).

(b) *Compliance with Registration Requirements; No Stop Order; No Objection from NASD.* For the period from and after the date of this Agreement and prior to the First Closing Date and, with respect to the Optional Shares, each Option Closing Date:

(i) the Company shall have filed the Prospectus with the Commission (including the information required by Rule 430A under the Securities Act) in the manner and within the time period required by Rule 424(b) under the Securities Act; or the Company shall have filed a post-effective amendment to the Registration Statement containing the information required by such Rule 430A, and such post-effective amendment shall have become effective;

(ii) no stop order suspending the effectiveness of the Registration Statement, any Rule 462(b) Registration Statement, or any post-effective amendment to the Registration Statement, shall be in effect and no proceedings for such purpose shall have been instituted or threatened by the Commission; and

(iii) the NASD shall have raised no objection to the fairness and reasonableness of the underwriting terms and arrangements.

(c) *No Material Adverse Change or Ratings Agency Change.* For the period from and after the date of this Agreement and prior to the First Closing Date and, with respect to the Optional Shares, each Option Closing Date:

(i) in the judgment of the Representative there shall not have occurred, except as contemplated by the Prospectus, any Material Adverse Change; and

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(ii) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any securities of the Company by any “nationally recognized statistical rating organization” as such term is defined for purposes of Rule 436(g)(2) under the Securities Act.

(d) *Opinions of Counsels for the Company.* On each of the First Closing Date and each Option Closing Date the Representative shall have received the opinion of:

(i) Akin Gump Strauss Hauer & Feld LLP, counsel for the Company, dated as of such Closing Date, the form of which is attached as Exhibit A (and the Representative shall have received an additional four conformed copies of such counsel’s legal opinion for each of the several Underwriters); and

(ii) Joel H. McNatt, general counsel of the Company, dated as of such Closing Date, the form of which is attached as Exhibit B (and the Representative shall have received an additional four conformed copies of such counsel’s legal opinion for each of the several Underwriters).

(e) *Opinion of Counsel for the Underwriters.* On each of the First Closing Date and each Option Closing Date the Representative shall have received the opinion of Porter & Hedges, L.L.P., counsel for the Underwriters, in form and substance satisfactory to the Underwriters, dated as of such Closing Date.

(f) *Officers’ Certificate.* On each of the First Closing Date and each Option Closing Date the Representative shall have received a written certificate executed by the Chairman of the Board, Chief Executive Officer or President of the Company and the Chief Financial Officer or Chief Accounting Officer of the Company, dated as of such Closing Date, to the effect set forth in subsections (b)(ii) and (c)(ii) of this Section 6, and further to the effect that:

(i) for the period from and after the date of this Agreement and prior to such Closing Date, there has not occurred any Material Adverse Change;

(ii) the representations and warranties of the Company set forth in Section 1(A) of this Agreement are true and correct with the same force and effect as though expressly made on and as of such Closing Date; and

(iii) the Company has complied with all the agreements and covenants hereunder and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to such Closing Date.

(g) *Bring-down Comfort Letters.* On each of the First Closing Date and each Option Closing Date the Representative shall have received from:

(i) Grant Thornton LLP, independent certified public accountants for the Company, a letter dated such date, in form and substance satisfactory to the Representative, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (a)(i) of this Section 6, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or the applicable Option Closing Date, as the case

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may be (and the Representative shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters);

(ii) Hogan & Slovacek, a professional corporation, independent public or certified public accountants for the Company, a letter dated such date, in form and substance satisfactory to the Representative, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (a)(ii) of this Section 6, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to the First Closing Date or the applicable Option Closing Date, as the case may be (and the Representative shall have received an additional four conformed copies of such accountants' letter for each of the several Underwriters); and

(iii) Netherland, Sewell & Associates, Inc., a letter dated such date, in form and substance satisfactory to the Representative, to the effect that they reaffirm the statements made in the letter furnished by them pursuant to subsection (a)(iii) of this Section 6 (and the Representative shall have received an additional four conformed copies of such letter for each of the several Underwriters).

(h) *Opinion of Counsel for the Selling Stockholders.* On each of the First Closing Date and each Option Closing Date the Representative shall have received the opinions of Akin Gump Strauss Hauer & Feld LLP, Joel H. McNatt and Arthur Amron, counsel for the Selling Stockholders, dated as of such Closing Date, the form of which is attached as Exhibit C (and the Representative shall have received an additional four conformed copies of such counsel's legal opinion for each of the several Underwriters).

(i) *Selling Stockholders' Certificate.* On each of the First Closing Date and each Option Closing Date the Representative shall receive a written certificate executed by each Selling Stockholder, dated as of such Closing Date, to the effect that:

(i) the representations and warranties of such Selling Stockholder set forth in Section 1(B) of this Agreement are true and correct with the same force and effect as though expressly made by such Selling Stockholder on and as of such Closing Date; and

(ii) such Selling Stockholder has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date.

(j) *Lock-Up Agreement from Certain Securityholders of the Company.* On or prior to the date hereof, the Company shall have furnished to the Representative an agreement in the form of Exhibit D hereto from each of the Company's directors and executive officers, Charles E. Davidson and CD Holdings, L.L.C. and such agreement shall be in full force and effect on each of the First Closing Date and each Option Closing Date.

(k) *Additional Documents.* On or before each of the First Closing Date and each Option Closing Date, the Representative and counsel for the Underwriters shall have received such information, documents and opinions as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Offered Shares as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

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If any condition specified in this Section 6 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by notice to the Company and the Selling Stockholders at any time on or prior to the First Closing Date and, with respect to the Optional Shares, at any time prior to the applicable Option Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 4, Section 6, Section 8 and Section 9 shall at all times be effective and shall survive such termination.

**Section 7. Reimbursement of Underwriters' Expenses.** If this Agreement is terminated by the Representative pursuant to Section 6 (other than (b)(iii) or (e)), Section 12(i)(a) or Section 18, or if the sale to the Underwriters of the Offered Shares on the First Closing Date is not consummated because of any refusal, inability or failure on the part of the Company or the Selling Stockholders to perform any agreement herein or to comply with any provision hereof, the Company agrees to reimburse the Representative and the other Underwriters (or such Underwriters as have terminated this Agreement with respect to themselves), severally, upon demand for all out-of-pocket expenses that shall have been reasonably incurred by the Representative and the Underwriters in connection with the proposed purchase and the offering and sale of the Offered Shares, not to exceed \$200,000, including but not limited to reasonable fees and disbursements of counsel, printing expenses, travel expenses, postage, facsimile and telephone charges. If this Agreement is terminated pursuant to Section 11 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriters on account of those expenses.

**Section 8. Effectiveness of this Agreement.** This Agreement shall not become effective until the later of (i) the execution of this Agreement by the parties hereto and (ii) notification by the Commission to the Company and the Representative of the effectiveness of the Registration Statement under the Securities Act.

**Section 9. Indemnification.**

(a) *Indemnification of the Underwriters by the Company.* The Company agrees to indemnify and hold harmless each Underwriter, its officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act and the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to reimburse each Underwriter and each such controlling person for any and all expenses (including the reasonable fees and disbursements of one counsel chosen by JRCO) as such expenses are reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending, settling, compromising or

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paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall not apply to any loss, claim, damage, liability or expense to the extent, but only to the extent, arising out of or based upon any untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company by the Representative expressly for use in the Registration Statement, any preliminary prospectus or the Prospectus (or any amendment or supplement thereto), it being understood and agreed that the only such information furnished by the Representative to the Company consists of the information described in subsection (c) below. The indemnity agreement set forth in this Section 9(a) shall be in addition to any liabilities that the Company may otherwise have.

(b) *Indemnification of the Underwriters by the Selling Stockholders.* Each Selling Stockholder, severally and not jointly, agrees to indemnify and hold harmless each Underwriter, its officers and employees, and each person, if any, who controls any Underwriter within the meaning of the Securities Act and the Exchange Act against any loss, claim, damage, liability or expense, as incurred, to which such Underwriter or such controlling person may become subject, under the Securities Act, the Exchange Act or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation), insofar as such loss, claim, damage, liability or expense (or actions in respect thereof as contemplated below) arises out of or is based (i) upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or any amendment thereto, including any information deemed to be a part thereof pursuant to Rule 430A under the Securities Act, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) upon any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto), or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and to reimburse each Underwriter and each such controlling person for any and all expenses (including the reasonable fees and disbursements of one counsel chosen by JRCO) as such expenses are reasonably incurred by such Underwriter or such controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action; provided, however, that the foregoing indemnity agreement shall only apply in each case to the extent but only to the extent such losses, claims, damages, liabilities, expenses or actions are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to such Selling Stockholder furnished to the Company in writing by such Selling Stockholder expressly for use therein. The indemnity agreement set forth in this Section 9(b) shall be in addition to any liabilities that each Selling Stockholder may otherwise have.

(c) *Indemnification of the Company, its Directors and Officers and the Selling Stockholders.* Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, each of its directors, each of its officers who signed the Registration Statement, the Selling Stockholders and each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Securities Act or the Exchange Act, against any loss, claim, damage, liability or expense, as incurred, to which the Company, or any such director, officer, Selling Stockholder or controlling person may become subject, under the Securities Act, the Exchange Act, or other federal or state statutory law or regulation, or at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of such Underwriter), insofar as such loss, claim, damage, liability or expense (or actions

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in respect thereof as contemplated below) arises out of or is based upon any untrue or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto), or arises out of or is based upon 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, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act, the Prospectus (or any amendment or supplement thereto), in reliance upon and in conformity with written information furnished to the Company and the Selling Stockholders by the Representative expressly for use therein; and to reimburse the Company, or any such director, officer, Selling Stockholder or controlling person for any legal and other expense reasonably incurred by the Company, or any such director, officer, Selling Stockholder or controlling person in connection with investigating, defending, settling, compromising or paying any such loss, claim, damage, liability, expense or action. Each of the Company and each of the Selling Stockholders, hereby acknowledges that the only information that the Underwriters have furnished to the Company and the Selling Stockholders expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) of the Securities Act or the Prospectus (or any amendment or supplement thereto) are the statements set forth in the table in the first paragraph and as set forth in the third and ninth paragraphs under the caption "Underwriting" in the Prospectus. The indemnity agreement set forth in this Section 9(c) shall be in addition to any liabilities that each Underwriter may otherwise have.

(d) *Notifications and Other Indemnification Procedures.* Promptly after receipt by an indemnified party under this Section 9 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party under this Section 9, notify the indemnifying party in writing of the commencement thereof, but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party for contribution or otherwise than under the indemnity agreement contained in this Section 9 or to the extent it is not prejudiced as a proximate result of such failure. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in, and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 9 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed

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separate counsel in accordance with the proviso to the preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party, representing the indemnified parties who are parties to such action) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party.

(e) *Settlements.* The indemnifying party under this Section 9 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity was or could have been sought hereunder by such indemnified party, unless such settlement, compromise or consent includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

**Section 10. Contribution.** If the indemnification provided for in Section 9 is for any reason held to be unavailable to or otherwise insufficient to hold harmless an indemnified party in respect of any losses, claims, damages, liabilities or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount paid or payable by such indemnified party, as incurred, as a result of any losses, claims, damages, liabilities or expenses referred to therein (i) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, from the offering of the Offered Shares pursuant to this Agreement or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the statements or omissions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, in connection with the offering of the Offered Shares pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Offered Shares pursuant to this Agreement (before deducting expenses) received by the Company and the Selling Stockholders, and the total underwriting discount received by the Underwriters, in each case as set forth on the front cover page of the Prospectus bear to the aggregate initial public offering price of the Offered Shares as set forth on such cover. The relative fault of the Company and the Selling Stockholders, on the one hand, and the Underwriters, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Selling Stockholders, on the one hand, or the Underwriters, on the other hand, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 9(d), any legal or other fees or expenses reasonably incurred by such party in

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connection with investigating or defending any action or claim. The provisions set forth in Section 9(d) with respect to notice of commencement of any action shall apply if a claim for contribution is to be made under this Section 10; provided, however, that no additional notice shall be required with respect to any action for which notice has been given under Section 9(d) for purposes of indemnification.

The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in this Section 10.

Notwithstanding the provisions of this Section 10, no Underwriter shall be required to contribute any amount in excess of the underwriting commissions received by such Underwriter in connection with the Offered Shares underwritten by it and distributed to the public. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 10 are several, and not joint, in proportion to their respective underwriting commitments as set forth opposite their names in Schedule A. For purposes of this Section 10, each officer and employee of an Underwriter and each person, if any, who controls an Underwriter within the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as such Underwriter, and each director of the Company, each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company with the meaning of the Securities Act and the Exchange Act shall have the same rights to contribution as the Company.

**Section 11. Default of One or More of the Several Underwriters.** If, on the First Closing Date or the applicable Option Closing Date, as the case may be, any one or more of the several Underwriters shall fail or refuse to purchase Offered Shares that it or they have agreed to purchase hereunder on such date, and the aggregate number of Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase does not exceed 10% of the aggregate number of the Offered Shares to be purchased on such date, the Representative may make arrangements satisfactory to the Company and the Selling Stockholders for the purchase of such Offered Shares by other persons, including any of the Underwriters, but if no such arrangements are made by such Closing Date, the other Underwriters shall be obligated, severally, in the proportions that the number of Firm Shares set forth opposite their respective names on Schedule A bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as may be specified by the Representative with the consent of the non-defaulting Underwriters, to purchase the Offered Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date. If, on the First Closing Date or the applicable Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Offered Shares and the aggregate number of Offered Shares with respect to which such default occurs exceeds 10% of the aggregate number of Offered Shares to be purchased on such date, and arrangements satisfactory to the Representative, the Company and the Selling Stockholders for the purchase of such Offered Shares are not made within 48 hours after such default, this Agreement shall terminate without liability of any party to any other party except that the provisions of Section 4, Section 7, Section 9 and Section 10 shall at all times be effective and shall survive such termination. In any such case the Representative, the Company or the Selling Stockholders shall have the right to postpone the First Closing Date or the applicable Option



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Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

As used in this Agreement, the term “**Underwriter**” shall be deemed to include any person substituted for a defaulting Underwriter under this Section 11. Any action taken under this Section 11 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

**Section 12. Termination of this Agreement.** The Representative, by notice given to the Company and the Selling Stockholders, shall have the right to terminate this Agreement at any time prior to the First Closing Date or to terminate the obligations of the Underwriters to purchase the Optional Shares at any time prior to the Option Closing Date, as the case may be, if at any time (i)(a) trading or quotation in any of the Company’s securities shall have been suspended or limited by the Commission or by the Nasdaq National Market or (b) trading in securities generally on either the Nasdaq Stock Market or the New York Stock Exchange shall have been suspended or limited, or minimum or maximum prices shall have been generally established on any of such stock exchanges by the Commission or the NASD; (ii) a general banking moratorium shall have been declared by any of federal or New York authorities; (iii) there shall have occurred any outbreak or escalation of national or international hostilities or any crisis or calamity, or any change in the United States or international financial markets, or any substantial change or development involving a prospective substantial change in United States’ or international political, financial or economic conditions, as in the judgment of the Representative is material and adverse and makes it impracticable to market the Offered Shares in the manner and on the terms described in the Time of Sale Prospectus or to enforce contracts for the sale of securities; or (iv) the Company shall have sustained a loss by strike, fire, flood, earthquake, accident or other calamity of such character as in the judgment of the Representative may interfere materially with the conduct of the business and operations of the Company regardless of whether or not such loss shall have been insured. Any termination pursuant to this Section 12 shall be without liability on the part of (a) the Company or the Selling Stockholders to any Underwriter, except that the Company and the Selling Stockholders shall be obligated to reimburse the expenses of the Representative and the Underwriters to the extent provided in Sections 4 and 7 hereof, (b) any Underwriter to the Company or the Selling Stockholders, or (c) of any party hereto to any other party except that the provisions of Section 9 and Section 10 shall at all times be effective and shall survive such termination.

**Section 13. Representations and Indemnities to Survive Delivery.** The respective indemnities, agreements, representations, warranties and other statements of the Company, of its officers, of the Selling Stockholders and of the several Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or the Company or any of its or their partners, officers or directors or any controlling person, or the Selling Stockholders, as the case may be, and will survive delivery of and payment for the Offered Shares sold hereunder and any termination of this Agreement.

**Section 14. Notices.** All communications hereunder shall be in writing and shall be mailed, hand delivered or telecopied and confirmed to the parties hereto as follows:

If to the Representative:  
Johnson Rice & Company, L.L.C.  
639 Loyola Avenue, Suite 2775

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New Orleans, Louisiana 70113  
Facsimile: (504) 566-0742  
Attention: Joshua C. Cummings

with a copy to:

Porter & Hedges, L.L.P.  
1000 Main Street, 36<sup>th</sup> Floor  
Houston, Texas 77002  
Facsimile: (713) 226-6274  
Attention: Robert G. Reedy

If to the Company:

Gulfport Energy Corporation  
14313 North May Avenue, Suite 100  
Oklahoma City, Oklahoma 73134  
Facsimile: (405) 848-8816  
Attention: James D. Palm

If to the Selling Stockholders (other than Liddell Investments, L.L.C.):

Wexford Capital, L.L.C.  
411 West Putnam Avenue  
Greenwich, Connecticut 06830  
Facsimile: (202) 862-7374  
Attention: Paul Jacobi

If to the Selling Stockholders (only Liddell Investments, L.L.C.):

14313 North May Avenue, Suite 100  
Oklahoma City, Oklahoma 73134  
Facsimile: (405) 848-8816  
Attention: Mike Liddell

in each case, with a copy to:

Akin Gump Strauss Hauer & Feld LLP  
1700 Pacific Avenue, Suite 4100  
Dallas, Texas 75201  
Facsimile: (214) 969-4343  
Attention: Seth R. Molay, P.C.

Any party hereto may change the address for receipt of communications by giving written notice to the others.

**Section 15. Successors.** This Agreement will inure to the benefit of and be binding upon the parties hereto, including any substitute Underwriters pursuant to Section 11 hereof, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 9 and Section 10, and in each case their respective successors, and no other person will have any right or obligation hereunder. The term “**successors**” shall not include any purchaser of the Offered Shares as such from any of the Underwriters merely by reason of such purchase.

**Section 16. Partial Unenforceability.** The invalidity or unenforceability of any Section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other Section, paragraph or provision hereof. If any Section, paragraph or provision of this

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Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

**Section 17. Governing Law Provisions.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York applicable to agreements made and to be performed in such state.

**Section 18. Failure of One or More of the Selling Stockholders to Sell and Deliver Offered Shares.** If the Underwriters have fulfilled all of their obligations under this Agreement and one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Offered Shares to be sold and delivered by such Selling Stockholders at the First Closing Date pursuant to this Agreement, then the Underwriters may at their option, by written notice from the Representative to the Company and the Selling Stockholders, either (i) terminate this Agreement without any liability on the part of any Underwriter or, except as provided in Sections 4, 7, 9 and 10 hereof, the Company or the other Selling Stockholders, or (ii) purchase the shares which the Company and other Selling Stockholders have agreed to sell and deliver in accordance with the terms hereof. If one or more of the Selling Stockholders shall fail to sell and deliver to the Underwriters the Offered Shares to be sold and delivered by such Selling Stockholders pursuant to this Agreement at the First Closing Date, then the Underwriters shall have the right, by written notice from the Representative to the Company and the Selling Stockholders, to postpone the First Closing Date, as the case may be, but in no event for longer than seven days in order that the required changes, if any, to the Registration Statement and the Prospectus or any other documents or arrangements may be effected.

**Section 19. General Provisions.** This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. The Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

Each of the parties hereto acknowledges that it is a sophisticated business person who was adequately represented by counsel during negotiations regarding the provisions hereof, including, without limitation, the indemnification provisions of Section 9 and the contribution provisions of Section 10, and is fully informed regarding said provisions. Each of the parties hereto further acknowledges that the provisions of Sections 9 and 10 hereto fairly allocate the risks in light of the ability of the parties to investigate the Company, its affairs and its business in order to assure that adequate disclosure has been made in the Registration Statement, any preliminary prospectus and the Prospectus (and any amendments and supplements thereto), as required by the Securities Act and the Exchange Act.

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to the Representative the enclosed copies hereof, whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,  
**GULFPORT ENERGY CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SELLING STOCKHOLDERS**

Wexford Special Situations 1996, L.P.  
Wexford Special Situations 1996 Institutional, L.P.  
Wexford Special Situations 1996 Limited  
Wexford-Euris Special Situations 1996, L.P.  
Wexford Capital Partners II, L.P.  
Wexford Overseas Partners I, L.P.

By: Wexford Capital LLC, their Investment Manager

By: \_\_\_\_\_  
Paul Jacobi, Vice President

Wexford Spectrum Investors LLC

By: Wexford Capital LLC, its Manager

By: \_\_\_\_\_  
Paul Jacobi, Vice President

Liddell Investments, L.L.C.

By: \_\_\_\_\_  
Mike Liddell, Sole Member

**[Signature page to Underwriting Agreement]**

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The foregoing Underwriting Agreement is hereby confirmed and accepted by the Representative as of the date first above written.

**JOHNSON RICE & COMPANY, L.L.C.**

Acting as Representative of the  
several Underwriters named in  
the attached Schedule A.

By **JOHNSON RICE & COMPANY, L.L.C.**

By: \_\_\_\_\_

Name: Joshua C. Cummings

Title: Partner

**[Signature page to Underwriting Agreement]**

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**SCHEDULE A**

<b>Underwriters</b>	<b>Number of Firm Shares to be Purchased</b>
Johnson Rice & Company, L.L.C.	[_____]
Dahlman Rose & Company, LLC	[_____]
First Albany Capital Inc.	[_____]
Pritchard Capital Partners, LLC	[_____]
Simmons & Company International	[_____]
Total	6,050,000

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**SCHEDULE B**

<b>Selling Stockholder</b>	<b>Number of Firm Shares to be Sold</b>
Wexford Special Situations 1996, L.P. 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	1,937,970
Wexford Special Situations 1996 Institutional, L.P. 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	325,194
Wexford Special Situations 1996 Limited 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	86,999
Wexford-Euris Special Situations 1996, L.P. 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	463,097
Wexford Spectrum Investors LLC 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	35,815
Wexford Capital Partners II, L.P. 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	2,344,342
Wexford Overseas Partners I, L.P. 411 West Putnam Avenue Greenwich, CT 06830 Attention: Paul Jacobi	437,594
Liddell Investments, L.L.C. 14313 North May Avenue, Suite 100 Oklahoma City, Oklahoma 73134	418,989
<b>Total:</b>	<b><u>6,050,000</u></b>

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**SCHEDULE C**

**Schedule of Free Writing Prospectuses included in the Time of Sale Prospectus**



April 26, 2006

Gulfport Energy Corporation  
14313 North May Avenue, Suite 100  
Oklahoma City, Oklahoma 73134

Re: Gulfport Energy Corporation  
Registration Statement on Form S-3 (Registration No. 333-133109)

Ladies and Gentlemen:

We have acted as counsel to Gulfport Energy Corporation, a Delaware corporation (the "**Company**"), in connection with the preparation and filing by the Company with the Securities and Exchange Commission of a Registration Statement on Form S-3, as amended (the "**Registration Statement**"), under the Securities Act of 1933, as amended (the "**Act**"). The Registration Statement relates to an underwritten public offering of 6,050,000 shares (the "**Selling Stockholders' Shares**") of the Company's common stock, \$0.01 par value per share ("**Common Stock**"), to be sold by the Selling Stockholders identified in the Registration Statement, and up to 907,500 additional shares of Common Stock to be sold by the Company pursuant to the exercise of an over-allotment option (the "**Option Shares**" and together with the Selling Stockholders' Shares, the "**Securities**") pursuant to the terms of an underwriting agreement to be entered into by and among the Company, the Selling Stockholders and Johnson Rice & Company L.L.C. on behalf of the several underwriters.

We have examined originals or certified copies of such corporate records of the Company and other certificates and documents of officials of the Company, public officials and others as we have deemed appropriate for purposes of this letter. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to authentic original documents of all copies submitted to us as conformed and certified or reproduced copies. As counsel to the Company in connection with the preparation and filing of the Registration Statement, we are familiar with the proceedings taken, and with the additional proceedings proposed to be taken, by the Company in connection with the authorization, registration, issuance and sale of the Securities.

Based upon the foregoing and subject to the assumptions, exceptions, qualifications and limitations set forth hereinafter, we are of the opinion that (i) the Selling Stockholders' Shares have been validly issued and are fully paid and non-assessable, and (ii) when the Option Shares have been issued, sold and delivered as described in the Registration Statement, the Option Shares will be validly issued and fully paid and non-assessable.

The opinions and other matters in this letter are qualified in their entirety and subject to the following:

A. We express no opinion as to the laws of any jurisdiction other than the General Corporation Law of the State of Delaware.

B. This letter is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated. We assume herein no obligation, and hereby disclaim any obligation, to make any inquiry after the date hereof or to advise you of any future changes in the foregoing or of any facts or circumstances that may hereafter come to our attention.

We hereby consent to the filing of this letter as an exhibit to the Registration Statement and to the use of our name in the prospectus forming a part of the Registration Statement under the caption "Legal Matters." In giving this consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Act and the rules and regulations thereunder.

Very truly yours,

/s/ Akin Gump Strauss Hauer & Feld LLP

AKIN GUMP STRAUSS HAUER & FELD LLP

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our report dated March 28, 2006, accompanying the financial statements in the Annual Report of Gulfport Energy Corporation on Form 10-KSB for the year ended December 31, 2005, which is incorporated by reference in Amendment No. 2 to the Registration Statement on Form S-3 (File No. 333-133109). We consent to the incorporation by reference in this Registration Statement of the aforementioned report and to the use of our name as it appears under the caption "Experts."

/s/ GRANT THORNTON LLP

Oklahoma City, Oklahoma  
April 26, 2006

[NSAI LOGO APPEARS HERE]

CONSENT OF NETHERLAND, SEWELL & ASSOCIATES, INC.

As independent oil and gas consultants, we hereby consent to the incorporation by reference of our report letter dated March 21, 2006 on oil and gas reserves of Gulfport Energy Corporation and its subsidiaries, to all references to our firm, and to the reference to our firm as experts in the Registration Statement on Form S-3.

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ David B. Cox

David B. Cox  
Senior Vice President

Houston, Texas  
April 26, 2006